

 **Marshall**

Marshall of Cambridge (Holdings) Ltd
Annual Report 2014

2014 Highlights

- Sales increase of over 10% to £1,426m
- Operating profit up over 8%
- Profit before tax up nearly 8% to £19.5m
- Return on Capital Employed increased to 12.0%
- Cash balances of over £65m
- Net assets grown to £178m
- Investment in acquisitions and fixed assets of £67m
- Acquisitions of £16m including:
 - CMG 2007 (BMW/MINI/Nissan)
 - Volvo Bishop Stortford
 - Land Rover Halesworth
- Dividends to Ordinary and NVPO shareholders up 25% to 3.75p and 5.75p per share respectively
- Marshall Fleet Solutions is awarded VP Dealer of the Year 2014 by Thermo King
- Marshall Motor Holdings prepared for listing on AIM in 2015

Contents

Chairman's Statement	2
Group Strategic Report	
Group Chief Executive's Statement	4
Our business at a glance	6
Marshall Aerospace and Defence Group	8
Marshall Motor Holdings	12
Marshall Group Properties	15
Marshall Fleet Solutions	17
Risk Management	18
Principal risks and uncertainties	19
Financial Review	22
Our People	24
Corporate Governance	
The Board	28
Governance Framework	30
Nomination Committee Report	31
Audit Committee Report	32
Remuneration Committee Report	33
Statement of Directors' Responsibilities	35
Directors' Report	36
Financial statements	
Group Profit and Loss Account	38
Group Statement of Total Recognised Gains and Losses	38
Group Statement of Cash Flows	39
Group Balance Sheet	40
Company Balance Sheet	41
Notes to the Financial Statements	42
Independent Auditor's Report	60
Recent Financial History	61
Notice of the Twenty Ninth Annual General Meeting	62
Shareholder Information	63
Key Group Personnel	64

Chairman's Statement

I am pleased that our businesses have continued to make further advances in 2014 with a good operating profit. This has enabled our Board to improve the interim dividend and to recommend an increase in the final dividend, taking our total dividend for the year to 3.75p for ordinary shares and 5.75p for NVPO shares.



As you will see from the more detailed reports which follow, there has been a considerable amount of activity and progress in all sectors of our Group. Our Motor Holdings sub-group has had an exciting and eventful last 12 months. Sales have grown to over £1 billion to put it among the top ten retail motor groups in the UK, and thanks to the purchase of our BMW franchises last year, we are now the only motor group in the UK to represent all the top five prestige franchises, namely Audi, BMW, Mercedes Benz, Land Rover and Jaguar, as well as all of the top ten volume vehicle manufacturer brands.

I am pleased to say that after a considerable amount of work during the last nine months and particularly during the first quarter of 2015, we were able to announce, on 2nd April 2015, that Marshall Motor Holdings plc had successfully completed its flotation on AIM, a market operated by The London Stock Exchange. This raised a gross amount of £40 million for the benefit of the Motor Holdings Group through the issue of new shares to institutional and other investors which should enable it to grow its own resources and to maintain its rapid growth, whilst the Group has retained 65% ownership. We wish it every success under the outstanding chairmanship of Peter Johnson and



Group Operating Profit

↑ 8%

the executive leadership of Daksh Gupta as they move ahead with their ambitious plans for this business. Sadly, both have had to resign from our Group Board to comply with corporate governance best practice but I am sure we will continue to have a lot of contact and interest in what they do.

We will now be able to concentrate our investment on the remaining parts of the Group. This will include enabling Marshall Aerospace and Defence Group (MADG) to build on its excellent work on C-130 modification and support, Boeing tank manufacture, developing composite opportunities and additional aerospace expertise, including our growing Aeropeople activities and the Land Systems specialised shelter work and support contracts. We will also be continuing with the development of the Airport and our increasingly important Property opportunities.

It is pleasing to record that our Fleet Solutions subsidiary returned to profit and was also awarded the Thermo King VP Dealer of the Year Award, as well as earning the MAVTA award for the Group's most improved business. There are many challenges and opportunities ahead for all sectors of our Group and I know that the executive team are very much looking forward to the future with a degree of anticipation and optimism.

We have a large infrastructure at the Airport which has been built up over a number of years to provide us with facilities to support our various businesses. Inevitably, this requires continuing expenditure on repair and improvement. Our concrete runway, which has served us so well for 63 years, is currently being renovated and re-engineered with new drainage and new asphalt reinforcing layers. Work on this started in 2014 and is proceeding well with completion due for the end of the summer.

This should ensure we have a state of the art runway facility for the next 25 years.

Sadly, Sir Ralph Robins will be retiring from the Board in June following eleven years on the Board during which he has given invaluable advice and has also played a major part as a member of the Audit Committee and of the Remuneration Committee. We are all very sad to see him go, but are delighted that he has agreed to continue to be available to give advice to me and other members of the Board during the coming months. His wide experience and counsel, following his sparkling career with Rolls Royce from which he retired as Chairman in 2003, will be sorely missed.

Jonathan Barker has decided to retire this year and will step down from our Board on 3rd June at the end of the AGM. He has been an outstanding employee who has added huge value to our Group during his nearly 40 years with us on property management, insurance and as Company Secretary. We thank Jonathan for his immense contribution and are delighted that he will continue to help us with some of our charitable and Trust activities during the years ahead.

I am enormously grateful to all the members of our teams who have helped us to achieve this year's results and to all our customers for giving us the opportunity to serve them.

Sir Michael Marshall
Chairman

The 2014 results show another year of growth, with sales, profits and our dividend increasing for the fourth consecutive year.



Robert Marshall
Group Chief Executive

This period of growth has resulted in the Group being recognised in the Sunday Times Profit Track league table for private companies.

We have also seen the continued rise in value of our non-voting NVPO shares which were successfully introduced in 2010 and which are now freely available to be bought and sold by anyone.

It has also been a year when we prepared the Group for a significant change which has set us up for the future, strengthening our commitment to all of our businesses to support their strategic ambitions.

Following on from our comprehensive strategic review, and having reviewed the many options available to enable the Group to deliver sustainable levels of investment in our operating companies, the Board agreed to progress plans for an Initial Public Offering (IPO) of our Marshall Motor Holdings businesses on AIM, a market operated by the London Stock Exchange.

The considerable hard work required to prepare for the flotation began in early 2014 and I am proud that we successfully rose to the challenge through the excellent support of all our professional advisors as well as through the endeavours of our internal teams.

Marshall Motor Holdings plc has largely operated as an independent business for many years, but the IPO now means that they will also operate outside our established treasury framework, boosted by the injection of new funds from the new investors in the business. As part of the flotation process, Marshall Motor Holdings has now published its plans and ambitions for the next few years and we are excited still to be the majority shareholder in that business.

As a direct result of this significant change, we are now able to channel all of our resources into our other businesses, including Marshall Aerospace and Defence Group, Marshall Group Properties and Marshall Fleet Solutions, to invest in the future of those businesses in line with their agreed growth strategies. With this greater investment will come progressively greater autonomy for the businesses, balanced by a greater emphasis on performance.

GROUP BUSINESS MODEL

We continue to operate as a holding company overseeing the shareholders' funds through our interests in our portfolio of businesses and investments.

Our wholly-owned businesses include:

Marshall Aerospace and Defence Group, which is focused on serving our many civilian and military customers in the UK and overseas in the air, on land and at sea. As the global aerospace and defence markets continue to adjust to the new economic realities, we are adapting and changing our business to maximise opportunities wherever they arise leveraging our largely unique engineering and other skills to help our customers find solutions and provide flexible and high quality support to them whenever required, remains a key imperative. MADG faces a number of challenges as its traditional business faces ever greater local and global competition. Additionally, newly acquired businesses in the business aviation arena have struggled, incurring losses, and require some redirection and restructuring.

Marshall Group Properties, which is focused on creating long term shareholder value from under-utilised property assets while actively supporting the projected needs of our operating business and other third party tenants. Alongside ongoing work to relocate existing Marshall businesses into upgraded facilities, the two major projects for this business are the planned developments at Mallets Park adjacent to Cherry Hinton and Wing to the north of the main airport site.





Group Turnover
↑ 10%

Marshall Fleet Solutions, which specialises in the supply and installation of vehicle mounted temperature control systems and tail lifts, underpinned with a comprehensive 24hr aftersales support service which operates 365 days a year. After some challenging years and some necessary restructuring, this business is now returning to more appropriate levels of performance.

On the investment side of our portfolio, we now have, since April 2015, **Marshall Motor Holdings plc** which comprises Marshall Motor Group, a top 10 retail dealer group, and Marshall Leasing a leading independent vehicle leasing and fleet management company. We remain the majority shareholder in the company after its flotation.

Martlet and **Marquity** are both relatively new, but exciting, ventures investing in small, early-stage high-tech start up businesses, primarily in Cambridge (Martlet) and in more established technology or engineering businesses (Marquity) where we believe we can add value through our own relevant experience and skills.

We also maintain our legacy businesses, Marshall Chauffeur Services and Cambridge Aeroclub from which our automotive and aerospace businesses respectively have evolved.

REVIEW OF THE BUSINESS

Each of the main businesses are covered individually later in this report where we set out some of their key achievements and objectives in more detail.

We have continued to reinforce throughout all Marshall companies the Group Values emphasising and promoting them in each business to maximise the value and appeal of the Marshall brand. The Values focus on the importance of our people and our customers whilst enshrining the values of integrity and constant innovation.

On top of the many thousands of training days organised by each of our businesses for their own employees, we have continued to invest, at the Group level, in our ongoing leadership development programme (LDP). This programme is now in its second phase (LDP2) which centres on helping our business leaders to embed the skills learned during phase one (LDP1) in the business by utilising effective coaching and mentoring techniques.

Employee engagement is critical to the continued success of the Group and we are committed to measuring this annually across all Marshall companies through the annual Great Place to Work (GPTW) employee survey. Detailed action plans are developed within each business as the results are cascaded down to all employees throughout the organisation.

Delivering great service to our customers has been one of our mantras since the company was founded over 100 years ago, and we measure this in each of our businesses through a variety of independent programmes and surveys, each tuned to the specific needs of the individual business and the market sector in which they operate.

FUTURE DEVELOPMENTS

Maintaining a sustainable and ongoing investment in the long term future of our many businesses is a primary objective for us. Each year the Board formally reviews the strategy of each subsidiary to ensure that they are achievable and can be funded in the most appropriate way. Each of our businesses, whether wholly or partially owned by Marshall, has ambitious plans to develop through organic growth and acquisition. The flotation of Marshall Motor Holdings plc in early 2015 was part of a clear strategy to ensure that we do not hold back unnecessarily any of our businesses from achieving their full potential. This regular review process, backed up by robust and challenging objective setting will continue to be a feature of our Group.

KEY PERFORMANCE INDICATORS

I am pleased to report that 2014 has been another good year for Marshall with improved returns. Turnover has risen by 10%, operating profit is up over 8% and our cash balances rose £10.8m to £65.5m.

Recognising the importance of our values and employee engagement, we were delighted to see that we have continued to improve our Trust Index scores in the annual Great Place to Work (GPTW) employee survey, edging us closer overall to an official 'Great Place to Work' status. Employee participation increased further and we are led to believe that at 87% our participation rate is among the highest for large companies like us. We are particularly proud, however, of Marshall Motor Holdings which for 2014 has now been recognised officially as one of the best large companies to work for in the UK, appearing for the first time in the Financial Times listing. This is a tremendous achievement for the Motor Holdings team which has been participating in the survey since 2008 and focused on achieving this accolade.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is core to the executive management process and is ably co-ordinated across the Group by the Group Company Secretary, Sarah Moynihan. More information on this can be found on pages 18 to 21.



The Group operates through four business segments: Aerospace and defence; Motor retail and leasing; Property; and Fleet Solutions.

Marshall Group

Performance

The Group had another good year in 2014, with turnover up by 10% and profit before tax increased to £19.5m.

Sales

£1,426m 2013: £1,293m

Operating profit

£21.1m 2013: £19.5m

Operating profit margin

1.48% 2013: 1.51%

Return on capital employed

12.0% 2013: 11.7%

Positioning

The overall strategy remains to "Change the Gear, Hold the Values". Our focus is on a rebalancing of the civil/military mix in aerospace and defence; and continuing with the Wing development, as well as acquisition and infrastructure investment. The recent flotation of the Marshall Motor Holdings business should enable this business to expand more quickly with increased facilities and the proceeds from the placing of new shares.

People

People are at the heart of our success and must remain so if we are to continue to deliver the best for our shareholders and, indeed, all our stakeholders. We have increased investment in creating and delivering targeted training and development programmes for employees at all levels in the Group. The Group now employs some 4,600 people and in a year when the overall UK 'Trust Index' score in the GPTW surveys fell, on the back of continued economic austerity, we saw our overall score, for all of our businesses combined, rise again to 68%, very close to the 70% threshold needed to be considered a Great Place to Work.

Aerospace and defence

Performance

Overall financial performance during the year was positive, exceeding our original budget targets for the year, although results were adversely affected by schedule disruption on one major project, together with difficult trading conditions affecting the performance of our Aviation Services division.

Sales

£307m 2013: £320m

Operating profit

£13.2m 2013: £14.3m

Operating profit margin

4.3% 2013: 4.5%

Return on capital employed

17.2% 2013: 19.8%

Positioning

In terms of positioning, 2014 was a year primarily of consolidation and integration following the completion of the Flairjet and Hawker Beechcraft acquisitions in 2013. Nevertheless, we were still pleased to secure strategically important opportunities in terms of our rebalancing strategy through our appointment as Northern European dealer for Hondajet Aircraft Corporation and securing the right to operate the Fixed Base of Operations (FBO) at Birmingham International Airport.

People

During the year a key priority was the modernisation of our reward and benefit offering. This included extending the All Employee Bonus to cover all parts of MADG, together with establishing a benefits platform to launch an employee discount portal and flexible benefits. We have also harmonised a number of employee terms and conditions including the holiday year. Employee engagement scores have remained flat (at 56%) when compared with the prior year. This is beneath our long term target and significant management effort continues to be expended in various specific and business wide initiatives to improve the levels of engagement.



Motor retail and leasing

Performance

The business enjoyed another record year in 2014 with further key strategic acquisitions particularly adding BMW and MINI to the portfolio. Records were achieved in terms of revenue, operating profit, vehicle sales and fleet size.

Sales

£1,086m 2013: £941m

Operating profit

£14.3m 2013: £11.8m

Operating profit margin

1.32% 2013: 1.25%

Return on capital employed

21.2% 2013: 18.3%

Positioning

Since 2008 the business has operated with the vision to be the UK's premier automotive and leasing group as recognised by our colleagues, customers, business partners and shareholders. Now a national dealer group, with its shares now listed on AIM, it is the tenth largest motor retailer in the UK whilst Marshall Leasing is also recognised as a nationally renowned vehicle leasing and contract hire business.

People

Creating a "Great Place to Work" for our employees is paramount to delivering outstanding service to our customers and financial returns to our shareholders. The business has been participating in the GPTW survey since 2008 and has shown consistent progress towards the aim of achieving a result where 80% of employees agree that it is a "Great Place to Work". In 2014, the business achieved top 25 ratings in all of the five categories within the survey with an overall score of 81% and an impressive 89% participation score from over 2,100 employees.

For more content on operations, go to page 12



Property

Performance

The focus in 2014 was primarily on negotiating the submitted planning application for Wing, particularly in terms of the required investment in community infrastructure, whilst ensuring an acceptable financial return to the Group.

Capital expenditure

£4.8m 2013: £2.0m

Rental yield

10.1% 2013: 11.0%

% occupancy

99.9% 2013: 96.9%

Freehold land

900 acres 2013: 900 acres

Positioning

The core property strategy is to create long term value for the shareholders through enhancing land values, maximising income from land and property assets and improving and upgrading existing property assets. The Wing and Mallets Park developments provide a great opportunity and challenge to build leading and iconic settlements which say the very best about Marshall.

People

Further key tenets of the strategy are: ensuring the successful development of Wing and Mallets Park; supporting our fellow subsidiaries in the achievement of their strategies; and acting as a fair and equitable property company for both internal and external tenants; all of which can only be achieved by our people working together and upholding the Group's values.

For more content on operations, go to page 15



Fleet Solutions

Performance

Growth in new refrigeration unit sales and after sales revenue particularly relating to the home delivery market has contributed to the improved results of the company.

Sales

£32m 2013: £30m

Operating profit

£0.03m 2013: loss of £0.9m

Operating profit margin

0.11% 2013: loss of 3.13%

Positioning

The company's recent focus on the supermarket home delivery refrigeration market, via the formation of a dedicated light commercial division, has yielded a huge (16 fold) increase in Thermo King direct drive unit sales since 2009. Whilst a growing light commercial reputation has also assisted in doubling sales of Thermo King self-powered product over the same period, raising the company's profile in the fragmented tail lift marketplace remains a key challenge for the business.

People

The company recognises that effective, two-way communications are vital, especially to a business with 12 UK locations and 140 mobile engineers. Assisted by an annual GPTW survey, the company actively seeks continuous employee feedback and is currently engaged in ensuring that all relevant and appropriate criticisms are addressed. The business now employs around 250 people.

For more content on operations, go to page 17

Group Strategic Report Marshall Aerospace and Defence Group (MADG)

Key Performance Indicators

	2015 Target	2014 Actual	2013 Actual
Sales	£328m	£307m	£320m
Return on Sales	4.3%	4.3%	4.5%
Return on Capital Employed (ROCE)	17.0%	17.2%	19.8%
Customer Satisfaction (out of 10)	8.0	8.1	8.1
Book to Bill Ratio (order capture)	1.8	0.7	0.7
Employee Engagement (GPTW)	70%	56%	56%

2014 was a positive year for MADG in terms of overall performance and progress towards our strategic goals, in line with the targets for the year set out in our long term business plan.

Steve Fitz-Gerald
Chief Executive
Marshall Aerospace
and Defence Group



STRATEGY AND OBJECTIVES

MADG aims to be a successful, privately owned, independent aerospace and defence group, delivering innovative engineering, support solutions and services.

Our immediate goals can be summarised as follows:

- Grow sales to £400m by 2020
- Deliver sustainable return on sales of 10%, or greater, per annum (whilst continuing to meet the Group ROCE target of a minimum of 15%)
- Maintain customer satisfaction at 8 out of 10 or better
- Sustain our workforce and core capabilities
- Improve our Great Place To Work (GPTW) score to 70% or better

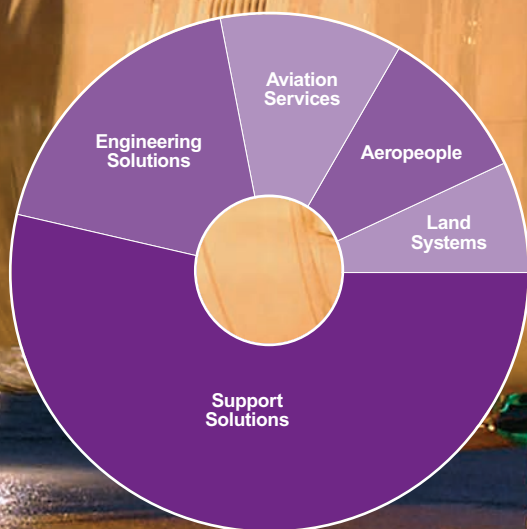
Actual sales levels for 2014 (at £307m) were below the target we set out within this report last year (£345m). This reflected unplanned schedule delays on one major project together with a change in the way revenues are earned related to our aircraft sales activities

(on a commission earning representative basis as opposed to a full dealership basis), rather than any inherent underperformance in our operational activities.

As reported last year, 2014 has seen a significant focus, via our Fit for Growth programme, in delivering productivity and efficiency improvements which will enhance our market competitiveness, improve our return on sales and deliver increased consistency of performance to our customers. The Fit for Growth programme has now delivered annualised cost savings of over £10m, a significant proportion of which we have already returned back to our key customers via reduced pricing. Continuing to follow through on the underlying principles and organisational behaviours inherent within this programme will be critical to ensuring that our cost base and productivity is sufficient to allow us to fulfil our diversification strategy towards increased work in the highly competitive civil and business aviation market sectors.

Operating Profit

↓ 8%



Revenue by Activity

In terms of customer satisfaction, our overall average score of 8.1 for 2014 meant we exceeded our original target set at the start of the year. Maintaining consistently high levels of customer feedback and engagement remains vital to our long term strategy, and our Land Systems and Aeropeople divisions continued to maintain exceptionally high levels of positive customer feedback. We were also delighted that the UK Ministry of Defence, our key customer in Support Solutions, recognised the significant improvements we have made in terms of delivering greater C-130J fleet availability for them during the year. This has been achieved primarily through maintenance scheduling and planning improvement initiatives which were part of the highly successful Fit for Growth programme. Elsewhere, our key targeted area for improvement is within the Aviation Services division which, despite a respectable overall score of 7.6, needs to deliver a more consistent and focused customer service offering in what is an incredibly dynamic and competitive market segment.

In terms of rebalancing our portfolio to include a greater contribution from revenue streams outside of Support Solutions, 2014 has been a year primarily of consolidation and integration following the completion of the Flairjet and Hawker Beechcraft acquisitions in 2013. Changes in market conditions affecting the business aviation sector, particularly the acquisition of Beechcraft by Textron, and a tightening of the way Textron approach the market via partnership and authorised service centre relationships, has impacted Aviation Services. This has eroded the value we have been able to extract from the acquisitions completed last year resulting in overall trading losses, and necessitated a business restructuring exercise to ensure long term market competitiveness, with 2015 likely to be another challenging year as these restructuring activities are implemented. We also re-assessed and then wrote off, in 2014, the goodwill arising on the Hawker Beechcraft acquisition.

Despite these unexpected challenges, we have nevertheless been delighted to secure agreement to manage the state of the art Fixed Base of Operations (FBO) facility at Birmingham International Airport, and have also been appointed as the sole sales representative of HondaJet Aircraft Company for the Northern European region. Securing both of these opportunities is important for the long term growth of Aviation Services and the broader diversification strategy of MADG. Following agreement to operate the FBO at Birmingham International Airport, we have recently consolidated our aircraft sales, brokerage and management/charter businesses at the Birmingham site and are confident that the synergy benefits of co-location will provide a compelling market offering to our customers.

Elsewhere, we have seen strong organic growth in Land Systems, both in terms of order book (2014: £23m, 2013: £13m) and financial performance (£1.9m improvement in operating profit), and also at Advanced Composites (order book 2014: £15.4m, 2013: £10.9m). We expect to deliver further performance improvements and growth in both of these businesses in 2015 and we also continue to remain alert to acquisition opportunities which will provide specific and value accretive growth in terms of our rebalancing strategy.

BUSINESS MODEL

MADG is a diverse group of companies which provides services in civil, military and commercial markets to a range of customers in the air, land and sea domains. It has seven elements, comprising five core business units, the Airport operation and the central functional support departments. The organisation is managed by way of a matrix with embedded functional staff. The five core businesses are:

Group Strategic Report

Marshall Aerospace and Defence Group



Support Solutions - provides a wide range of services covering all aspects of aircraft support, maintenance and repair. This is the largest element of our business and also runs the operations function, which organises and manages our hangar staff. Support Solutions also takes responsibility for our businesses providing engineering support in Canada and Australia.

Engineering Solutions – undertakes full scope tasks, including design engineering and production. This includes the building of our aircraft fuelling products such as auxiliary fuel tanks and complex aircraft modification programmes. Engineering Solutions also manages our Advanced Composites business in Yorkshire.

Land Systems – operates with an emphasis on covering all aspects of vehicles, shelter systems and logistic support in the Land domain. Land Systems also manages the Manufacturing Support function for MADG.

Aviation Services – provides business aviation maintenance and modification, aircraft brokerage, aircraft sales and distribution, executive aviation management and charter, including the businesses acquired in 2013 in Broughton and Flairjet, now based at Birmingham International Airport.

Aeropeople – provides a wide range of staffing solutions from provision of contract staff to fulfilling short term requirements and also full recruitment service provision contracts. It provides staff across Europe, mainly to the aerospace industry and to Formula 1 motor racing constructors.

In addition, MADG operates Cambridge International Airport which can support scheduled and charter airline services and also supports our business and executive aviation businesses. One of its key functions is as a gateway for the MADG business. Finally, our Central Functions cover a range of administrative and assurance services providing, inter alia, services such as finance, human resources, purchasing, commercial, facilities management, health and safety, and quality assurance.

MADG is primarily located in the UK, with our centre of operations in Cambridge and other facilities at Brize Norton, Kirbymoorside, Broughton and Birmingham. We do have important operations in Canada, Australia, the Middle East and The Netherlands providing key support overseas. In addition, we have a number of offices at airports in the UK and overseas providing technical and logistical support to our customers.

Our strategy is based on remaining independent because independence of original equipment manufacturers (OEMs) allows us to provide the best solution for a customer's needs, rather than being limited to providing a specific manufacturer's product. Coupled with a full scope of capability, in terms of aircraft design, support, modification and repair, which is very rare in the industry, we are able to solve problems where others cannot because of capability limitations. Despite the depth of our capability, however, we value partnering extremely highly. Strategic partnerships within the aerospace industry are key to success; leveraging the abilities and customer focus of service providers with the Intellectual Property (IP) of OEMs is a powerful way to build competitive support offerings.

Risk management in our business is undertaken in a structured way. We maintain risk registers at all levels of the organisation, with a top level corporate risk register for MADG which is fed into the Group risk management process. Risk management is considered more fully below.

MADG draws upon a wide range of resources. We continue to need an airport, with all its requirements, to allow aircraft to position here; we need extensive covered space to undertake work; we need quality approvals from various authorities; and we need arrangements for the supply of parts and materials and access to the IP which allows us to bring all these things together. Most of all we need people and skills, as we are highly dependent upon well trained, highly motivated staff to deliver our services to customers. This is why sustaining our workforce and progressing towards an improved GPTW score are such a fundamental part of our strategic objectives.

REVIEW OF THE BUSINESS

Financial performance during the year exceeded our financial return targets, but was adversely impacted overall by the unexpected market developments which had a significant impact on Aviation Services.

Support Solutions results significantly exceeded plan, primarily as a result of additional C-130J work for the UK Ministry of Defence on the Hercules Integrates Operational Support (HIOS) programme, together with improved contributions from Tristar Integrated Operation Support (TRIOS) and various smaller modification projects for our other European C-130 customers. The latter was particularly pleasing as it demonstrated the realisation of benefits linked to the improved project management engineering disciplines delivered via our Fit for Growth programme.

Our Engineering Solutions business suffered significant disruption during the course of the year linked to commercially driven schedule slippage on one major programme. This resulted in significant disruption costs being incurred both within the division itself and within core support functions, particularly Engineering. Nevertheless, underlying operational performance on other programmes exceeded plan and helped to mitigate the impact overall.

As highlighted earlier in this report, our Aviation Services business had to respond to several unexpected market challenges, linked to its business aviation maintenance activities in Cambridge and Broughton, during the year. These had a significant impact on operational results, particularly in the final quarter of the year, as noted earlier. In addition, after reviewing the carrying value of our owned aircraft it was necessary to include an impairment of £0.8m. Hence, overall, despite a strong performance from our rapidly growing aircraft sales and brokerage business, results from the division were in loss and significantly beneath target for the year.

Land Systems continued to build on the progress reported last year, delivering an overall improvement of £1.9m in terms of its operating profit. It has made good progress in terms of securing key orders, particularly the Amphora contract, the first Strategic Support Supplier arrangement with the UK Ministry of Defence, under which it now acts as the primary contractor for shelter/container based refurbishment and maintenance requirements for the customer. Progress was also made in terms of successfully concluding the closure and disposal of its residual obligations linked to the Mildenhall production site.

Elsewhere, despite the unexpected withdrawal of work supporting line maintenance activities at Stansted Airport, Aeropeople delivered a solid overall performance in the year whilst, as already highlighted above, central costs were adversely impacted by the disruption caused by schedule delays on one major programme in Engineering Solutions. In the Airport, efforts to launch regular international scheduled flights from Cambridge, via Darwin (Etihad Regional) and CityJet, were ultimately deemed by the airlines to lack sufficient customer demand to deliver the required commercial returns to maintain the services. As such, scheduled passenger services were



terminated in late 2014 and our focus is now on delivering an efficient and safety orientated airport capability to support wider MADG operations.

FUTURE DEVELOPMENTS

Our key emphasis remains on increasing our diversification and rebalancing away from core C-130 work for European military customers, reflecting the decreasing opportunities for growth and continued cost competitiveness in this sector as customer budgets decrease as a result of ongoing government spending constraints. We therefore remain focused on investing in organic growth in our existing core businesses, whilst continually monitoring opportunities to deliver strategic "step change" through acquisitions which will complement our strategy to rebalance our business.

During 2015, we will also be completing negotiations with the UK Ministry of Defence on the next fixed pricing period for the HIOS programme. This contract is highly significant to both the Support Solutions division, and the overall MADG business and, therefore, represents a key area of management focus for the coming year.

KEY PERFORMANCE INDICATORS

Our KPIs have been selected to align with our key strategic objectives. The Book to Bill ratio reflects our order capture performance which underpins our strategic sales growth targets. We currently measure Employee Engagement through the overall headline score from our independent employee engagement partner, the Great Place to Work Institute.

An analysis of the movements in KPIs is included below:

- As expected, sales did not grow in 2014, as the fall in work, on the HIOS and TRIOS programmes following the retirement of the C-130K and Tristar platforms, was not offset by additional sales from other areas. Anticipated sales growth in 2015 will primarily come from the transfer of work originally expected in 2014, on one major programme in Engineering Solutions, into 2015.
- Our Book to Bill ratio has remained flat in 2014 and our overall order capture was in line with budget. 2015 will see the conclusion of negotiations for the next multi-year tranche of the HIOS programme and has accordingly driven the anticipated spike in the KPI target for 2015.
- Return on Capital Employed has remained strong, and we expect to continue to see steady performance in this respect looking forward.
- Our assessment of Customer Satisfaction is obtained from the results of an independent customer survey carried out by SMS Associates. As highlighted earlier in this report, we have maintained the overall high scores achieved in 2013, making particular progress in terms of customer recognition by the UK Ministry of Defence for our work on the HIOS programme.
- Employee Engagement scores have remained flat when compared with 2013. Significant management focus continues to be applied on specific and business wide initiatives designed to improve our engagement scores.

PRINCIPAL RISKS AND UNCERTAINTIES

We have identified five key risks to our businesses which, whilst having remained relatively stable over recent years, are, nevertheless, critical to our future financial and operational performance. These are explained further below:

Failure to maintain and grow a sustainable order book - most of MADG's core business consists of longer term contractual arrangements and these contracts tend to be of considerable size. The nature of these contracts is such that they can take a long time to secure and each one utilises considerable resources. Gaps in the flow of work can thus expose the business to significant losses. During 2014 we made good progress in improving the robustness of our order book in both Land Systems and Advanced Composites, but we also saw a number of a key major modification programmes delayed as a result of customer budgetary and other constraints. Securing these opportunities remains a key priority for the business.

Inadequate employee skills and experience and loss of key staff

- people are our key asset and we invest a tremendous amount to ensure that we are not exposed to skill shortages in the business and that our staff are trained to an excellent standard. We have a detailed people agenda and a focus on talent management, skill development, flexible benefits and harmonisation of terms & conditions, the latter particularly designed to encourage improved employee engagement.

Access to Intellectual Property (IP) - over time OEMs have begun

to guard their IP more carefully. Where previously we may have been able to negotiate access, and purchasers of assets were happy to buy the asset alone, we now face an environment where OEMs have recognised the value of restricting access to IP whilst customers more and more wish to purchase a capability rather than a physical asset. This has led to the bundling of asset and in-service support together as a contractual package. Notwithstanding this, OEMs do recognise that they may not be best placed to deliver in-service support on a stand alone basis, and in an increasing number of cases are looking to deliver this through a strategic partner. We value strategic relationships very highly in positioning us to take advantage of these opportunities and work hard to develop such relationships.

Access to airport facilities - our Airport represents the gateway to

our site and without these facilities we would be required to source alternative operating bases at significant disruption to the business. Whilst comprehensive in terms of capability, the runway and some aspects of the related infrastructure are near the end of their effective operational lives and have required careful maintenance and management over recent years. During the course of 2014, we completed our investment in a new "state of the art" wide body paint facility and also commenced work on the runway rehabilitation programme which will be completed in 2015. Completion of this project will significantly decrease the operational risk linked to the age and capability of the existing runway infrastructure.

Delivery of diversification strategy - the rebalancing of our existing

businesses to reduce the reliance on work from our core C-130 market in Europe is vital to ensuring that we are able to maintain the breadth of engineering capability; this puts us in a unique position that OEMs and key customers both find beneficial to the market. Monitoring progress against our diversification targets and ensuring that we retain the management and leadership bandwidth to deliver them successfully is key to our long term operational and financial success. In 2014, we implemented a dedicated strategic supervisory board, supported by our experienced non-executive directors, to assist the MADG leadership team in managing this risk.



Operating Profit

↑ 22%

Marshall Motor Holdings exceeded the billion pound sales mark for the first time in 2014, whilst achieving a record operating profit of £14.3m.

Daksh Gupta
Chief Executive
Marshall Motor Holdings



STRATEGY AND OBJECTIVES

The business aims to be the UK's premier automotive and leasing group as recognised by our employees, customers, business partners and shareholders.

The principal activities of Marshall Motor Holdings (MMH) are the sale and repair of new and used vehicles through Marshall Motor Group (MMG) and the leasing of vehicles through Marshall Leasing. MMH's businesses are integrated and include a total of 71 franchises covering 24 brands, operating from 63 sites across 16 counties in England.

MMH is the only dealer group in the UK to represent all of the top five prestige (being Audi, BMW, Mercedes-Benz, Land Rover and Jaguar) and top ten volume (being Ford, Vauxhall, Volkswagen, Nissan, Peugeot, Toyota, Citroen, Hyundai, Kia and Skoda) vehicle manufacturer brands. In addition, it is currently one of only six dealer groups in the UK to represent all of the major German and British prestige and alternate premium brands.

Having successfully completed its five year plan to 2013, MMH now aims to achieve strategic growth and become the nation's premier automotive dealer group for both retail and leasing. It will seek to do this by focussing on its Five Key Strategic Pillars as follows:

- Class leading returns
- Customer first

- Retailing excellence
- People centric
- Strategic growth

MMH is well placed to deliver further growth and in order to help fulfil this potential, additional funding sources were investigated. It was decided that the optimum strategy to maximise the opportunities that are available was to raise a gross £40m for the benefit of the company through a share placing on the AIM market of the London Stock Exchange. The first day of admission to AIM was 2 April 2015. The proceeds of this transaction are to be used to:

- accelerate growth through funding of acquisition opportunities; and
- invest in the existing operations including investment in freehold opportunities, site upgrades and redevelopments, and investment in the website and e-commerce capabilities.

BUSINESS MODEL

The business model of MMH is underpinned by the following core strengths:

Strong relationships with its manufacturer partners

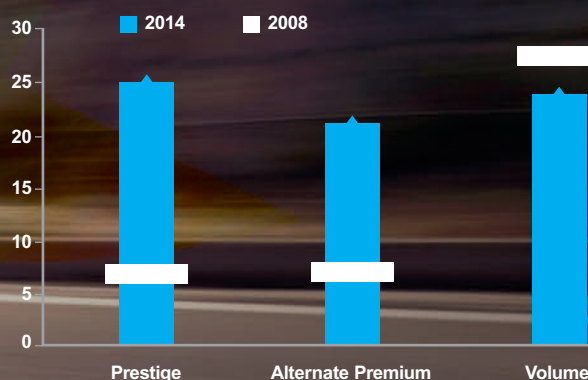
MMH values its relationships with its manufacturer partners and recognises that manufacturer support is crucial to its success.

Opportunity to grow with manufacturers

MMH is a national retailer with a portfolio composed of the right



Number of dealerships



Turnover

↑ 15%

Key Performance Indicators

	2014 Actual	2013 Actual
New retail and fleet sales units	31,951	27,250
Used sales units	25,598	23,395
Service hours sold	625,627	601,995
Leasing funded fleet	6,031	5,610

brand partners. The franchise portfolio is balanced between prestige, alternate premium and volume brands. However it is believed that MMH is under-represented with certain of its core brand partners and this is seen as an opportunity to increase its representation across the country.

An integrated leasing business

Marshall Leasing operates as an integrated and profitable leasing business and had a fleet of 6,031 vehicles as at 31 December 2014 which has grown at 7.6% from 2012 to 2014. There are significant synergies between the leasing and retail businesses. In 2014, 1,055 of the vehicles provided through Marshall Leasing were sourced from MMG. Also in 2014, Marshall Leasing sold approximately 80% of de-fleeted vehicles to MMG where there was a retail opportunity, thereby enabling MMG to realise a secondary revenue stream from those used vehicles on re-sale.

Bespoke IT platform – Phoenix

MMH benefits from its own internally developed and bespoke dealer management reporting system, called Phoenix. The system provides wide ranging information and enables MMH to manage the business proactively. Phoenix is integrated with the dealer management system, Kerridge.

Increased online penetration

MMH has increased its online capabilities, including website redevelopments to optimise the customer interface, mobile usage and technology, supported by ongoing investment in Phoenix. In January 2015, MMH was ranked 14th most visited of the websites across the UK automotive industry (i.e. including vehicle supermarkets and manufacturers) with its websites listed as the 7th most visited of the UK dealer groups.

Excellent financial track record

The year ended 31 December 2014 saw MMH reach an important financial milestone reporting revenues in excess of £1 billion. Key drivers to this growth have been:

- Strong core organic like-for-like performance
- Restructuring of the portfolio: by way of (i) exits of subscale, loss making or non-core businesses and (ii) acquisitions and start ups resulting in existing brand extension and new representation with prestige and alternate premium brands.

Strong platform for future growth

MMH has undergone a transformation in recent years from a business that reported losses in 2008 to a business that made an operating profit of £14.3m in the year ended 31 December 2014. The existing business presents an excellent platform for future growth.

REVIEW OF THE BUSINESS

2014 was a seminal year for MMH as it further expanded and reorganised its franchise portfolio, prepared itself for the prospect of the share placing and also enjoyed another strong year of organic growth.

2014 was an exceptionally busy year for acquisitions. A Volvo business in Bishops Stortford, Essex was purchased in June, complementing the geography of the existing Volvo sites excellently and taking the Volvo representation to seven sites. Shortly afterwards, in July, a Land Rover dealership in Halesworth, Suffolk was also bought. Likewise, this complemented well the footprint of the existing Land Rover dealerships and has provided a useful entry point to the Suffolk market.

In August, a further acquisition was made of a regional dealer group, called CMG 2007 Limited, which traded throughout Lincolnshire. This acquisition gave entry to the BMW and MINI network, brands which had long been coveted. The acquisition bought a BMW dealership in Scunthorpe, as well as a site in Grimsby that sells BMW, MINI and BMW Motorbikes. The acquisition also bought three Nissan businesses in Boston, Grantham and Lincoln, adding to the existing Nissan sites.



In the year, the strategic opportunity was also taken to dispose of certain sites. Cambridge DAF, Milton Keynes Mazda, Milton Keynes Renault and Cambridge Nissan were all sold during 2014.

In December 2014, the number of new cars registered increased by 8.7% compared with the number registered in December 2013, marking the 34th consecutive month of growth. Overall, the market grew by 9.3% in 2014. 2014 also recorded the fourth highest volume of new vehicle registrations. The rise in new car sales from 2013 has been partly driven by a combination of aggressive pricing, cheap finance offers and pent-up demand from the recession. It was pleasing that MMH was able to record a 17.3% increase in new unit sales.

The industry newspaper Fleet News has reported that the UK leasing market reached a five year high in 2014, with the UK's 50 largest leasing companies having a combined fleet of 1.33 million vehicles, a growth of 7% from 2013, and only 1.7% below 2009 levels. Marshall Leasing again out-performed the industry average with a fleet growth of 7.5%.

Customer service is key to MMH's business both as a motor retailer and a provider of vehicle leasing services. It commissions ongoing independent surveys to measure customer satisfaction. The independent customer surveys conducted in 2014 in respect of Motor Group showed 97.2% of customers surveyed were very satisfied or completely satisfied with Motor Group's service. 43.3% (in Q4 2014) of the customers surveyed in 2014 were using Motor Group's services because of a good previous experience with the business or on the recommendation of a third party.

The Company is committed to recruiting, training and retaining talent in the industry. Since 2008, MMH has acquired or started 51 franchises (whilst also exiting a number of non-core or subscale businesses) and grown from 41 franchises to 71. Despite significant portfolio churn and expansion in headcount, MMH has consistently improved its results in the Great Place to Work survey and achieved an overall 81% score with a participation rate of over 89% a very high engagement rate. The directors believe this is due to the Company's commitment to its people and its core values. This is also demonstrated by Marshall Leasing's average staff retention of 17 years.

MMH has participated in the Great Place to Work survey since 2008. This survey is run by the Great Place to Work Institute, an independent organisation, which enables employees to submit anonymous feedback in respect of their employers. The 30 largest companies by headcount taking part in the Great Place to Work survey obtained an average trust index of 79%. The trust index measures employees' rating of management's credibility, respect for staff and fairness. Since it began taking part in the Great Place to Work survey, MMH's trust index has steadily increased to above the average of the 30 largest companies in 2014.

MMH has developed the Marshall Academy, which provides learning and development programmes for its staff. The Marshall Academy works closely with the dealership businesses, so that each programme focuses on developing people to be effective in their roles and fosters alignment with the Group's cultural values. It provides development opportunities by way of bespoke training for sales, aftersales and management roles. MMH has also implemented the Marshall eAcademy, an online development tool which allows its employees to be assessed against relevant industry competencies and benchmarks, and undertake development to reach those benchmarks.

FUTURE DEVELOPMENTS

From 2nd April 2015, MMH became a plc listed on AIM with a board of directors, the majority of whom are independent of the Marshall Group.

MMH is targeting another year of material improvement in the Group's trading performance during the year ending 31 December 2015. This will be driven by improved trading performance as a result of continued improvements from previous portfolio changes, continued outperformance of the new and used car market (despite SMMT forecasting a lower growth rate in new car registrations year on year) and by maintaining the Group's gross margin.

With the proceeds of the flotation (£40m gross) and its own separate banking facility of £75m, MMH has a good opportunity to entertain strategic acquisitions to complement its current portfolio and drive up the overall performance and results.

MMH believes it is well positioned to grow by expanding into other English geographical locations in which it currently has no presence and focusing on brands with sufficient room for growth. It has a diversified portfolio of prestige, alternate premium and volume brands consisting of 14 core OEM partners, and scope for growth with the majority of these. It has also developed strong relationships with them, which will be key to achieving growth on this basis.

KEY PERFORMANCE INDICATORS

Financial performance is assessed primarily by turnover and operating profit. However other key performance indicators, to monitor performance including sales activity, capacity utilisation, margins and fleet growth, are used extensively. These are reported in the management accounts and reviewed regularly by management.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks relating to competition

The automotive retail and leasing markets are competitive. Competitors include other dealerships, manufacturers selling and servicing directly and independent traders. Financial institutions are also present in the vehicle financing space. The major risks are risks relating to price competition, risks relating to customer preferences and fluctuations in prices in the used car market.

Risks relating to manufacturers and suppliers

MMH depends on the successful performance of its OEM partners and its continuing relationships with them.

Risks relating to law and regulation

MMH considers the following regulatory risks to be the most relevant to its business: risks relating to environmental regulation, risks relating to health and safety regulation and risks relating to employment law, risks relating to competition law, risks relating to FCA authorisation and risks relating to trade barriers.

Operational risks

MMH is subject to risks arising from internal processes, people and systems or from external events. This includes, amongst other things, losses caused by a lack of controls within internal procedures, breach of internal policies by employees (including the misuse of data), disruption or malfunction of IT systems, mechanical or equipment failures, human error, natural disasters or malicious acts by third parties.

MMH depends on its internally developed bespoke dealer management tool, Phoenix, as well as other IT services and support for its several websites. If these systems were to fail this would have a detrimental effect on the business.

The property business aims to be a long-term wealth creator for the Group, whilst maintaining its close relationships with the rest of the business.

STRATEGY AND OBJECTIVES

The core property strategy is to create long-term value for the shareholders within the overall Group strategic framework through:

- Protecting and leveraging our land and property assets to maximise total return
- Managing and investing in the existing property portfolio
- Ensuring the successful development of Wing and Mallets Park
- Strategically acquiring and consolidating land and property which would complement the existing portfolio
- Supporting our fellow subsidiaries in the achievement of their strategies
- Acting as a fair and equitable property company for both internal and external tenants

BUSINESS MODEL

The property business holds and rents out both investment properties and properties used in, or important to, the business of other group companies, sited within Cambridge. The Group also owns and occupies other freehold and leasehold properties, outside of Cambridge, specifically for aerospace and defence, motor retail and leasing and the fleet solutions operations, and these are held in their respective businesses.

The property business also carries out farming and related agricultural activities on its land; makes strategic acquisitions of both property and land where the opportunity arises; and has an increasingly proactive property development role, including the submission of an outline planning application for a 160 acre development north of Newmarket Road, known as Wing (www.wingcambridge.co.uk). The Wing development will ultimately deliver up to 1,300 homes, replacement car showrooms, a commercial hub, a primary school and open space for the community to enjoy. In addition, a planning application is being prepared for submission during 2015 on a 20 acre site at Cherry Hinton for a development of up to 250 homes, known as Mallets Park (www.malletspark.com).

REVIEW OF THE BUSINESS

Much of the focus in 2014 has been on negotiating the planning application for Wing, which was submitted in December 2013. The planning application was well received, mainly due to the extensive pre-application consultation and stakeholder engagement. The key areas of ongoing negotiation relate to the required investment in community infrastructure (e.g. schools, transport) and affordable housing, whilst ensuring the development delivers an acceptable financial return to Marshall. Significant progress has been made on a feasibility study to determine a suitable location for relocation of the airport's engine ground running activities, and a preferred location has been identified.

As reported last year, the purchase of the remaining 50% of the 20 acre piece of land, now known as Mallets Park, was completed in February 2014. Pre-application discussions are well advanced and full public consultations, held in July and September 2014 resulted in the development of a comprehensive masterplan. The business is in discussions with prospective developer partners with the aim of submitting a planning application during 2015.

The managed property portfolio remained relatively stable throughout 2014. Two new external tenants were welcomed onto the site; Chassis Cab operating the DAF franchise in February 2014 and Glyn Hopkin operating the Nissan franchise in October 2014. As part of the planned exit of our Land Systems business from Mildenhall, a warehouse adjacent to the main facility was sold.

The Quorum office complex, the Group's principal investment property, achieved full occupancy during 2014. This was also the first full year the new managing agent had been in post reinvigorating how the property is being managed. The Cambridge market

continues to see an unprecedented demand for prime office space in the centre of Cambridge, the effects of which have rippled into the wider Cambridge market. The Quorum is ideally placed as a desirable office location situated on the edge of Cambridge but with the city centre and major road networks easily accessible.

The business has also been supportive of the planning application to site a new Ice Rink within the boundary of Greenhouse Farm. This facility is seen as complementary to the Wing development and a much needed boost to the provision of leisure facilities on the eastern side of Cambridge.

FUTURE DEVELOPMENTS

With the prospect of obtaining planning permission for Wing and Mallets Park, along with an overarching requirement for the business to be a key contributor to the overall wealth generation of the Group, a detailed strategic review has commenced to ensure the property assets of the Group are efficiently utilised to deliver the returns expected of them.

We have also established the following key short, medium and long-term objectives:

Short-term

- Achieve outline planning permission for the Wing development
- Ongoing support for the property needs of the Marshall operating companies
- Implement an integrated electronic property management system
- Progress the planning application for Mallets Park
- Maximise site occupancy by achieving an optimal balance of external and internal tenants

Medium-term

- Oversee, manage and control the Wing development within the development phase to maximise returns and shareholder value
- Locate and invest in suitable relocation premises for Marshall operating companies displaced by the Wing development
- Maintain high levels of occupancy in the Quorum office complex and other property assets

Long-term

- Create a balance between sustainable long term income and asset value from the property portfolio
- Protect the long term value of the Cambridge site
- Deliver new residential communities of which the company, stakeholders and local communities can be justifiably proud
- Actively seek new opportunities to strengthen and consolidate the portfolio and to provide expertise and support to other Group companies

KEY PERFORMANCE INDICATORS

The following KPIs are used to monitor the business:

	2015 Target	2014 Actual	2013 Actual
Ratio of external to internal income	0.2	0.11	0.08
Maintenance costs per sq ft property	£0.30	£0.20	£0.38
Occupancy (exc Quorum)	100%	99.9%	96.9%
Rental Yield (exc Quorum)	10%	10.1%	11.0%
Quorum Rental Yield	12%	11.7%	9.2%
Quorum Occupancy	100%	100%	100%

Group Strategic Report

Marshall Group Properties

An analysis of movement in KPIs is included below:

- The ratio of external to internal income has remained relatively static in the period with a minor improvement resulting from two new external tenants on site. There is a continued target to increase third party tenants over a period of time and reduce the reliance on Group operating companies for its income.
- Maintenance costs per sq ft of Cambridge real estate decreased in the year and, whilst there is a programme of proactive maintenance, the age of the buildings can sometimes lead to costly reactive maintenance which was partly the reason for the increased cost in 2013. The target in the medium term is to balance maintenance costs around £0.30 sqft.
- Overall occupancy has increased in the year moving closer to our target of 100% and it is pleasing to note the Quorum occupancy remains at 100% reflecting the buoyant Cambridge office rental market.
- The Quorum rental yield has improved predominantly resulting from the majority of the suites being 100% occupied for the full year.
- Elsewhere, as a result of improving asset values the rental yield has decreased when compared with the prior year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks to our business are:

Obtaining the planning permission and successfully delivering the Wing and Mallets Park developments

Given the significant costs associated with relocating Marshall and other third party businesses from the North Works as well as regenerating a predominantly brownfield site, we are progressing detailed discussions with the Local Authorities to ensure that required investment in community infrastructure (e.g. schools, transport) and affordable housing is set at levels which is appropriate, having regard to our overall business objectives and those of the key local stakeholders. The intended outcome of these negotiations is that planning permission is granted for a scheme which is financially viable, deliverable, and satisfies the Group's objectives.

Voids and unoccupied buildings within the core property portfolio

We maintain effective and open dialogue with all of our tenants, both internal and external third parties, working with them to improve tenant satisfaction by maintaining the Cambridge site and infrastructure, responding to maintenance requests in a timely fashion to ensure properties are fit for purpose and, where appropriate, rehousing and providing new facilities for internal tenants.



Marshall Fleet Solutions aims to be the UK's premier mobile transport refrigeration and tail lift network provider.

STRATEGY AND OBJECTIVES

Our strategy is to build a scalable business that delivers consistent high levels of customer service through our three business streams of Truck and Trailer Division (TTD), Light Commercial Division (LCD) and Tail Lift Division (TLD). A key element of this strategy is to grow the number of customer vehicles on contract with us.

BUSINESS MODEL

The customer is at the centre of everything we do. We have seen the impact that a single focused business stream can deliver through the performance of our LCD operation. In 2015, we have adopted this business stream approach for the rest of our operations. This enables us to focus on the specific needs of our customers. The management and their team in each business stream are targeted to work with customers, wherever they are located, to ensure consistent high levels of service.

Activities that are not related to customers have been removed from operations and are undertaken by our newly formed operations support team, thereby allowing the operations teams to focus purely on their customers.

Our key account managers continue to offer all of our services to customers so that we can meet all of their needs. The business stream approach is a means of effectively delivering those requirements.

The progress that the business has made in 2014 would not have happened had it not been for the commitment of all our people. We aim to recruit, invest in training and retain the best talent available in order to build for the future. We measure how successful we are in doing this using the annual GPTW employee survey.

REVIEW OF THE BUSINESS

During 2014 the business grew its new refrigeration sales of both the larger self-powered and smaller vehicle-powered units. We also grew our overall market share.

We also saw significant growth in the number of units on contract maintenance for both refrigeration units and tail lift. Some of this obviously came as result of our new unit sales but also from our developing relationship with vehicle manufacturers.

In the year we increased our investment in training for all of our staff and management and replaced about one third of our van fleet for our engineers.

The progress made in 2014 would not have happened had it not been for the commitment of our team, and so it is equally gratifying that there was an improved Great Place to Work rating achieved in the annual employee survey. Although there remains some scope for improvement, this was the best rating achieved so far by the company.

More importantly, the company produced a profit for the first time in a number of years and won 'Most Improved Business of the Year' at the Group MAVTA awards ceremony in January 2015. We were also delighted with the success of our LCD operation being recognised by Thermo King in early 2015 with the award of its Vehicle-Powered EMEA Dealer of the Year for 2014.

FUTURE DEVELOPMENTS

Meeting our customer needs remains a key focus. As mentioned above, we have adopted a business stream approach for our operations allowing us to focus on the specific needs of our customers.

Our people are, undoubtedly, the reason for our improved performance and we will be increasing the number of employees in order to help satisfy the demand for our services.

We will continue to invest in the business. Once again there will be more investment in training for all of our staff and management and we aim to upgrade about another one third of our van fleet for our mobile engineers. It is also our intention to implement a companywide phone system which should enable us to route calls better, thus improving the customer experience and our operational efficiency.

The company has created an installation hub in the North West of England over 2 sites within 30 minutes of each other. This allows us to assist the bodybuilders/original equipment manufacturers by enabling them to deliver their units to us so that we can install the refrigeration units away from their premises.

KEY PERFORMANCE INDICATORS

	2015 Target	2014 Actual	2013 Actual
New units sold	2,250	2,030	1,763
Units on contract	7,300	6,845	5,592
Revenue (£m)	36	32	30
Engineer's productivity (%)	70	70	69

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks to our business are outlined below:

Business conditions, general economy and Government policy

The profitability of the business is directly influenced by the strength of the economic climate in the UK. Factors such as unemployment, interest rates, exchange rates, and inflation or deflation could all impact the markets in which the business operates and reduce demand.

Refrigeration unit manufacturer dependencies

The loss of its franchising partner would result in a significant reduction in profits due to the inability then to source new product to sell, perform warranty repairs or carry out maintenance activity.

Legislation on greenhouse gases

To reduce global warming, new European legislation is starting to phase out HFC gases including R404A which is the most commonly used refrigerant. There is a new refrigerant available which meets the currently published requirements. Over time the level permitted reduces further and a risk exists to our business if the manufacturers of refrigeration units and refrigerant are not able to offer suitable products to meet the legislative demands.

Group Strategic Report

Risk Management

Risk management approach

Managing our risks sensibly and effectively should ensure 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 we operate within and, therefore, risk management is a fundamental part of achieving our strategy. As our operating companies are diverse in their range of activities, the Group aims to provide a mix of guidance complemented with appropriate reporting requirements for each of them. This should ensure a robust process is in place to manage risks across the Group. The responsibility for risk identification, assessment, mitigation and reporting lies with the management of each of our businesses.

This report represents the strategy and approach to risk management in force throughout 2014 and, therefore, before the flotation, in April 2015, of Marshall Motor Holdings as an independent entity with its own risk management system.

The Group takes a proactive approach to risk management, with the expectation that by identifying risks early, the likelihood and impact of those risks might be reduced or removed before they transpire, and appropriate plans can be put in place to deal with them effectively if they materialise. The Group is committed to safeguarding its assets, from infrastructure through to people, using an effective risk management process underpinned, where appropriate, by insurance.

Risk reporting within the Group is structured such that the key issues are escalated up to management, and ultimately the Board where appropriate. The Group's risk management framework and guidelines ensures that risks are monitored continuously, associated actions are reviewed, appropriate contingencies provisioned and this information reported through established management control procedures. Identified risks are documented in risk registers, ranked by likelihood of occurrence and potential impact. As with any system of internal control, risk management policies and processes are designed to manage, not eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Providing a safe working environment for employees, customers, suppliers and visitors is of paramount importance to the Group, as is ensuring the Group operates in a sustainable manner, in minimising its impact on the environment and its neighbours. The operating companies continue to maintain an appropriate governance structure for managing the complex regulatory landscape surrounding Health, Safety and the Environment. Whilst the responsibility clearly sits with the operating companies to manage the risks, the Group recognises the importance of these areas and provides support, guidance and oversight, where appropriate.

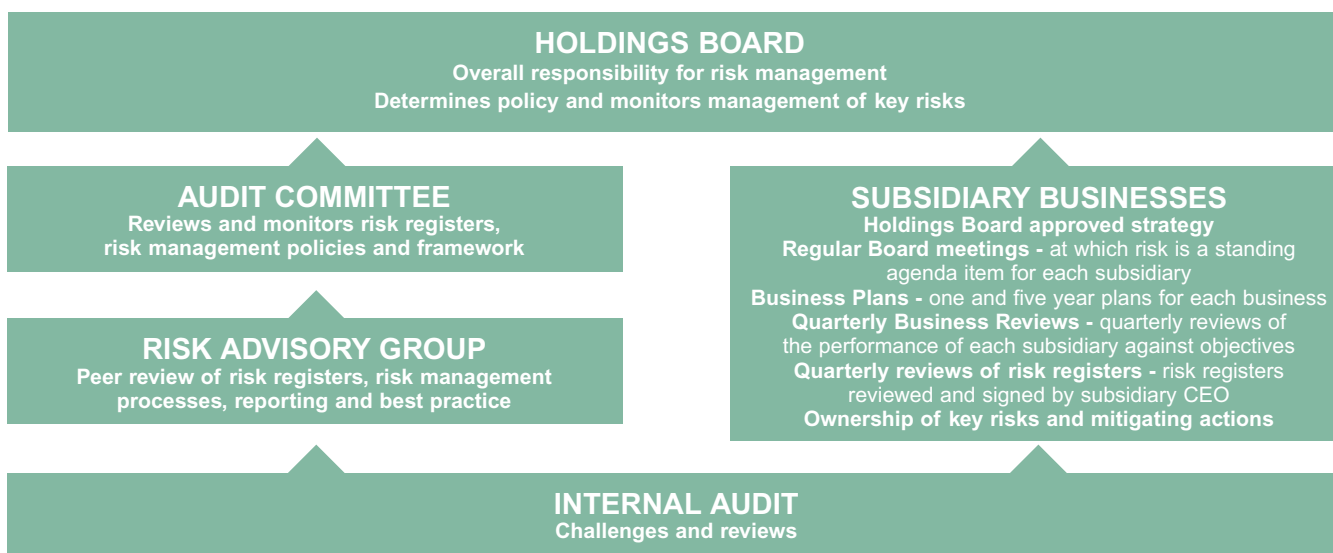
Risk Management Process

The Group has published its own risk management framework booklet, which sets out its policy statement, approach, and the detailed process, together with a toolkit to support all of its operating companies in their effective management of risk.

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;
- 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;
- Assist in embedding a risk management culture within the Group; and
- Provide overall assurance to the Board via the Audit Committee.

The Group has an established structure and process for the management of its key risks:



To facilitate the effective identification and management of risk throughout the Group, a Risk Advisory Group meets at least three times a year under the chairmanship of the Group Company Secretary. Directors with responsibility for risk management from each operating company, with additional invitees at the Group's request, attend to share best practice across the Group, and to review and monitor current risk registers, new risks and procedures. The Risk Advisory Group serves both to embed risk management procedures and to advise the Audit Committee on current risk exposures and potential changes to future risk strategy.

Internal Control

The Board has established what it believes is an appropriate control environment. The internal control system is designed to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Group's assets. The system is designed to manage rather than eliminate the risk of assets being unprotected and the failure to achieve business objectives. Internal controls only provide reasonable and not absolute assurance against material misstatement or loss.

Key features of the Group's internal control systems:

Financial controls

- Board approved budgets and business plans for all subsidiaries
- Monthly results reporting to the Board for all subsidiaries, with written commentary including key developments for each business stream
- Organisational structure at head office and subsidiary level which clearly defines responsibilities
- Independent internal audit function
- Board approval of significant acquisitions and disposals, tenders, bids and large long term contracts

Operational controls

- All Group entities have specific, written policies and procedures which cover all material aspects of their operations. Compliance with these policies is subject to internal and external review.

Compliance

- Policies for health, safety and the environment which are enforced across the whole Group
- Group Code of Business Ethics, Marshall Values and Risk Management Framework booklets and separate anti-bribery policy in place
- Detailed matrix across the Group setting out levels of authority

Group strategy

The Group strategy of "Change the Gear; Hold the Values" continues to be the cornerstone, underpinned by five key elements, against which all our risks are mapped and KPIs used to measure and monitor the strategic actions.

Our Strategy	Strategic Actions
Change the margin	Realise our profit margin potential Realise and unlock the value of our assets
Change the way we go to market	Offer attractive products and services at competitive prices Win new business
Change our efficiency and productivity	Focus on what matters Maximise synergies with 'one company approach' Make strategic acquisitions and investments
Change the culture	Create a focus on decision and risk assessment Reward success and performance manage failure
Underpinned by our values	Work as a team with 'one company, one culture' approach <i>Upholding the highest standards of integrity and fairness</i> <i>Putting customers above all else</i> <i>Recognising that people are at the heart of our success</i> <i>Maintaining competitive edge through innovation and creativity</i>

Principal risks and uncertainties

The Group's principal risks, which have been identified by our businesses and reviewed by the Board are set out below, together with their potential impact and the actions and controls put in place by the Group to mitigate those risks.

Change the margin

Risk	Impact	Mitigation
Exchange rate risk	Volatility in exchange rates to which the Group is exposed could have a material impact on the financial performance of the Group.	The Group operates a central treasury function, whose policy for mitigating foreign exchange risk is explained in more detail in the Financial Review on pages 22 to 23.
Interest rates	Fluctuations in interest rates could have a material impact on the financial performance of the Group.	The Group's policy is to maximise interest receivable commensurate with risk, with highly rated UK banks, whilst managing and monitoring the potential interest rate on borrowings.
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. 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. They are reviewed regularly by the Group finance function and the Board to ensure that the Group has sufficient cash resources or working capital facilities for at least a 12 month period.

Change the way we go to market

Risk	Impact	Mitigation
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.	The Group's balanced portfolio of businesses, specialist capabilities and outstanding customer service continue to address this risk.
Macro economy and Government Policy	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. Equally, a continued reduction in defence spending by a Government, a change in procurement policy and any further change to EU Block Exemption rules could have a marked impact on ability of the businesses to perform.	The Group's diverse nature of businesses, markets and products continues to mitigate this risk.
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.	The Group seeks to participate only in franchises and agreements in which its interests are aligned to those of its partners, and has formal procedures of review to monitor the performance of these relationships.
Information/ Cyber security risk	The individual businesses are dependent on the secure, 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 infiltration.	The Group has a broad range of measures in place, including appropriate information security policies, contingency plans and tools, to monitor and mitigate this risk.
Manufacturer dependency	There is some dependence on manufacturers' Intellectual Property (IP), financial condition, marketing, design, production capabilities, reputation, management and industrial relations. Although neither MADG nor MMH are unduly dependent on any single manufacturer, a change in strategic relationship or continuing drop in demand could threaten the operational and financial performance of the Group.	The strategies adopted by both MADG and MMH are based on a diversified portfolio of manufacturers in order to mitigate this risk.

Change our efficiency and productivity

Skills availability	The UK aerospace skills base is under pressure with falling numbers available in the engineering resource pool. 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.	The Group continues to invest strongly in training at all levels, from apprenticeship schemes through to the Leadership Development Programme. The Group's commitment to its people is further outlined on pages 24 to 27.
Synergy	The distraction of management attention to integrate new businesses and the underperformance of new acquisitions against expectations could adversely affect the Group.	The Group has established policies in place to manage the acquisition process, and considers each integration in its own context. Investments are also monitored for impairment and are subject to Audit Committee review, as outlined on page 32.

Change our efficiency and productivity (continued)

Risk	Impact	Mitigation
Large projects	Incorrect estimation of the technical content and requirements of these complex projects may lead to a failure to meet contractual commitments and reduce the profitability of such a contract.	To manage contract related risk and uncertainty, MADG operate a life cycle management (LCM) process. A separate bid LCM programme provides approval processes for bids and tenders. Project performance is monitored using standardised KPIs and metrics.
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. 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.

Change the culture

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 Conduct Authority as well as local authorities. Non-compliance can lead to fines, enforced suspension from trade, public reprimand or, in the extreme, closure of parts of the business.	The Group dedicates resource to regulatory compliance in order to maintain its capability to identify and manage the risk of compliance failure.
Health & Safety	The Group faces health and safety, as well as engineering and product safety, risks due to the scale and nature of its operations. A significant failure could lead to significant fines or curtailment of operations, and 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. The Group has health and safety policies and practices embedded along with an ethos of workplace safety throughout its operations. The Group takes particular care to ensure compliance with new regulations, legislation and best practice in the industries in which it operates.
Management succession	The Group is dependent on members of its senior management team. A failure to plan for succession to key roles could lead to a lack of management continuity and therefore an adverse effect on financial and operational performance.	The Group's approach to training and developing its staff is a key part of addressing this risk, as detailed on pages 24 to 27.

Underpinned by our values

Reputational risk	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 around 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 financial performance.	Though the Group's stated Code of Business Ethics and Marshall Values, as well as business continuity planning and a keen sense of responsibility to the local community and environment, the Group endeavours to safeguard its reputation.
Ethical business practice	The Group operates in various markets and geographies, and is reliant on the continued application of acceptable business practices by all of its employees and management. Unacceptable business practices, which contravene our Code of Business Ethics, could result in significant fines or curtailment of operations, as well as having an adverse impact on the reputation and performance of the Group.	All employees sign up to the Group's Code of Business Ethics and a programme of training and compliance has been implemented for all employees. Anti-bribery and corruption training has also been implemented for employees identified as being in high risk positions, and refresher training rolled out to relevant staff. The Group also has an independent whistleblowing hotline in place to facilitate effective reporting of malpractice.

The Group improved its profit before tax to £19.5m in 2014, thereby improving on the record trading year in 2013.

RESULTS

Profit before tax, improved by nearly 8% whilst sales rose by 10% to £1.4bn and net assets finished above £178m marking a fourth year of both growth and progress for the Group. The commitment to increasing shareholder value was also reflected in an improved dividend and a rise in the NVPO share price.

Group profit before tax

£19.5m 2013: £18.1m

Marshall Motor Holdings signed off its last full year as a wholly owned subsidiary with a 15.5% improvement in motor retail and leasing sales taking it over the £1bn mark for the first time. There was an even better 22% improvement in profits with another record profit contribution from the leasing business. The retail performance was boosted by the Land Rover, Volvo, Nissan, BMW and MINI acquisitions in July/August 2014 contributing to the last 4 months or so of the year. Marshall Aerospace and Defence had a solid year, beating its budget but not quite emulating 2013 as had always been expected. Sales slipped to £306.6m, although in the main core areas activity was effectively flat. Nevertheless, it still managed an overall operating contribution of over £13m. The other welcome return to form was Marshall Fleet Solutions which returned to profitability after a number of years of losses.

Sales

£1,426m 2013: £1,293m

Gross profits rose by over £16m, some 7.0% ahead of 2013 and derived primarily from the motor retail and leasing activities. Nevertheless, despite improving sales, margins remained under pressure in Motor Group's used retail and service markets whilst, in the Marshall Aerospace and Defence engineering businesses, slightly lower order take and activity inevitably had an impact on its margins.

Operating profit

£21.1m 2013: £19.5m

EARNINGS PER SHARE

Basic earnings per share increased some 4% to 21.6p as against 20.7p in 2013 whilst the underlying earnings per share fell slightly to 31.2p (2013 – 31.3p). Note 9 on page 46 provides an analysis of the underlying earnings figure which has been calculated using profits excluding exceptional items, goodwill amortisation and impairment losses on fixed assets and investments, so as to give shareholders a better understanding of the recurring level of earnings per share.

DIVIDENDS

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

A priority dividend of 2.00p per share on the NVPO shares was paid together with an interim dividend of 1.00p per share, paid to both Ordinary and NVPO shareholders, on 19th December 2014.

The Board is recommending an improved final dividend of 2.75p per Ordinary and NVPO share for approval by the shareholders at the AGM and it is the intention to pay this on 26th June 2015.

Total dividends paid to shareholders in respect of the year will then have amounted to £3.82m (2013 - £3.38m), an overall increase of 13.0% whilst the increase in dividends to Ordinary and NVPO shareholders will be 16.7%.

As a private company, the Group has had limited access to external funds, other than by way of borrowing or loans. Accordingly, it needs to generate and then retain sufficient post-tax profits to fund future investments and growth. The Motor Holdings IPO in April 2015 will alleviate this somewhat although the dividend receipts from the plc may well fall in the short term.

Nevertheless, it remains the Board's policy to continue to provide some stability in terms of return for shareholders, whilst trying to ensure that dividends are well covered by post tax earnings. Dividends to ordinary and NVPO shareholders for 2014 are more than 4 times covered.

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 currently required to comply with International Financial Reporting Standards (IFRS) which are mandatory for all listed companies, including Marshall Motor Holdings plc from 2015.

In March 2013, the Financial Reporting Council (FRC) issued FRS 102, which is effectively a revised UK GAAP and is more in line with International Standards. Currently, the Group intends to adopt this methodology for its accounts for 2015 rather than adopting full IFRS.

TAXATION

The Group current tax charge for 2014 was £6.8m or 34.7% (2013 – 37.4%) although the overall tax charge reduces to 31.3% (2013 – 28.7%) or £6.1m when deferred tax is taken into account. This rate is above the effective statutory rate of 21.5%, principally because of expenditure disallowable for tax relief particularly in respect of impairment losses and depreciation for showroom and operating plant and equipment.

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 and, whilst none have yet been agreed for 2013 or 2014, there is the prospect of further tax credits in the future, which have been recognised on a prudent basis as a credit to profit before tax in accordance with new government legislation. A full analysis and reconciliation of the tax charges is given in Note 8 on pages 45 to 46.

Although, the Government has signalled a further reduction in headline corporation tax, rates down to 20% from 1st April 2015, lower capital allowance rates and the incidence of other disallowable expenditure probably means that the normal rate paid by the Group may still be closer to 30%, rather than the headline rate of 20%.

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.

As a Group, we endeavour to pay our fair share of all taxes, particularly corporation tax as evidenced by our current rate of nearly 35%. HMRC recognises this attitude in a medium to low risk rating for the Group.

GOODWILL

In accordance with accounting standards, the Group reviewed and finalised the goodwill set up on the Aerospace and Motor acquisitions in 2013. This resulted in goodwill of a further £1.7m being set up. The Motor acquisitions in 2014 of the Land Rover, Volvo, BMW, MINI and Nissan franchises resulted in further goodwill of £11.9m being recorded. Amortisation and impairment in the year was £3.9m and, the net goodwill being carried on the balance sheet rose to £21.1m from £11.4m in 2013.

The Group's policy is to capitalise and then amortise goodwill over those future years expected to benefit from each acquisition. The maximum period for amortisation is currently 10 years although shorter periods are used if the perceived benefit erodes more quickly.

IMPAIRMENT COSTS

Provision has been made to reduce the value of one of the company aircraft to recoverable amount or, in essence, a more realistic value. Additionally, goodwill of £1.3m, considered to be irrecoverable, on recent acquisitions in MADG, has been written off.

CASH FLOW

The Group's continued emphasis on managing its cash resources positively resulted in a closing gross cash position of £65.5m, an improvement of £10.8m on the 2013 closing position of £54.7m, and a record year end closing balance.

Cash balance

£65.5m 2013: £54.7m

Good profitability, tight control on capital expenditure, attention to working capital and increased customer contract advances and deposits resulted in the Group generating £80.1m from its operating activities, although net investment in new businesses, fixed assets and investments consumed £58.4m. Nevertheless, we entered 2015 in a strong position which has continued for the first quarter of the year.

TREASURY MANAGEMENT

The Group Finance function continued to manage, monitor and control the Group's loans, cash, currency and interest risk during 2014. The function did not operate as a profit centre but was there to assist the operating units mitigate cost and risk. The Group trades not only in Sterling but in a number of other currencies, principally US Dollars, Canadian Dollars, Australian Dollars and Euro. Where it is possible to protect overall Group trading margins against the adverse impact of currency movements, forward exchange cover is considered.

The flotation of Marshall Motor Holdings has required us to separate our banking facilities into two separate groupings, independent of each other, from effectively April 2015.

The Group engages with Barclays, its principal banker, but also with HSBC, Lloyds, Santander and Coutts in the UK. In addition, overseas the Group also uses ANZ and Royal Bank of Canada.

GROUP BORROWINGS

During 2014, the Group continued to use its agreed facilities to fund around 75% to 80% of the acquisition cost of the Leasing fleet but despite an increasing Leasing fleet, good working capital management meant gross borrowings remained relatively flat at £47.0m and in addition there was a loan of £6.5m to support motor retail working capital needs. This attracted interest only at base rate.

Net funds

£11.9m 2013: £2.5m

The other banking facilities available to the Group for working capital facilities were renewed and included a flex arrangement for the peak cash demands of the Motor Group in March/April and September/October each year. This arrangement has now

transferred to the new plc. Working capital facilities and the four year revolving credit facility of £10m remain available to the non-MMH part of the Group 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 total commitment on operating leases for properties increased during the year as a result of acquisitions so that, at the end of 2014, the annual recurring commitment on property leases had risen from £6.7m to £8.1m

INVESTMENT

Stringent management is employed to ensure resources are invested wisely. Rigorous reviews of the return and pay back are carried out for all capital projects, other than those deemed essential in order to comply with operating regulations or legislative requirements. Post expenditure effectiveness reviews are subsequently performed by the Audit Committee.

Some £67m was expended on building a stronger Group for the future. £27.3m gross (£20.1m net) was invested in the Leasing fleet which ended the year with 6,031 vehicles (2013: 5,610 vehicles); a further £22.5m, was spent on property, equipment and technological improvements. Gross investment on acquisitions of new businesses made in the year amounted to £16.3m.

PENSIONS

The FRS17 deficit on the Group's defined benefit scheme, the 'Plan', increased to £12.9m from £8.0m, but after deferred tax there was a net liability of £10.3m. The expected liabilities continued to rise on the back of reducing bond yields (which determine the discount rate), rather than any change to mortality rates, whilst there was some mitigation from increasing asset values largely through stock market gains. Improvements in the stock market would help reduce 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 31st December 2013, indicated a deficit of only £1.5m and the Group agreed to eliminate this over the period to 2017 in five equal instalments which were, in fact, satisfied in full by March 2015. The next funding valuation is due to be carried out in 2016.

KEY PERFORMANCE INDICATORS

The individual companies use a number of Key Performance Indicators (KPIs) both financial and non-financial to gauge performance. The diversity of the nature of the Group's businesses means that few are universal or applicable for every company. A number of specific KPIs against which individual or Group performance can be monitored, with order intake and profitability being particularly important, are measured and reported to the Board each month. During 2014, monitoring against the Group strategy objectives has been a regular feature of management reporting. Return on capital employed, based on operating profit, was up to 12.0% for the year, but excluding exceptional items was 13.2%.

Return on capital employed

12.0% 2013: 11.7%

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 (excluding acquisitions or major developments). The second target is to ensure that cash and available borrowing facilities represent at least 5% of turnover. In 2014, the Group again comfortably achieved both of these targets. All subsidiary companies are monitored on their cash generative performance.

Group Strategic Report

Our People

Marshall Values

Underpinning all of our programmes across our businesses, including the induction of all new employees, are the Marshall Values which were first published in 2012 and which have since become embedded in the culture across the businesses. These Values are:

- Upholding the highest standards of integrity and fairness
- Putting our customers above all else
- Recognising that people are at the heart of our success
- Maintaining a competitive advantage through innovation and creativity

These Values and the level of engagement in them by employees across our business, are measured through our participation in the annual Great Place to Work Survey, run by the Great Place to Work Institute, with whom we have worked since 2008, and also a series of independent customer surveys. A new measure of our integrity and fairness Value was developed in 2014 and is now reported quarterly to the executive board.

Health and Safety

We continue to strive to ensure that Marshall is a safe place of work for our employees, customers, contractors, suppliers and other visitors and have been delighted to receive confirmation that Marshall Aerospace and Defence Group is to be presented with its 13th consecutive Gold Award, which translates to our fourth consecutive President's Award.

Employee Development

Providing opportunities for all Marshall employees which will help them to develop the skills to fulfil their potential remains a key focus across all Marshall businesses and we continue to invest in a substantial programme of development and training modules which are delivered across all levels of the Group. In 2014, a total of 6,500 training days

were delivered to Marshall employees, in addition to our ongoing substantial apprentice and graduate training programmes.

Leadership Development

Building on the success of our original Leadership Development Programme (LDP1) which ran in 2012 and 2013, we launched the LDP2 programme early in 2014, through which more than 250 of the senior leaders across all Marshall businesses are now refining the skills, and especially the important coaching techniques learned during LDP1, so that they can be translated into the day-to-day business environment.

Talent and Succession Reviews

As planned, the first of the new, formal annual talent and succession reviews were undertaken in 2014, as part of the annual business planning review process. Aimed at helping each of the Marshall businesses to identify and prepare their next generation of leaders, this talent and succession review process will help the businesses to implement highly targeted, bespoke development programmes to carefully selected high-potential individuals.

Employee Engagement

For the fourth consecutive year (seventh for Marshall Motor Holdings), all Marshall businesses participated in the annual Great Place to Work Survey, which is a respected independent survey run by the Great Place to Work Institute. This confidential survey provides invaluable feedback for each of our businesses which helps them identify areas for improvement as we strive to ensure that all Marshall businesses are rewarding and engaging places to work. Around 3,900 employees took part in the 2014 survey, leading to one of the highest participation rates (87%) when compared with other large companies in the UK. Overall our scores in the main Trust Index and the 'key question' have continued to improve. We also saw a big improvement in Marshall Fleet Solutions and a further improvement in Marshall Motor Holdings



which has just been notified that it has been selected to be included in the official Great Place to Work League table for the best places to work in the UK, which will be published in the Financial Times in May 2015.

In line with the pattern we have established over the last 15 years, we held a Family & Friends Open Day on the main Cambridge site in June 2014. Despite poor weather, more than 7,000 employees and their families attended and enjoyed a range of displays and other entertainments, including a flying display which featured a diverse collection of aircraft.

MAVTA Awards

The fourth year of the Marshall Achievement Values and Teamwork Awards (MAVTA) again saw more than one third of Marshall employees being nominated, either as an individual or as part of a team, by their colleagues and peers, for a MAVTA in one of the seven categories:

- Business Excellence
- Innovation
- Customer Service
- Leadership
- Services in the Community
- Best Environmental of Health and Safety Initiative
- Team

The nominations are all made within the respective businesses which also take responsibility for the first round of judging to select the finalists who are all invited to attend the Gala Awards Dinner where the winners are announced. As in previous years, the 2014 awards were presented at a special dinner hosted this year by the television newsreader Natasha Kaplinsky, in the splendid surroundings of the Great Hall at King's College in Cambridge.

The 2015 nomination process is already open.

Long Service

Across Marshall we have a proud tradition of long service and we are proud to recognise and celebrate this each year. At an individual company level, employees who have completed 5, 10, 15, 20 or 25 years with Marshall are recognised and thanked for their valuable contributions to the business. Those who have completed 30, 40, 50 or even 60 years of service are invited to a special event in Cambridge, hosted by Sir Michael and Robert Marshall, where they are presented with their awards. In 2014, a total of 41 awards were presented to employees who had completed in excess of 30 years continuous employment with Marshall, bringing the total number of these Group awards presented to 1,053 representing 27,950 years of service. In addition, a total of 503 awards for between 5 and 25 years of service were also presented.

Pensions

Helping our employees to plan for their future retirement is a responsibility which the Group shares with the pension trustees. As the national emphasis has moved increasingly towards individuals taking responsibility for their retirement position, the trustees have been steadily improving the range of fund options which are available to the members of the scheme.

We have continued to work with Standard Life and Friends Life (now part of Aviva) to ensure members have the best available options and can take advantage of the new flexibility for retirement options which has become available since 6th April 2015.

Flexible Benefits

In line with our commitment to make Marshall an engaging and rewarding place to work for our employees, we have just started the roll-out of a comprehensive flexible benefits programme in our Marshall Aerospace and Defence Group. This followed on from the successful implementation of new pension arrangements and the introduction of Smart Pay across the Group.



Winners of the Marshall Achievement, Values and Teamwork Awards (MAVTAs)

“We believe it is important to celebrate outstanding achievements at Marshall.”

Robert Marshall
Chief Executive



**MAVTAs Finalists - STEM Team
Services in the community**

“I am proud that our younger colleagues are displaying such high levels of enthusiasm towards their work. These people are at the heart of our future success.”

Sir Michael Marshall
Chairman

Community and Charitable Work

All Marshall employees, both in the UK and overseas, are encouraged to be actively involved with community and charitable work. In this way, both directly and indirectly, the Group is able to support a large and diverse range of activities and good causes by harnessing the individual engagement and passion of our employees for local community organisations and charities. From parish councillors to special constables, school governors, reading assistants, youth group leaders and charity volunteers, Marshall employees feature prominently, as they do in mountain rescue units, lifeboat stations, sports clubs and many more.

We are proud to be a member of the Percent Club and to have senior leaders from the business actively involved as Trustees for a number of local and national charities including BEN, the benevolent charity of the motor industry, the Addenbrooke’s Charitable Trust and Cambridgeshire Community Foundation. In addition, we continue to be recognised locally and nationally for our active support in major community initiatives wherever our businesses are located, such as Cambridge Ahead, a business-led organisation seeking to work with other stakeholders to develop a long term integrated growth plan for the greater Cambridge area.

Sector Support

Recognising the benefits both to the individuals concerned and to the Company, Marshall continues to encourage the active involvement of Marshall employees and the wider companies in the work of a number of important industry bodies and organisations which are relevant to the business sectors in which we operate. These include: the Defence Growth Partnership; the Engineering Employers’ Federation; the Institute of the Motor Industry; the Royal Aeronautical

Society; the Royal Academy of Engineering; the National Franchised Dealer Association; the British Vehicle Rental and Leasing Association; Semta; ADS and the Air League.

Marshall Network

Comprising many of our younger employees, the Marshall Network continues to play an important role in the Group. With members drawn from a wide variety of roles across the business, the Marshall Network is actively involved in the development and implementation of new programmes, including, for example, the new graduate recruitment programme in Marshall Aerospace and Defence Group. The active committee of the Marshall Network also organises and supports a range of events each year for their members and others.

Marshall LaunchPad

Recognising the national lack of young people considering careers with engineering or engineering-related businesses, we have developed the new Marshall LaunchPad programme which has now been launched. LaunchPad, developed and run by a team of young engineers and apprentices across the Group is working through local schools with young people between the ages of 8 and 18 to encourage more of them to make choices which would open up opportunities for careers in engineering or engineering-related businesses.

LaunchPad is broken down into three categories:

- Stars For young people between the ages of 8 and 10 at primary schools
- Innovators For young people between the ages of 11 and 16 at secondary schools
- Scholars For young people between the ages of 17 and 18 at Sixth Form



In addition to visits and talks by the LaunchPad team to the enrolled schools, the programme also includes tours of the Group's main engineering site at Cambridge and 'engineering festivals' at which the young people will participate in appropriate engineering activities and compete for Star, Innovator or Scholar status. The prizes for the winners in each category will be built around experiences and broadening the young peoples' understanding of the role of engineering in the world. Each year's winners will also help recruit and inspire the next year's candidates.

One important aspect of Marshall LaunchPad is a commitment to work quickly towards achieving a 50/50 split between boys and girls on the programme. The current lack of women in engineering in the UK (the lowest in Europe) is a national disgrace and we are committed to do our bit to turn this around.

In preparing the programme for launch, we have been delighted with the support and encouragement we have received from other businesses in the Cambridge area and we hope progressively to be

able to involve them in the LaunchPad programme as it develops. This is not a recruitment programme for Marshall, so the involvement of other local businesses will significantly broaden the experiences for all potential LaunchPad scholars.

The Strategic Report was approved by the Board on 28th April 2015.

S J Moynihan
Group Company Secretary

The value of...



Upholding the highest standards of integrity and fairness.



Putting our customers above all else.



Recognising that people are at the heart of our success.



Maintaining competitive edge through innovation and creativity.

Corporate Governance

The Board

P.J. HARVEY ACIB DipFS[†]

Appointed 2008

He is a former chief executive of Barclays Corporate and Commercial Banking and, latterly, until his retirement in 2008, Vice Chairman of Barclays UK Banking. Currently non-executive Chairman of Co-operative Banking Group, he is a member of the Chartered Institute of Bankers.

S.J. FITZ-GERALD FRAeS

Appointed 2011

He was appointed as Chief Executive of Marshall Aerospace in January 2011 and subsequently Chief Executive of Marshall Aerospace and Defence Group in 2013. Prior to this, he was President of Cobham Aviation Services for 5 years. He has 35 years of experience in the defence industry with Plessey, Marconi and BAE Systems. He is also a Fellow of the Royal Aeronautical Society and Chairman of the Value Chain Competitiveness Team, the Government's new initiative for the defence industry which is called the Defence Growth Partnership.

C.J. SAWYER[†] ^{o*}

Appointed 2008

He developed Deltron Electronics Plc, which he sold during 2006 and was then Chairman of Lorien Resourcing Ltd until 2014. He is currently a Trustee of the think tank, Tomorrow's Company. He is also the Marshall nominated director on the Board of Marshall Motor Holdings plc. He is a Fellow of the RSA and the Institute of Directors, Companion of the Chartered Management Institute and is a Freeman of the City of London. Chairman of the Audit Committee.



S.J. MOYNIHAN FCA CRAeS

Company Secretary

She joined the Group from Ernst & Young in 1997 and became Group Financial Controller in 2000 and Head of Group Insurance in 2002. Sarah was appointed Company Secretary of the Group with effect from the AGM in 2012. She is a Companion of the Royal Aeronautical Society, a trustee for two of the Group's pension schemes and a Governor of The Fields Children's Centre as well as trustee of its principal charity.

SIR RALPH ROBINS DL FREng FRAeS[†] ^{o*}

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.

SIR MICHAEL MARSHALL

CBE DL MA FRAeS[†] ^{o*}

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 Chartered Management Institute, a Vice President of the Institute of the Motor Industry, President of the Addenbrooke's Charitable Trust and a Freeman of the City of London.

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.

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 Company Secretary of the Group from 1993 to 2012. He is also a Trustee for the Group's various pension schemes. He will retire as a director at the 2015 AGM.

W.C.M. DASTUR FCA

Appointed 1996

Formerly a managing 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 and Investment Advisory Committee, a trustee for a number of Cambridge based charities, a Fellow of both the RSA and the Institute of Directors, and a Freeman of the City of London.

A.J.F. BUXTON DL FRICS*

Appointed 2014

He worked with Bidwells LLP for over 30 years, and was Senior Partner from 2000 to 2010. He was appointed Chairman of Pigeon Investment Management in 2011. He was Chairman of the CBI in the East of England from 2003 to 2005, and on the Advisory Board of the Department of Land Economy at Cambridge University from 2003 to 2007. He was appointed a Deputy Lieutenant of Cambridgeshire in 2006, and served as High Sheriff of Cambridgeshire in 2013/14.



A.E. COOK CBE*

Appointed 2010

Deputy Chairman

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 and was Chairman of Selex ES Finmeccanica UK Ltd. He is lead non-executive director for BIS (Department for Business Innovation and Skills), as well as a Vice President of the Royal Academy of Engineering.

S.J. SILLARS OBE FIMI**

Appointed 2004

Chief Executive, IAM - the Institute of Advanced Motorists. She is also Independent Director on the Motor Cycle Industry Association Board, Independent Director for ReMIT (Retail Motor Industry Training), a Vice President of the Institute of the Motor Industry (the Sector Skills Council and professional body for retail motor industry), and a Vice President of BEN, the benevolent charity for the automotive industry. Sarah is a Court Assistant with the Coachmakers & Coach Harness Makers and a Freeman of the City of London. Chairman of the Remuneration Committee.

AUDITOR
Ernst & Young LLP

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

INSURANCE BROKERS
Willis

**PENSION AND
ACTUARIAL ADVISERS**
Buck Consultants

PROPERTY ADVISERS
Bidwells
Rapleys
Russells
Savills

SOLICITORS
Bird & Bird
Dentons
Greenwoods
Mills & Reeve
Travers Smith

REGISTERED OFFICE
Airport House
Newmarket Road
Cambridge CB5 8RY

REGISTERED NUMBER
2051460

www.marshallgroup.co.uk

† Member of the Audit Committee

* Member of the Nomination Committee

° Member of the Remuneration Committee

Corporate Governance

Governance Framework

The Board

Board Overview

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 in the UK 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.

Board Membership

Information about the Board members is given on pages 28 to 29.

The Role of the Board

The Board is responsible for creating the framework within which the Group operates. It challenges and supports the strategic direction of the Group, ensures the necessary resources are available and sets controls and standards. It also monitors performance and approves budgets, material investments and commitments. The Board endeavours to ensure that there is effective corporate governance throughout the Group, and has established policies and procedures designed to facilitate good governance in a practical way.

The Board has a schedule of matters reserved for its decision, which includes:

- Strategy and management
- Structure and capital
- Financial reporting and controls
- Internal controls and risk management
- Authorisation and approval levels
- Board membership
- Delegation of authority and policy development
- Corporate governance matters
- Major acquisitions, projects and contracts
- Dividend policy

Other specific responsibilities are delegated to the Board committees, further details of which are given later. 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 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.

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.

Board papers are circulated electronically via a secure system to facilitate the effective flow of latest information. A detailed agenda is prepared for, and formal minutes are taken of, each meeting.

The Board agenda at every meeting contains:

- A report from the Chairman outlining key areas for discussion and key business developments;
- The CEO's report on strategic and business developments;
- The Group Financial Director's report which includes commentary and highlights from the latest available management accounts;
- Operations and risk management updates from the subsidiary CEOs and, where applicable, reports from the Board Committees.

The Board also met in 2014 for a two-day strategy and business planning meeting.

Board Attendance

Membership	Attendance
Sir Michael Marshall (Chairman)	10
A.E.Cook (Deputy Chairman)	9
J.D.Barker	10
A.J.F.Buxton	6*
W.C.M.Dastur	10
S.J.Fitz-Gerald	10
D.Gupta	10
P.J.Harvey	10
P.W.Johnson	8*
R.D.Marshall	10
Sir Ralph Robins	9
C.J.Sawyer	10
S.J.Sillars	9

10 meetings were held in the year

**Since appointment*

Board Focus and Activities during the Year

The activities undertaken by the Board are designed to assist them in the objective of supporting and advising executive management on the delivery of the Group's strategy within a framework of effective corporate governance.

Summarised below are the key areas of Board focus during the year. Focused discussion of these items assists the Board to make good decisions based on the long-term opportunities for the business and its stakeholders.

<p>Business strategy</p> <ul style="list-style-type: none"> • Commercial, technical, high level operational and financial strategy 	<p>Governance</p> <ul style="list-style-type: none"> • Board performance evaluation • Reports from Board committees • Corporate governance updates
<p>Business performance</p> <ul style="list-style-type: none"> • Chairman and CEO's progress reports • Subsidiary commercial performance in local markets • Operational updates 	<p>Financial performance</p> <ul style="list-style-type: none"> • Group Financial Director's reports • Review and challenge of Group budgets, forecasting and management accounts • Group treasury and cash flows
<p>Diversity and talent</p> <ul style="list-style-type: none"> • Succession planning • Talent capability and diversity 	<p>Shareholder focus</p> <ul style="list-style-type: none"> • Shareholder value • Shareholder returns
<p>Business risks</p> <ul style="list-style-type: none"> • Strategic and operational risks 	<p>Business conduct</p> <ul style="list-style-type: none"> • Reputation • Compliance control, including HSE and FCA conduct
<p>Investment case reviews</p> <ul style="list-style-type: none"> • Project Invincible (flotation of MMH plc on AIM) 	

Ethics

During the year, the Board launched an updated version of the Group's Code of Business Ethics, which contains updates for the latest best practice and legislation, along with a refreshed edition of the Marshall Values.

The roll-out to all employees was facilitated by a bespoke e-learning system. The Group's existing anti-bribery and corruption e-learning has also been updated and refresher training was also rolled out.

Independence and Conflicts of Interest

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

During the year there was one conflict of interest which the director concerned declared to both parties at the outset, and removed himself from any relevant discussions. The Company Secretary ensured that all board papers were screened for information regarding the conflict, and the director concerned was issued a separate, edited set of papers.

Senior Independent Director

A.E.Cook fulfils 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.

Non-Executive Directors

The non-executive directors have a wide range of skills and experience and their role is to provide an independent element to the Board and constructively challenge management.

The Chairman holds meetings with the non-executive directors, without the executive directors present, which provides the non-executive directors with a further platform to discuss developments or concerns, without prejudicing the main activity of the Board meetings themselves.

Board Effectiveness

Performance Evaluation

In 2013, an external facilitator with no other connection to the Group, Armstrong Bonham Carter (ABC), was used to assist in the evaluation of the performance of the Board and its committees. ABC conducted interviews with each member of the Board and the Company Secretary following an agenda circulated to each member in advance. The Board requested that the evaluation covered the key areas of:

- Strategy
- Board structure, organisation and dynamics
- Board effectiveness and efficiency
- People issues

A written report from ABC was received by the Board which identified areas for improvement. The report was debated and discussed in detail, and an action plan for the year ahead was developed containing several new initiatives. These were implemented during 2014.

Induction and Training

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.

The Board also ensures that new directors receive an induction covering, amongst other things: the business of the Group; their statutory responsibilities as directors; opportunities to visit business operations; and the Group's values and code of business ethics.

Shareholder Engagement

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 Company Secretary, the executive directors and Board committee chairmen were all present at the 2014 AGM.

The Company issued its third interim financial statements for the six months ended 30th June 2014 in November 2014 to all shareholders. This is part of the Group's continuing endeavour to engage more frequently with shareholders so as to update them on the operational and financial progress of the Group and other important changes.

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.

Board Committees

In accordance with the principles of good governance, the following committees have been established by the Board:

- Nomination Committee
- Audit Committee
- Remuneration Committee

All of these committees operate under written terms of reference and their objectives, responsibilities and activities during the last year, are set out below in their individual reports.

Nomination Committee Report

Membership

Sir Michael Marshall (Chairman)

All non-executive Directors subject to a minimum of 3 to be quorate.

2 meetings were held in the year

Objective

The objective of the Nomination Committee is to ensure the Board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.

The effectiveness of the committee was considered as part of the external review of the Board's effectiveness performed during 2013.

Responsibilities

The key responsibilities of the committee include:

- Annual review of the Board's composition and consideration of any proposed changes for proposal to the Board
- The formation of a strategic succession and replacement plan for the Board
- Leading the process for identifying and making recommendations to the Board regarding candidates for appointment as directors

Committee Focus and Activities during the year

The committee proposed to the Board two new candidates, A.J.F. Buxton and P.W. Johnson, as non-executive directors, both of whom were ratified and appointed to the main Board in early 2014. The candidates were selected based on their merits against objective criteria and with due regard to the benefits of diversity on the Board.

The Committee considered the impact of the impending flotation of MMH plc on Board Membership and that two directors would be resigning on successful admission to the Stock Exchange.

Corporate Governance

Audit Committee Report

Introduction from Christopher Sawyer:

"I am pleased to present the Audit Committee's annual report on its activities during the year. We have considered the applicable provisions of the various corporate governance codes and principles, together with the latest FRC guidance on Audit Committees and are satisfied that our terms of reference are in line with them. The committee has spent considerable time reviewing both the internal and external audit plans and meeting with auditors to ensure that the key areas of focus across the Group are included. The committee also undertook a review of the Group's processes and governance for the selling of insurance products within Marshall Motor Holdings, in order to ensure that the policies, procedures and arrangements met FCA expectations."

Membership	Attendance
C. J. Sawyer (Chairman)	4
P. J. Harvey	4
P. W. Johnson	3*
Sir Ralph Robins	3

4 meetings were held in the year

* from appointment

The committee meets at least four times during the year. The Group Chief Executive, the Group Financial Director, the Company Secretary, the external audit partner and the Group Internal Audit Manager also attend each meeting at the invitation of the committee chairman. Other relevant people from the business are invited to attend certain meetings in order to provide a deeper level of insight into key issues and developments. The committee chairman also meets separately with the external audit partner, Group Financial Director and Group Internal Audit Manager without others being present.

Whilst there is not an individual member of the Audit Committee with both the recent and relevant financial experience envisaged by the Corporate Governance Code, the Board considers that the members have the requisite skills and attributes to enable the Audit Committee to discharge its responsibilities. In addition, the Group Finance Director, the Company Secretary and the Group Internal Audit manager are all qualified Chartered Accountants and members of the ICAEW. The effectiveness of the committee was considered as part of the external review of the Board's effectiveness undertaken during 2013. In April 2014, P.W. Johnson joined the committee but resigned in April 2015.

OBJECTIVE

The objective of the Audit Committee is to ensure the Board has adequate oversight of the Group's financial reporting, audit and internal control functions, together with compliance with the Group's risk management framework.

RESPONSIBILITIES

The key responsibilities of the committee include:

- Monitoring the integrity of the financial statements
- Review of the financial statements and recommendation to the Board for approval
- Review of the Group's internal controls and risk management systems
- Post acquisition/major capital expenditure reviews
- Review of major contracts
- Review of the external audit plan
- Review of the internal audit plan
- Review of whistleblowing arrangements

Committee Focus and Activities during the year

Review of financial statements and audit findings

The committee reviewed the annual report and financial statements to ensure that they are fair, balanced and understandable, and provide the information necessary for shareholders and other

stakeholders to assess the Group's performance, strategy and business model. To enhance its review, the committee considers reports from the Group Financial Director and also the external auditor on the outcomes of its review and annual audit. As a committee it supports Ernst and Young LLP in displaying the necessary professional scepticism required by its role.

The key judgement areas considered by the committee in relation to the 2014 accounts, and how these were addressed, were:

Issue	Assessment
Long term contract accounting	The judgements made in relation to the accounting for long term contracts are key to the revenue and profit recognition recorded in each period. Material contracts and the related management assumptions and assessments used were reviewed by the committee through regular Board updates on contract performance, and, where required, key individuals from the business attend meetings to provide a deeper understanding and explanations. Ernst and Young LLP also reports its audit findings on the key judgements used in material contracts.
Liability provisioning	The appropriate level of provisioning for contingent and other liabilities is an issue in which management assessments are critical. The committee addresses these by discussing with management the key judgements made, including any relevant legal advice taken. Ernst and Young LLP also reports its audit findings on the key judgements used in material provisions.
Goodwill impairment	The key goodwill impairment reviews were in relation to Marshall Motor Holdings and Marshall Aerospace and Defence Group. The key assumptions in the value-in-use analysis largely relate to short-term profitability projections, long-term growth and the discount rate. In some cases the realisable value of the business is considered. Where appropriate, provision is made. The committee reviewed these assumptions and estimates, and discussed them with Ernst and Young LLP, which provided a detailed report on its audit findings.

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 Group uses a number of reputable professional services firms or providers including the external auditor. This includes the provision of auditing and accounting services, taxation compliance and advice, regulatory compliance, corporate finance assistance, strategic advice, due diligence on major contracts and acquisitions as well as support on technical and human resource issues. For each discrete project, consideration is given as to which professional service provider is most suitable. This ensures that the Group continues to receive good quality, independent advice at competitive rates from a wide range of advisers.

The committee monitored the balance of audit and non-audit services provided by the external auditor so as to form a view on whether independence and objectivity was being maintained. Independence and objectivity are assured through the rotation of the audit partner on a regular basis, the last such rotation having taken place in 2010. The committee, having also evaluated the performance of the external auditor remains satisfied with the effectiveness of the external auditor and, after review, has recommended to the Board that a resolution for the reappointment of the external auditor should be put to the shareholders at the Annual General Meeting to be held on 3rd June 2015.

During the year, and in order to continue to ensure its continued independence as external auditor, Ernst & Young stepped down from certain taxation services, including compliance, and the Group appointed Deloitte LLP as taxation advisers in their stead.

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 Group Internal Audit Manager has direct access and responsibility to the committee. Her work is risk focused, and the areas of audit focus are determined by a combination of risk registers and assessments, discussions held with senior management and requests received from the committee, the Chairman or other senior executive directors.

The committee approved the annual internal audit plan to be undertaken during the year and received internal audit progress reports. 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 committee's view on the effectiveness of the company's internal control framework.

Risk management and internal control

The 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 committee has responsibility for undertaking this review on behalf of the Board. The Group's risk management process, principal risks and internal control system are set out in more detail on pages 18 to 21.

During the year, the committee received and reviewed reports from the Company Secretary, as well as 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 risk management and internal control systems.

During the year, the Committee reviewed and approved the publication of the Group's Risk Management Framework booklet.

Whistleblowing

Commensurate with best practice, and to ensure that the Group works to the highest ethical standards, the Group operates an independent whistleblowing procedure to allow staff to raise confidentially any concerns about business conduct. This was enhanced in early 2014 with the Group engaging Expolink to operate an independent whistleblowing hotline, affording employees the mechanism by which to report concerns to someone unconnected with the Group. The whistleblowing policy is set out in the refreshed Code of Business Ethics which was distributed to all staff in 2014 and reinforced with a bespoke e-learning system.

Remuneration Committee Report

Introduction from Sarah Sillars:

"I am pleased to present the Remuneration Committee's annual report for 2014. We have prepared this report to inform shareholders of how senior executive remuneration is determined, although as a private company there is no formal requirement to do so.

The Group Remuneration Policy has been designed to attract, motivate and retain high calibre executives, supporting achievement of the Company's business strategy, encouraging behaviours in accordance with Marshall Values, incentivising superior performance and the delivery of exceptional results and rewarding the creation of long term shareholder value.

In order to achieve this, the main components of our executive remuneration are:

- ***Base salaries which are competitive in the markets in which we operate so as to attract the right level of executives.***
- ***Annual incentives designed to motivate high performance in any one year in each of the different business segments so as to deliver appropriate reward for outstanding results.***
- ***Long term incentives which endeavour to encourage overall improvement in shareholder value. These recognise contribution to the overall strength and value of the Group through Return on Capital Employed and encourage shareholding by key executives thereby aligning the interests of executive directors with those of shareholders in the continuing success of the Group."***

Membership	Attendance
S.J.Sillars (Chairman)	2
Sir Michael Marshall	3
Sir Ralph Robins	2
C.J.Sawyer	3

3 meetings were held during the year.

OBJECTIVE

The Group has a Remuneration Committee which works with the Group Chairman and Group Chief Executive in the process of setting executive remuneration and reviewing subsequent performance. The Group's remuneration policy is set so as to be in line with the overall Group strategy and objectives. It aims to align behaviours behind what is best for the Group and its shareholders, whilst providing sufficient incentive to attract, retain and motivate executive management of the right calibre.

The effectiveness of the committee was considered as part of the external review of the Board's effectiveness performed during the year.

RESPONSIBILITIES

The key responsibilities of the committee include:

- Setting of the remuneration policy for executive directors
- Implementation of the remuneration policy
- Consideration of executive and employee share ownership opportunities

COMMITTEE FOCUS AND ACTIVITIES DURING THE YEAR

The committee continues to review remuneration levels, benchmark against similar entities and determine whether fair and appropriate remuneration policies were in place. The committee concluded that the salary, bonus and LTIP arrangements for senior executives were in line with relevant median market levels and market practice.

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

There were no major changes to the Group's remuneration policy during the year. Remuneration focus continues to be on revenue and operating profit in the short-term and return on capital employed (ROCE), cash generation and overall shareholder returns (dividends) in the medium to long-term. The committee has noted that the Group had another good performance in the year, with operating profit up over 8% and profit before tax up by nearly 8% on 2013 whilst net assets rose to over £178m. In addition the share price of NVPO shares rose from 120p per share to 205p per share at 31st December 2014, an increase of over 70%.

Remuneration Policy for Executive Directors

	Objectives	Operational and Performance Conditions	Opportunity
Base Salary	A competitive market salary commensurate with responsibility and experience.	Reviewed at 1st January each year taking into account increases awarded across the Group as a whole, market changes and any change in role or responsibility.	Increases are generally expected to be in line with inflation and comparative increases in the business and competitor companies.
Annual Bonus	To motivate and reward annual performance specifically with respect to the business and overall profitability.	Maximum 100% of salary which is only available for exceptional performance. Paid in cash after the Group annual report and financial statements have been approved.	Around 75% of salary, with budget or target achievement realising 50% and a threshold level to be reached for 25%. There is a subjective element which can be up to 25% of salary and thereby make the total opportunity 100%.
Long Term Incentive Plan 'LTIP'	To focus on longer term performance and growth and align executive director interests with those of shareholders.	Awards are made annually based on three year performance period. Performance is against ROCE, cash generation, shareholder dividend growth and adherence to Group objectives and values. 50% paid out after three years but remainder withheld for further three years in accordance with recent and best industry practice.	Up to 100% of salary can be achieved but only 50% can be taken in cash in the year after the initial performance period. The remainder is held for a further three years but can be 'notionally invested' in 'notional NVPO shares' during this period and converted into cash or NVPO shares (at the Company's discretion) after a further three years.
Pension	To provide competitive levels of retirement benefit.	Membership of company pension scheme or salary supplement or cash deferral scheme.	Usually up to 24% of salary with some variation based on time employed.
Other Benefits	To provide competitive levels of employment benefits.	Benefits include: <ul style="list-style-type: none"> • Car and fuel benefit or equivalent • Private medical insurance • Income protection insurance • Life assurance of four times cover 	Cost of providing a car benefit, life assurance, private medical insurance and income protection insurance which are reviewed annually to ensure they are competitive.
'Notional NVPO' Scheme	To ensure that executive directors' interests are aligned with those of shareholders over a longer time horizon.	Opportunity to convert part of withheld LTIP balance into notional shares for the three year deferral period following the three year performance period.	First operated in 2013, a further opportunity was offered in 2014. Up to £100,000 of deferred earned award can be swapped into 'notional shares'.

Notional NVPO Share Scheme

The following executives exercised the opportunity to convert up to £100,000 of deferred earned LTIP award into 'notional NVPO' shares in 2014 at the price being offered by the company's stockbrokers James Sharp. The amount converted in 2014 and the total cumulative amount of notional NVPO shares held at 31st December 2014 were as follows:

	Amount Converted in 2014	Total Notional NVPO Shares now held at 31st December 2014
J.D Barker	£53,729	76,865
W.C.M Dastur	£100,000	202,380
S.J Fitz-Gerald	£100,000	202,380
D Gupta	£100,000	202,380
R.D Marshall	£100,000	202,380
S.J Moynihan	£40,250	122,974

No actual shares are held under this scheme and it is accounted for within the Company's accounts and accrued therein. Those notional NVPO shares are convertible in 2016 and 2017, into either cash (at an equivalent to the prevailing NVPO share price at exercise or conversion date), or NVPO shares (at the Company's option). Notional dividends are also accrued and payable after three years.

Remuneration Policy for Non-Executive Directors

Objectives	Operational and Performance Conditions	Opportunity
<p>To provide fair remuneration, reflecting the time commitment and responsibilities of the roles.</p>	<p>Non-executive directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits.</p> <p>Fee levels are reviewed annually in July each year by the Chairman. Additional fees are payable for acting as Deputy Chairman or as Chairman of any of the Board's Committees (excluding the Nomination Committee).</p>	<p>Account is taken of:</p> <ul style="list-style-type: none"> • Increases awarded across the Group as a whole • Fee levels at organisations of a similar size, complexity and type • Changes in complexity, responsibility or time commitment required for the role

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Strategic Report, 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.

Directors' Report

MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED REGISTERED NUMBER: 2051460

The directors present their annual report, together with the audited financial statements for the year ended 31st December, 2014.

RESULTS AND DIVIDENDS

The Group recorded a profit after tax and minority interests for the year of £13,422,000 (2013 - £12,913,000). On 19th December 2014, the Board paid a priority dividend of 2.00p per share on the non-voting priority ordinary (NVPO) shares, together with an interim dividend of 1.00p per share for both Ordinary and NVPO shareholders. The directors recommend a final dividend of 2.75p per Ordinary and NVPO share making a total for the year of 3.75p per Ordinary share and 5.75p per NVPO share. In accordance with FRS 21, the final dividend of 2.75p 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 2015. Preference dividends on the A and B preference shares amounting to £744,000 were paid in the year.

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 markets (see note 4 to the financial statements).

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 2nd April 2015, Marshall Motor Holdings plc, having re-registered, and re-organised its ordinary share capital, as explained in full in note 14 on page 50, issued a further 26,845,638 ordinary shares on its admission to AIM, a market operated by the London Stock Exchange.

DIRECTORS

The directors who served during the year were:-

Sir Michael Marshall (Chairman)	S.J. Fitz-Gerald	R.D. Marshall
A.E. Cook (Deputy Chairman)	D. Gupta (resigned 2nd April 2015)	Sir Ralph Robins
J.D. Barker	P.J. Harvey	C.J. Sawyer
A.J.F. Buxton (appointed 1st April 2014)	P.W. Johnson (appointed 1st March 2014; resigned 2nd April 2015)	S.J. Sillars
W.C.M. Dastur		

J.D. Barker has indicated his intention to retire at the forthcoming Annual General Meeting. A.E. Cook, S.J. Fitz-Gerald and Sir Ralph Robins retire by rotation, and, being eligible, A.E. Cook and S.J. Fitz-Gerald 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, 2014 were:

	Ordinary Shares of 12.5p each		NVPO Shares of 12.5p each		8% preference A shares of £1 each		10% preference B shares of £1 each	
	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee
Sir Michael Marshall	3,042,150	7,289,890	2,334,900	20,974,510	240,000	2,462,666	180,000	1,829,333
R.D. Marshall	205,900	29,500	57,983	373,167	-	60,666	-	28,333
J.D. Barker	-	29,500	13,000	206,500	-	60,666	-	28,333
A.J.F. Buxton	-	7,260,390	-	20,768,010	-	2,402,000	-	1,801,000
W.C.M. Dastur	-	29,500	205,950	206,500	-	60,666	15,000	28,333
S. Fitz-Gerald	-	-	11,450	-	-	-	-	-
D. Gupta	-	-	26,500	-	-	-	-	-
C.J. Sawyer	-	-	59,700	-	-	-	-	-

The interests of the directors of Marshall of Cambridge (Holdings) Limited and their families in the shares of the Company at 1st January 2014 were:

	Ordinary Shares of 12.5p each		NVPO Shares of 12.5p each		8% preference A shares of £1 each		10% preference B shares of £1 each	
	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee
Sir Michael Marshall	3,042,150	7,289,890	2,334,900	20,974,510	240,000	2,462,666	180,000	1,829,333
R.D. Marshall	205,900	29,500	53,983	373,167	-	60,666	-	28,333
J.D. Barker	-	29,500	11,000	206,500	-	60,666	-	28,333
W.C.M. Dastur	-	29,500	198,550	206,500	-	60,666	15,000	28,333
S. Fitz-Gerald	-	-	10,000	-	-	-	-	-
D. Gupta	-	-	16,250	-	-	-	-	-
C.J. Sawyer	-	-	54,300	-	-	-	-	-

* 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' 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' Report

FIXED ASSETS

The Group invested £51.2m (2013 - £42.7m) in new fixed assets and investments and a further £16.2m (2013 - £13.0m) in new businesses. Certain of the Group's freehold property interests were reclassified from own use to investment properties as a result of being let to third party tenants. These were formally valued for the first time as at 31st December 2014 and together with the Group's other existing freehold investment properties which were revalued either formally or by the directors, also at 31st December 2014, resulted in a total valuation of £15,015,000 (2013 - £13,520,000). A revaluation surplus of £614,000 (2013 - surplus of £4,303,000) has been taken to the revaluation reserve. Other tangible fixed assets' details and movements can be found in note 13 to the financial statements.

EMPLOYEE INVOLVEMENT

The Group is committed to its programmes 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 CONTRIBUTIONS

There were no political donations in either year.

CORPORATE GOVERNANCE

Corporate governance reports are set out on pages 30 to 35.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are described within the Strategic Report on pages 4 to 27. Included within this, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 23 whilst the principal risks and uncertainties facing the Group are set out in the Strategic Report and specifically on pages 18 to 21. The Group is diversified across a number of customers and suppliers across different industries and the directors believe the Group is well placed to manage its business risks successfully. 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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

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



S.J. Moynihan
Group Company Secretary
28th April, 2015

Group Profit and Loss Account for the year ended 31st December, 2014

	Notes	2014 £000	2013 £000
TURNOVER			
Existing operations		1,380,798	1,169,238
Acquisitions		45,055	123,284
Continuing operations	2	1,425,853	1,292,522
Cost of sales		(1,172,963)	(1,056,263)
GROSS PROFIT		252,890	236,259
Administrative expenses		(232,508)	(217,233)
Other operating income		712	463
OPERATING PROFIT			
Existing operations		21,112	19,938
Acquisitions		(18)	(449)
Continuing operations	2/4	21,094	19,489
Profit on disposal of tangible fixed assets	5	39	216
Profit on disposal of investments		8	1
Profit on disposal of subsidiary	14	9	-
Amounts provided against investments	14	(89)	(110)
Income from investments		23	22
Interest receivable and similar income	6	444	503
Interest payable and similar charges	6	(2,362)	(2,368)
Other finance income	31	373	352
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,539	18,105
Tax on profit on ordinary activities	8	(6,120)	(5,195)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,419	12,910
Equity minority interests	24	3	3
PROFIT FOR THE FINANCIAL YEAR	22	13,422	12,913
BASIC AND DILUTED EARNINGS PER SHARE			
	9	21.6p	20.7p
UNDERLYING EARNINGS PER SHARE			
	9	31.2p	31.3p

Group Statement of Total Recognised Gains and Losses for the year ended 31st December, 2014

	Notes	2014 £000	2013 £000
PROFIT FOR THE FINANCIAL YEAR	22	13,422	12,913
Unrealised gain on revaluation of investment properties	22	614	4,303
Actuarial loss recognised on defined benefit pension scheme	31	(5,455)	(806)
Tax credit on actuarial loss	8/31	1,100	187
Net exchange loss on retranslation of overseas subsidiary undertakings	22	(33)	(679)
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT AND FINANCIAL STATEMENTS		9,648	15,918

Group Statement of Cash Flows

for the year ended 31st December, 2014



	Notes	2014 £000	2013 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	11a	80,113	45,905
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received from investments		23	22
Interest received		444	503
Interest paid		(1,152)	(1,195)
Interest element of finance lease rental payments and stock finance		(1,210)	(1,173)
		(1,895)	(1,843)
TAXATION			
UK corporation tax paid		(5,994)	(5,165)
Overseas tax paid		(924)	(600)
		(6,918)	(5,765)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(50,445)	(42,109)
Payments to acquire investments		(769)	(616)
Receipts from sales of tangible fixed assets		9,086	7,847
Receipts from sales of fixed asset investments		10	23
		(42,118)	(34,855)
ACQUISITIONS AND DISPOSALS			
Acquisition of businesses	12	(16,247)	(13,008)
Net overdrafts acquired on acquisition	12	(30)	(1,503)
		(16,277)	(14,511)
EQUITY DIVIDENDS PAID	10	(3,523)	(3,083)
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING	11c	9,382	(14,152)
FINANCING			
New loans	11c/19	25,264	34,061
Repayment of loans	11c/19	(23,851)	(24,029)
		1,413	10,032
INCREASE / (DECREASE) IN CASH AT BANK AND IN HAND	11c	10,795	(4,120)

Group Balance Sheet

at 31st December, 2014

	Notes	2014 £000	2013 £000
FIXED ASSETS			
Positive goodwill		21,145	11,870
Negative goodwill		-	(438)
Intangible assets	12	21,145	11,432
Tangible assets	13	162,915	144,056
Investments	14	3,372	2,734
TOTAL FIXED ASSETS		187,432	158,222
CURRENT ASSETS			
Stocks	15	179,786	167,292
Debtors	16	87,698	112,344
Cash at bank and in hand	11b	65,471	54,676
		332,955	334,312
CREDITORS: amounts falling due within one year	17	(296,322)	(277,600)
NET CURRENT ASSETS		36,633	56,712
TOTAL ASSETS LESS CURRENT LIABILITIES		224,065	214,934
CREDITORS: amounts falling due after more than one year	18	(34,253)	(32,949)
PROVISION FOR LIABILITIES	20	(1,074)	(3,284)
NET ASSETS BEFORE PENSION LIABILITY		188,738	178,701
PENSION LIABILITY	31	(10,280)	(6,365)
NET ASSETS		178,458	172,336
CAPITAL AND RESERVES			
Called up share capital	21	15,733	15,733
Revaluation reserve	22	6,155	5,541
Capital redemption reserve	22	130	130
Profit and loss account	22	156,404	150,893
SHAREHOLDERS' FUNDS	23	178,422	172,297
Equity minority interests	24	36	39
TOTAL CAPITAL EMPLOYED		178,458	172,336

The financial statements of Marshall of Cambridge (Holdings) Limited were approved by the board of directors and authorised for issue on 28th April 2015. They were signed on its behalf by:

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



Company Registration No. 2051460

Company Balance Sheet

at 31st December, 2014

	Notes	2014 £000	2013 £000
FIXED ASSETS			
Tangible assets	13	168	250
Investments	14	19,412	18,773
TOTAL FIXED ASSETS		19,580	19,023
CURRENT ASSETS			
Debtors	16	75,734	56,613
Cash at bank and in hand		52,807	46,618
		128,541	103,231
CREDITORS: amounts falling due within one year	17	(118,599)	(93,724)
NET CURRENT ASSETS		9,942	9,507
TOTAL ASSETS LESS CURRENT LIABILITIES		29,522	28,530
PENSION LIABILITY	31	(10,280)	(6,365)
NET ASSETS		19,242	22,165
CAPITAL AND RESERVES			
Called up share capital	21	15,733	15,733
Capital redemption reserve	22	130	130
Profit and loss account	22	3,379	6,302
SHAREHOLDERS' FUNDS	23	19,242	22,165

The financial statements of Marshall of Cambridge (Holdings) Limited were approved by the board of directors and authorised for issue on 28th April 2015. They were signed on its behalf by:

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

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 parties under a contractual arrangement, are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the gross equity method to the extent that they are material to the financial statements. Acquisitions are accounted for under the acquisition method.

Revenue recognition

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 and profit 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 and profit from the provision of services is recognised as the contract activity progresses to reflect the performance of the underlying contractual obligations.
- **Leases:** Rental income from operating leases is recognised on a straight line basis over the lease term.

Positive 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 10 years. Each acquisition is assessed separately as to its specific useful economic life.

Negative goodwill

Negative goodwill is the excess of the Group's share of the fair value of the attributable net identifiable assets at the date of acquisition over the purchase consideration. Negative goodwill which relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but does not represent identifiable liabilities at the date of acquisition. Negative goodwill is recognised in the profit and loss account as the non-monetary assets are recovered, whether through depreciation or sale.

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	5 - 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.

Costs wholly attributable to future property developments are capitalised to the extent they are considered recoverable against future economic benefits.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Recoverable amount is the higher of an asset's or income generating unit's net realisable value and its value in use and is determined for an individual asset, unless the asset does not generate separate income flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Impairment losses are expensed in the profit and loss account.

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.

Notes to the Financial Statements

at 31st December, 2014

1. ACCOUNTING POLICIES (continued)

Investments

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 or the Alternative Investment Market, where they are revalued to market price.

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 recognised at cost plus profit recognised on the basis described in the revenue recognition policy, less provisions for foreseeable losses and payments on account received or 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.

Research and development expenditure credit

Costs incurred on consulting activities which qualify as research and development entitles the company to a payment from HM Revenue & Customs. This payment, which has the nature of a government grant, is credited to other income so as to match the expenditure to which it relates. The payment replaces the enhanced tax relief available on eligible research and development expenditure on remunerated work and arises for the first time in the current year.

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.

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.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold derivative financial instruments for speculative purposes. Accordingly any gains or losses arising on these contracts are recognised in the profit and loss account when the transaction itself is recognised in the Group's financial statements.

Government grants

Government grants for revenue items 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.

Notes to the Financial Statements

at 31st December, 2014

2. SEGMENTAL ANALYSIS

The Group operates in the principal markets of motor retail and leasing, aerospace and defence, fleet solutions, 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 that business segment.

	Turnover		Operating profit / (loss)		Net assets / (liabilities)	
	2014	2013	2014	2013	2014	2013
	£000	£000	£000	£000	£000	£000
Business segments:						
Aerospace and defence	306,635	320,468	13,208	14,333	75,476	77,959
Motor retail and leasing	1,085,883	940,505	14,329	11,752	69,150	66,263
Property	1,455	1,448	1,083	701	20,853	17,602
Fleet solutions	31,880	30,101	34	(943)	(2,833)	(2,921)
Unallocated central costs	-	-	(7,560)	(6,354)	(53,283)	(42,739)
	1,425,853	1,292,522	21,094	19,489	109,363	116,164
Unallocated net assets	-	-	-	-	69,095	56,172
	1,425,853	1,292,522	21,094	19,489	178,458	172,336

	Turnover by destination		Turnover by origin		Operating profit		Net assets / (liabilities)	
	2014	2013	2014	2013	2014	2013	2014	2013
	£000	£000	£000	£000	£000	£000	£000	£000
Geographical segments:								
UK	1,300,410	1,187,994	1,414,346	1,275,295	19,020	15,726	101,776	109,917
Rest of Europe	76,088	68,590	1,128	3,403	501	919	1,506	(40)
North America	39,080	29,377	8,334	10,663	1,222	2,013	4,734	3,915
Rest of World	10,275	6,561	2,045	3,161	351	831	1,347	2,372
	1,425,853	1,292,522	1,425,853	1,292,522	21,094	19,489	109,363	116,164
Unallocated net assets	-	-	-	-	-	-	69,095	56,172
	1,425,853	1,292,522	1,425,853	1,292,522	21,094	19,489	178,458	172,336

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.

	2014	2013
	£000	£000
Unallocated net assets comprise:		
Fixed asset investments	3,372	2,734
Corporation tax payable	(2,010)	(2,902)
Deferred tax asset, excluding deferred tax asset on pension liability	2,262	1,664
Cash	65,471	54,676
	69,095	56,172

3. CONTINUING AND ACQUIRED OPERATIONS

Continuing operations in 2014 include, in respect of acquisitions during the year, cost of sales of £40,696,000 (2013 - £107,766,000) and administrative expenses £4,377,000 (2013 - £15,967,000).

Notes to the Financial Statements

at 31st December, 2014

4. OPERATING PROFIT	2014	2013
	£000	£000
Operating profit is after charging / (crediting):		
Depreciation - owned assets	28,903	27,705
Amortisation - positive goodwill	2,591	2,334
Impairment - owned assets	777	1,564
- goodwill	1,316	-
Exceptional items - restructuring costs	-	3,124
- IPO preparation costs	1,159	-
Operating lease rentals - land and buildings	7,289	7,332
- plant and machinery	317	421
Finance lease rental income - motor vehicles	(330)	(312)
Operating lease rental income - motor vehicles	(21,647)	(21,015)
Net foreign exchange losses	519	60
(Profit) on disposal of tangible fixed assets	(117)	(54)
Research and development - current year expenditure	18	149
Research and development tax credit included in operating income	300	-
Auditor's remuneration - audit of the financial statements of the Company	51	44
- audit of subsidiary undertakings	550	498
- audit of joint venture	-	6
- tax compliance and planning	371	430
- corporate finance	680	-

In addition to the auditor's remuneration above, corporate finance services of £nil (2013 - £16,000) and tax advisory services of £nil (2013 - £37,000) were paid and have been capitalised.

5. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS	2014	2013
	£000	£000
Profit on disposal of tangible fixed assets, net of taxation of £nil (2013 - £nil)	39	216

6. INTEREST	2014	2013
	£000	£000
(a) Interest receivable and similar income		
Bank interest receivable	401	503
Interest receivable on tax repayments	43	-
	444	503

	2014	2013
	£000	£000
(b) Interest payable and similar charges		
Bank loans	1,144	1,195
Stock finance charges	1,210	1,173
Other	8	-
	2,362	2,368

7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

No profit and loss account is presented for the parent company as permitted by section 408 of the Companies Act 2006. The profit dealt with in the financial statements of the parent company was £4,955,000 (2013 - £3,508,000).

8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2014	2013
	£000	£000
(a) Analysis of tax charge for the year		
UK corporation tax charge on the profit for the year	6,434	5,902
UK corporation tax adjustment in respect of prior years	(336)	73
Overseas tax on profit for the year	538	898
Overseas tax adjustment in respect of prior years	144	(109)
Current tax charge	6,780	6,764
Deferred tax (credit) (see note 20b)	(660)	(1,569)
Total tax charge	6,120	5,195

Notes to the Financial Statements

at 31st December, 2014

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)	2014	2013
	£000	£000
(b) Factors affecting current tax charge for the year		
Profit on ordinary activities before tax	19,539	18,105
Profit on ordinary activities before tax at 21.50% (2013 - 23.25%)	4,201	4,209
Effects of:		
Expenses not deductible for tax purposes	2,133	1,217
Depreciation in excess of capital allowances	325	1,205
Short term timing differences	373	172
Research and development enhanced claim	-	(176)
Adjustments in respect of prior years	(192)	(36)
Higher tax rates on overseas earnings	176	313
Chargeable gains	-	(23)
Utilisation of brought forward tax losses	(236)	(117)
Current tax charge	6,780	6,764
	2014	2013
	£000	£000
(c) Tax on actuarial loss included in the statement of total recognised gains and losses		
Current tax credit on actuarial loss	(121)	(187)
Deferred tax credit on actuarial loss	(979)	-
Tax credit included in the statement of total recognised gains and losses	(1,100)	(187)

(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 £4,752,000 (2013 - £5,418,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The Group has tax losses of £986,000 (2013 - £689,000) that are available for offset against future taxable profits in the companies in which the losses arose.

The Finance Act 2013 reduced the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred tax assets and liabilities at 31 December 2014 have been calculated at 20%.

(e) Close company

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

9. EARNINGS PER SHARE	2014	2013
	£000	£000
Profit after tax	13,419	12,910
Minority interests	3	3
Dividends on preference shares	(744)	(744)
Basic earnings	12,678	12,169
Exceptional items - Restructuring costs, net of tax	-	2,398
- IPO preparation costs, net of tax	910	-
- (Profit) on disposal of fixed assets, net of tax	(56)	(217)
Goodwill amortisation and impairment charges	3,907	2,334
Impairment of tangible fixed assets	777	1,564
Amounts provided against investments	89	110
Underlying earnings	18,305	18,358
Average number of shares in issue during the year ('000)	58,660	58,660
Basic and diluted earnings per share	21.6p	20.7p
Underlying earnings per share	31.2p	31.3p

Basic earnings per share are calculated by dividing the basic earnings for the year by the average number of Ordinary and NVPO 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 of IPO preparation costs, restructuring costs, profits on disposal of fixed assets, goodwill amortisation, impairment charges and amounts provided against investments) 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 and NVPO shares in issue during the year.

Notes to the Financial Statements

at 31st December, 2014

10. DIVIDENDS	2014	2013
	£000	£000
Dividends on Ordinary shares:		
2.25p per Ordinary share of 12.5p each paid on 27th June 2014 (28th June 2013 - 1.75p)	339	264
1.00p per Ordinary share of 12.5p each paid on 19th December 2014 (20th December 2013 - 0.75p)	150	114
	489	378
Dividends on NVPO shares:		
2.25p per NVPO share of 12.5p each paid on 27th June 2014 (28th June 2013 - 1.75p)	981	763
3.00p per NVPO share of 12.5p each paid on 19th December 2014 (20th December 2013 - 2.75p)	1,309	1,198
	2,290	1,961
Dividends on preference shares:		
8.00p per A preference share	384	384
10.00p per B preference share	360	360
	744	744
Aggregate dividends declared and paid during the year	3,523	3,083

11. NOTES TO THE STATEMENT OF CASH FLOWS	2014	2013
	£000	£000
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	21,094	19,489
(Profit) on disposal of tangible fixed assets	(117)	(54)
Foreign exchange movement	(190)	(633)
Depreciation of tangible fixed assets and impairment charges	29,680	29,269
Amortisation of intangible fixed assets	3,907	2,334
Mark to market of fixed asset investments	38	(339)
Decrease / (increase) in stocks	1,743	(5,781)
Decrease / (increase) in debtors	25,196	(25,923)
(Decrease) / increase in provisions	(1,560)	324
Increase in creditors	510	27,871
Adjustment for pension funding	(188)	(652)
Net cash inflow from operating activities	80,113	45,905

	At 1st January 2014 £000	Cash movement £000	Non - cash movement £000	At 31st December 2014 £000
(b) Analysis of net funds				
Cash at bank and in hand	54,676	10,795	-	65,471
Short term loans	(28,124)	14,394	(14,612)	(28,342)
Long term loans	(24,010)	(15,807)	14,612	(25,205)
Net funds	2,542	9,382	-	11,924

	2014	2013
	£000	£000
(c) Reconciliation of net cash flow to movement in net funds		
Increase / (decrease) in cash	10,795	(4,120)
Cash inflow from new loans	(25,264)	(34,061)
Repayment of loans	23,851	24,029
Increase / (decrease) in net funds	9,382	(14,152)
Net funds at 1st January	2,542	16,694
Net funds at 31st December	11,924	2,542

Notes to the Financial Statements

at 31st December, 2014

12. INTANGIBLE FIXED ASSETS

	Negative Goodwill £000	Positive Goodwill £000	Total £000
Cost:			
At 1st January, 2014	(438)	22,464	22,026
Additional fees on prior year acquisition	-	2	2
Arising on acquisitions	-	11,910	11,910
Fair value adjustment	438	1,270	1,708
Disposals	-	(252)	(252)
At 31st December, 2014	-	35,394	35,394
Amortisation:			
At 1st January, 2014	-	10,594	10,594
Provided during the year	-	2,591	2,591
Impairment	-	1,316	1,316
Eliminated on disposal	-	(252)	(252)
At 31st December, 2014	-	14,249	14,249
Net book value:			
At 31st December, 2014	-	21,145	21,145
Net book value:			
At 1st January, 2014	(438)	11,870	11,432

The fair value of the acquisition of Marshall Aviation Services Limited has been reviewed during the year. As a result of the review, the fair value of debtors has been reduced by £1,058,000 and the fair value of creditors has been increased by £650,000. The goodwill arising on acquisition was increased by £1,708,000.

The fully amortised goodwill (£148,000) relating to the prior acquisition of the Honda Motorcycle dealership in Peterborough was eliminated during the year, following the closure of the business. The fully amortised goodwill (£104,000) relating to the prior acquisition of Liftow Limited was eliminated during the year following the disposal of a subsidiary, Marshall Vehicle Engineering Limited.

During the year the directors undertook a formal impairment review, as required by FRS11 Impairment of Fixed Assets and Goodwill, of the carrying value of the goodwill arising on the prior year acquisitions of Marshall Aviation Services Limited and Flairjet Limited. As a result of the review the directors determined that the goodwill should be fully impaired and recognised impairment charges of £1,040,000 and £276,000, respectively.

The acquisitions by Marshall Motor Holdings of CMG 2007 Limited on 8th August 2014 and the acquisitions by Marshall Motor Group Limited* have been included at their provisional fair values at the date of acquisition. Their combined net assets at the date of acquisition were as follows:

	Book value and fair value to Group £000
Tangible fixed assets	5,498
Stock	14,237
Debtors	2,127
Bank overdraft	(30)
Deferred tax liability	(60)
Creditors: Amounts falling due within one year	(17,435)
Net assets	4,337
Provisional goodwill arising on acquisition	11,910
	16,247
Discharged by: consideration paid and acquisition costs	16,247

* The trade and assets of Volvo Bishops Stortford from Regent Automotive Group on 30th June 2014 and Halesworth Land Rover from Hammond Land Rover Limited on 1st July 2014.

Notes to the Financial Statements

at 31st December, 2014

13. TANGIBLE FIXED ASSETS

Group	Land and buildings					Assets held		Total £000
	Freehold properties	Investment properties	Short leasehold	Plant and machinery	Aircraft	Motor vehicles	for contract rental	
	£000	£000	£000	£000	£000	£000	£000	
Cost or valuation:								
At 1st January, 2014	80,443	13,520	2,820	101,450	9,760	5,815	89,559	303,367
Additions	6,084	100	827	15,141	317	1,468	27,261	51,198
Additions on acquisition	4,550	-	120	828	-	-	-	5,498
Disposals	(826)	-	(139)	(11,534)	-	(1,123)	(21,182)	(34,804)
Revaluation	-	(2,156)	-	-	-	-	-	(2,156)
Transfers*	(3,339)	3,551	-	(212)	-	-	-	-
Exchange adjustment	-	-	-	43	-	-	-	43
At 31st December, 2014	86,912	15,015	3,628	105,716	10,077	6,160	95,638	323,146
Depreciation:								
At 1st January, 2014	33,538	-	987	82,213	4,447	4,040	34,086	159,311
Provided during the year	2,439	-	245	7,442	597	865	17,315	28,903
Impairment provision	-	-	-	-	777	-	-	777
Eliminated on disposals	(422)	-	(105)	(10,515)	-	(805)	(14,027)	(25,874)
Revaluations	-	(2,770)	-	-	-	-	-	(2,770)
Transfers*	(2,770)	2,770	-	-	-	-	-	-
Exchange adjustment	-	-	-	(116)	-	-	-	(116)
At 31st December, 2014	32,785	-	1,127	79,024	5,821	4,100	37,374	160,231
Net book value:								
At 31st December, 2014	54,127	15,015	2,501	26,692	4,256	2,060	58,264	162,915
Net book value:								
At 1st January, 2014	46,905	13,520	1,833	19,237	5,313	1,775	55,473	144,056

*Transfers above relate to a re-classification from owned assets to investment properties following the closure of two businesses and the re-letting of the premises to third party tenants.

Included within freehold land and buildings are costs of £1,694,000 (2013 - £1,097,000) which relate to costs incurred on planning applications submitted and to be submitted.

Assets acquired to let under finance leases

The Group has purchased motor vehicles with an original cost of £56,000 (2013 - £143,000) 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. Residential investment properties have been included at directors' valuation, having taken professional advice. Motor retail investment properties no longer occupied by the Group for trading purposes have also been included at directors' valuation, having taken professional advice. The remaining Group freehold investment properties were formally valued on an open market basis by Bidwells, Chartered Surveyors at £11,755,000. A revaluation surplus of £614,000 (2013 - surplus £4,303,000) has been taken to the revaluation reserve. The historical cost of the investment properties held at valuation in land and buildings is £12,618,000 (2013 - £8,967,000).

Company	Plant and machinery £000	Motor vehicles £000	Total £000
Cost:			
At 1st January, 2014	654	345	999
Additions	32	-	32
At 31st December, 2014	686	345	1,031
Depreciation:			
At 1st January, 2014	499	250	749
Provided during the year	62	52	114
At 31st December, 2014	561	302	863
Net book value:			
At 31st December, 2014	125	43	168
Net book value:			
At 1st January, 2014	155	95	250

Notes to the Financial Statements

at 31st December, 2014

14. INVESTMENTS

Group	Listed on Alternative Investment Market*	Other investments	Total
Cost:			
At 1st January, 2014	1,501	1,597	3,098
Additions	-	767	767
Disposals	-	(2)	(2)
Mark to market	(38)	-	(38)
At 31st December, 2014	1,463	2,362	3,825
Provision:			
At 1st January, 2014	-	364	364
Provided during the year	-	89	89
At 31st December, 2014	-	453	453
Net book value:			
At 31st December, 2014	1,463	1,909	3,372
Net book value:			
At 1st January, 2014	1,501	1,233	2,734

Company	Subsidiary undertakings	Listed on Alternative Investment Market*	Other investments	Total
Cost:				
At 1st January, 2014	26,050	1,501	1,586	29,137
Additions	-	-	767	767
Disposals	-	-	(1)	(1)
Mark to market	-	(38)	-	(38)
31st December, 2014	26,050	1,463	2,352	29,865
Provision:				
At 1st January, 2014	10,000	-	364	10,364
Provided during the year	-	-	89	89
At 31st December, 2014	10,000	-	453	10,453
Net book value:				
At 31st December, 2014	16,050	1,463	1,899	19,412
Net book value:				
At 1st January, 2014	16,050	1,501	1,222	18,773

* The original cost of investments listed on the Alternative Investment Market is £103,710 (2013 - £103,710)

On 27th March 2015, Marshall Motor Holdings plc issued 30,000,000 new shares to Marshall of Cambridge (Holdings) Limited for consideration of £30,000,000. On 2nd April 2015, Marshall Motor Holdings plc subdivided its ordinary share capital from £1.00 nominal value to £0.01 nominal value and then consolidated them to £0.64 nominal value, resulting in 50,390,625 shares in issue. On 2nd April 2015, a further 26,845,638 shares were issued by Marshall Motor Holdings plc on admission to AIM, a market operated by the London Stock Exchange. The proportion of that company's Ordinary Shares held by the Group following Admission was 65.2%.

Notes to the Financial Statements

at 31st December, 2014

14. INVESTMENTS (continued)

The Company's direct investments in subsidiary undertakings at 31st December, 2014 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 Land Systems 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 Fleet Solutions Limited	100%	12,000	Holding company	20
The Cambridge Aero Club Limited	100%	5,000	Flying instruction & aircraft charter	17
Marshall Group Properties Limited	100%	10,000	Farming and property holding	10
Marshall of Cambridge (Engineering) Limited	100%	100	Dormant	-
				26,050

On 25th June 2014, Marshall of Cambridge (Airport Properties) Limited was renamed Marshall Group Properties Limited. On 16th July 2014, Marshall SDG Limited was renamed Marshall Specialist Vehicles Limited. On 6th August 2014, Marshall 373737 Limited was renamed Marshall of Cambridge (Airport Properties) Limited. On 4th March 2015, Marshall of Cambridge (Motor Holdings) Limited was renamed Marshall Motor Holdings Limited and on 13th March 2015, Marshall Motor Holdings Limited was re-registered as Marshall Motor Holdings plc.

The following companies are subsidiary undertakings of Marshall Motor Holdings plc:

* Marshall Motor Group Limited	**	Marshall of Ipswich Limited	*****	Astle Limited
* Marshall of Cambridge (Garage Properties) Limited	**	Marshall of Peterborough Limited	*****	Crystal Motor Group Limited
* Marshall Leasing Limited	**	Marshall of Stevenage Limited		
* Marshall North West Limited	*** +	Gates Contract Hire Limited		
* Tim Brinton Cars Limited	* +	Marshall Commercial Vehicles Limited		
* Marshall of Scunthorpe Limited	****	Exeter Trade Parts Specialist LLP		
* Silver Street Automotive Limited	**** +	Audi South West Limited		
* CMG 2007 Limited	**** +	Hanjo Russell Limited		

* Wholly owned by Marshall Motor Holdings plc

** 99% owned by Marshall Motor Holdings plc

*** Wholly owned by Marshall Leasing Limited

**** Wholly owned by Silver Street Automotive Limited

***** Wholly owned by Audi South West Limited

***** Wholly owned by CMG 2007 Limited

+ Dormant

All the above subsidiary undertakings of Marshall Motor Holdings plc 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 and Tim Brinton Cars Limited (which are property holding companies). Marshall Commercial Vehicles Limited, Gates Contract Hire Limited, Audi South West Limited and Hanjo Russell Limited are dormant.

On 8th August 2014, Marshall Motor Holdings plc acquired 100% of the share capital of CMG 2007 Limited for £11,496,000. On 16th July 2014, Marshall Land Systems Limited sold 100% of the share capital of Marshall Vehicle Engineering Limited to Tinsley Special Products Limited for £1 resulting in a profit on disposal of £9,000.

Marshall of Cambridge (Airport Properties) Limited is a wholly owned subsidiary of Marshall Group Properties Limited and is dormant.

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

Marshall Specialist Vehicles Limited is a non-trading wholly owned subsidiary of Marshall Land Systems Limited. Lorica Systems UK Limited is a joint venture between Marshall Land Systems Limited and Plasan Sasa Limited, and was non-trading at the year end.

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

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

* Wholly owned by Marshall of Cambridge Aerospace Limited

** Wholly owned by Aeropeople Limited

*** Wholly owned by Slingsby Holdings Limited

+ Dormant

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, marine and rail industries. Aeroacademy Limited is dormant.

All subsidiary undertakings, joint ventures and the LLP noted above are registered in England and Wales.

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

Notes to the Financial Statements

at 31st December, 2014

15. STOCKS	Group	
	2014 £000	2013 £000
Raw materials, components and consumables	8,599	8,925
Work in progress	5,690	20,427
Finished goods and goods for resale	165,497	137,940
	179,786	167,292

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, 2014, the Group held new vehicles on consignment from manufacturers with a value of £72,091,000 (2013 - £57,205,000) which are included within finished goods and goods for resale. Of these vehicles, stock of £32,584,000 (2013 - £26,761,000) has a right of return to the manufacturer, which is rarely executed, and £39,507,000 (2013 - £30,444,000) has been invoiced to the Group. No deposits have been paid for these vehicles, and the terms of consignment vary by manufacturer and are between 90 days and one 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		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade debtors	51,587	78,488	9	5
Amounts recoverable on long term contracts	1,368	6,595	-	-
Amounts owed by subsidiary undertakings	-	-	73,940	55,604
Finance lease debtors	704	911	-	-
Other taxes recoverable	165	237	-	-
Other debtors	17,403	17,963	300	-
Prepayments and accrued income	14,209	6,486	543	332
Deferred tax asset (see note 20b)	2,262	1,664	942	672
	87,698	112,344	75,734	56,613

17. CREDITORS: Amounts falling due within one year	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Loans (see note 19)	28,342	28,124	-	-
Payments received on account	15,072	16,100	-	-
Trade creditors	132,321	115,461	228	126
Vehicle funding agreements	30,788	24,097	-	-
Amounts owed to subsidiary undertakings	-	-	106,830	86,202
Corporation tax payable	2,010	2,902	2,448	118
Other taxation and social security costs	9,485	11,981	227	223
Other creditors	11,957	17,169	-	-
Accruals and deferred income	66,347	61,766	8,866	7,055
	296,322	277,600	118,599	93,724

The Group has entered into vehicle funding arrangements whereby the Group has secured extended credit terms on short term arrangements for amounts due to suppliers. Interest is charged on these arrangements in line with contractual arrangements and is included within stock financing charges.

Notes to the Financial Statements

at 31st December, 2014

	2014	Group 2013
	£000	£000
18. CREDITORS: Amounts falling due after more than one year		
Loans (see note 19)	25,205	24,010
Accruals and deferred income	9,048	8,939
	34,253	32,949

	2014	Group 2013
	£000	£000
19. LOANS		
Amounts falling due:		
Within one year	28,342	28,124
Between one and two years	17,722	14,612
Between two and five years	7,483	9,398
	53,547	52,134
Less: included in creditors: amounts falling due within one year	(28,342)	(28,124)
Amounts falling due after more than one year	25,205	24,010
Analysis of changes in loan financing during the year:		
At 1st January	52,134	42,102
New loans	25,264	34,061
Loans repaid	(23,851)	(24,029)
At 31st December	53,547	52,134

All loans are repayable within 5 years with a variable interest rate and of the above amount £47,047,000 is secured on vehicles leased to third parties.

	2014	Group 2013
	£000	£000
20. PROVISION FOR LIABILITIES		
Warranty	1,074	1,278
Onerous lease and dilapidations	-	2,006
	1,074	3,284

	Warranty £000	Onerous lease and dilapidations £000	Group Total £000
(a) Warranty and onerous lease and dilapidations			
At 1st January, 2014	1,278	2,006	3,284
Arising during the year	103	-	103
Amounts utilised	(277)	(446)	(723)
Amounts released	(30)	(1,560)	(1,590)
At 31st December, 2014	1,074	-	1,074

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 were in production until June 2013. At the year end, the provision is based on the number of units delivered and an estimate of the expected warranty cost per unit.

The onerous lease and dilapidations provision represented the directors' estimate of the future excess costs associated with properties which were not expected to be fully utilised throughout the lease term and associated end of contract costs. The residual provision was released following a successful exit from the leases of the related properties.

Notes to the Financial Statements

at 31st December, 2014

20. PROVISION FOR LIABILITIES (continued)

(b) Deferred tax

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

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Accelerated capital allowances	(521)	181	(39)	(31)
Other short term timing differences	(1,741)	(1,845)	(903)	(641)
	(2,262)	(1,664)	(942)	(672)

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

	Group	Company
	£000	£000
At 1st January, 2014	(1,664)	(672)
(Credit) to the profit and loss account for the year	(660)	(270)
Acquisitions during year	60	-
Translation loss	2	-
At 31st December, 2014	(2,262)	(942)

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

	Group	Company
	2014	2013
	£000	£000
Origination and reversal of timing differences	(167)	(1,326)
Tax rate change	-	11
Adjustments in respect of prior years	(493)	(254)
	(660)	(1,569)

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

	Group	Company
	2014	2013
	£000	£000
Capital gains rolled over	3,412	4,404
Capital losses	(118)	(112)
Revaluation reserve	1,458	1,126
	4,752	5,418
Trading losses	(986)	(689)
	3,766	4,729

A deferred tax asset has not been recognised for certain trading losses as the directors do not expect that they would be utilised against taxable profits in the foreseeable future.

Notes to the Financial Statements

at 31st December, 2014

21. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			
	2014	2013	2014	2013	2014	2013
	£000	£000	No. '000	No. '000	£000	£000
Ordinary shares of 12.5p each	1,955	1,955	15,039	15,039	1,880	1,880
Non-voting priority dividend ordinary shares of 12.5p each	7,645	7,645	43,621	43,621	5,453	5,453
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 any dividend payable on the Ordinary shares and the NVPO shares, to non-cumulative preference dividends of 8p per share in respect of the A preference shares and 10p per share in respect of the B preference shares.
- (ii) on a return of capital on a winding up the preference shares carry the right to repayment of capital at par; this right is in priority to the rights of Ordinary and NVPO shareholders.
- (iii) holders of preference shares cannot attend or vote at an AGM.

During 2014, no Ordinary shares (2013 - 29,000) were converted into NVPO shares.

22. CAPITAL AND RESERVES

Group	Share capital	Revaluation reserve*	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1st January, 2014	15,733	5,541	130	150,893	172,297
Profit for the year after minority interests	-	-	-	13,422	13,422
Dividends	-	-	-	(3,523)	(3,523)
Surplus on revaluation of investment properties	-	614	-	-	614
Actuarial loss, net of tax	-	-	-	(4,355)	(4,355)
Net exchange losses on retranslation of overseas subsidiary undertakings	-	-	-	(33)	(33)
At 31st December, 2014	15,733	6,155	130	156,404	178,422

*The revaluation reserve relates to investment properties only.

Company	Share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
At 1st January, 2014	15,733	130	6,302	22,165
Profit for the year	-	-	4,955	4,955
Dividends	-	-	(3,523)	(3,523)
Actuarial loss, net of tax	-	-	(4,355)	(4,355)
At 31st December, 2014	15,733	130	3,379	19,242

Notes to the Financial Statements

at 31st December, 2014

	Group		Company	
	2014	2013	2014	2013
23. RECONCILIATION OF SHAREHOLDERS' FUNDS	£000	£000	£000	£000
Profit on ordinary activities after taxation	13,419	12,910	4,955	3,508
Minority interests	3	3	-	-
Dividends	(3,523)	(3,083)	(3,523)	(3,083)
	9,899	9,830	1,432	425
Revaluation of investment properties	614	4,303	-	-
Actuarial loss, net of tax	(4,355)	(619)	(4,355)	(619)
Net exchange losses on retranslation of overseas subsidiary undertakings	(33)	(679)	-	-
Net increase / (decrease) in shareholders' funds	6,125	12,835	(2,923)	(194)
Shareholders' funds at 1st January	172,297	159,462	22,165	22,359
Shareholders' funds at 31st December	178,422	172,297	19,242	22,165

24. MINORITY INTERESTS

	£000
At 1st January, 2014	39
Minority interests loss on ordinary activities after taxation	(3)
At 31st December 2014	36

25. CONTINGENT LIABILITIES

Guarantees to third parties, granted by subsidiary undertakings, amounted to £930,000 (2013 - £930,000). At 31st December 2014, Marshall of Cambridge (Motor Holdings) Limited guaranteed the amounts owing by a subsidiary undertaking, Marshall Leasing Limited, to Barclays Mercantile to the amount of £34,613,000 (2013 £31,232,000) and to Santander for £12,433,000 (2013 - £14,403,000). Performance guarantees granted by subsidiary undertakings amounted to £7,995,000 (2013 - £8,205,000).

26. CAPITAL COMMITMENTS

	Group	
	2014	2013
	£000	£000
Authorised by the Board and contracted but not provided for	22,586	3,883

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

27. OTHER FINANCIAL COMMITMENTS

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

	Land and buildings		Other		Group
	2014	2013	2014	2013	2013
	£000	£000	£000	£000	£000
Operating leases which expire:					
- within 1 year	2,207	631	85		576
- in 2 to 5 years	1,740	1,729	120		226
- over 5 years	4,161	4,328	-		22
	8,108	6,688	205		824

28. 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:

	Group	
	2014	2013
	£000	£000
Forward contracts for the purchase of foreign currency	(15)	(2)
Forward contracts for the sale of foreign currency	(233)	487

Notes to the Financial Statements

at 31st December, 2014

29. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2014	2013
	£000	£000
(a) Group staff costs		
Wages and salaries	154,077	152,403
Social security costs	16,725	16,058
Other pension costs (see note 31b)	5,307	4,772
	176,109	173,233

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

	2014	2013
	No.	No.
The average monthly number of employees of the Group during the year was:		
Aerospace and defence	2,013	2,193
Motor retail and leasing	2,160	2,025
Property and head office	33	31
Fleet solutions	261	249
	4,467	4,498

The total number of employees of the Group at 31st December 2014 was 4,607 (2013 - 4,533).

	2014	2013
	£000	£000
(b) Directors' remuneration		
Emoluments	4,500	4,130
Long term incentive payments	540	549
Company contributions to defined benefit pension scheme	18	25
Company contributions to defined contribution pension scheme	53	65
	5,111	4,769

The number of full time equivalent directors who were remunerated during the year was 6 (2013 - 6).

	2014	2013
	No.	No.
Contributing members of defined benefit pension scheme	1	1
Contributing members of defined contribution pension scheme	2	2

	2014	2013
	£000	£000
Remuneration of highest paid director:		
Emoluments	821	771
Long term incentive payments	126	130
Company contributions to defined benefit pension scheme	18	25
	965	926

30. 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 subsidiary undertakings at the end of the year		Amounts recharged by other subsidiary undertakings during the year	
	2014	2013	2014	2013
	£000	£000	£000	£000
Marshall of Stevenage Limited	4,281	3,939	345	263
Marshall of Ipswich Limited	337	633	205	455
Marshall of Peterborough Limited	1,290	1,091	-	385

Notes to the Financial Statements

at 31st December, 2014

31. PENSIONS AND OTHER RETIREMENT BENEFIT COSTS

- (a) The Group operates, for the benefit of its employees, three schemes, one of which has elements of both defined benefit and defined contribution, while the other two are entirely defined contribution. All the schemes are funded by the payment of contributions to trustee administered funds which are kept entirely separate from the assets of the Group. The level of pension contribution is determined with the advice of independent qualified actuaries.
- (b) The scheme which has elements of both defined benefit and defined contribution, is known as the Marshall Group Executive Pension Plan (the "Plan"). The defined contribution type schemes, which cover approximately 95% of scheme members, were established in 1982 and 1988. The total pension cost for the Group for the year in respect of all defined contribution schemes in the UK was £4,713,000 (2013 - £4,158,000). A further £216,000 (2013 - £203,000) was paid into defined contribution schemes overseas. The total defined benefit cost for the Group in respect of the Plan was £5,000 (2013 - £59,000) under FRS 17 of which £378,000 (2013 - £411,000) has been charged against operating profit and £373,000 has been credited (2013 - £352,000) to other finance income.
- (c) The plan was assessed by a qualified independent actuary from Buck Consultants, as at 31st December, 2013 using the projected unit method and indicated a funding deficit of £1,523,000. To address the past service deficit, the Company and the Trustees agreed that the Company would pay annual contributions of £310,000 over a period of five years, although £930,000 had been settled before 31st December, 2014 and the remaining payments had been fully paid by 31st March, 2015. The valuation of the defined benefit section of the plan under FRS17 has been based on the actuarial valuation, updated by the actuary from Buck Consultants in order to assess the assets and the liabilities of the scheme as at 31st December, 2014. The assets and liabilities shown exclude those relating to defined contribution pensions.

	2014	2013
	%	%
i) The major financial assumptions used by the actuary were:		
Discount rate	3.50	4.50
Salary increase rate	2.90	3.74
Rate of revaluation in deferment	1.96	2.13
Pension increase rate:		
- price inflation, capped at 5.0%	3.16	3.33
- as above but for those pensions subject to 2.7% floor	3.21	3.35
Expected return on assets	5.75	7.01
Retail price inflation rate	3.16	3.33
Consumer price inflation rate	1.96	2.13

The post retirement longevity assumption uses 73% of SIPxA tables, with CMI 2010 projections from 2008 with a long term rate of improvement of 1.25% per annum for males and 1.00% for females. This is consistent with the assumption used for 2013.

	2014	2013
	£000	£000
ii) Analysis of the amount charged against profits:		
Finance income		
Expected return on pension scheme assets	2,147	1,964
Interest on pension scheme liabilities	(1,774)	(1,612)
Net credit to finance income	373	352
Operating profit		
Current service cost	(378)	(411)
Total charge	(5)	(59)

	Rate of return	2014	Rate of return	2013
	%	£000	%	£000
iii) The amount included in the balance sheet and the expected long-term rate of return were:				
Equities	6.70	14,912	8.05	13,742
Dynamic asset allocation	-	-	7.30	5,889
Broad opportunities fund	5.95	5,997	-	-
Property	5.70	6,543	6.80	5,713
Liability driven investments	2.35	4,223	3.66	4,478
Cash	0.50	155	0.50	-
Total market value of assets		31,830		29,822
Present value of insured annuity policies	3.50	2,289	4.50	2,184
Fair value of assets	5.75	34,119	7.01	32,006
Present value of scheme liabilities		(46,969)		(39,962)
Deficit in the scheme as at 31 December		(12,850)		(7,956)
Related deferred tax asset		2,570		1,591
Net pension liability		(10,280)		(6,365)

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.

Notes to the Financial Statements

at 31st December, 2014

31. PENSIONS AND OTHER RETIREMENT BENEFIT COSTS (continued)	2014	2013
	£000	£000
iv) The movement in the fair value of the assets in the scheme is as follows:		
Fair value at 1st January	32,006	29,502
Expected return on assets	2,147	1,964
Actuarial gain	1,266	986
Employers' contributions	566	1,063
Contributions by scheme participants	21	25
Benefits paid	(1,887)	(1,534)
Fair value at 31st December	34,119	32,006

v) The movement in the present value of the liabilities in the scheme is as follows:		
Present value at 1st January	39,962	37,656
Current service cost	378	411
Interest cost	1,774	1,612
Actuarial loss	6,721	1,792
Contributions by scheme participants	21	25
Benefits paid	(1,887)	(1,534)
Present value at 31st December	46,969	39,962

vi) Analysis of the amount recognised in the statement of total recognised gains and losses		
Actuarial gain on scheme assets	1,266	986
Actuarial loss on scheme liabilities	(6,721)	(1,792)
Actuarial loss	(5,455)	(806)
Current tax credit thereon	121	187
Deferred tax credit thereon	979	-
Actuarial loss net of tax recognised in the statement of total recognised gains and losses	(4,355)	(619)

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 £21,639,000 (2013 - £16,184,000).

vii) The movement in the deficit is as follows:		
Deficit in the scheme at 1st January	(7,956)	(8,154)
Current service cost	(378)	(411)
Employers' contributions	566	1,063
Finance income	373	352
Actuarial loss	(5,455)	(806)
Deficit in the scheme at 31st December	(12,850)	(7,956)

viii) The five year history of experience adjustments is as follows:	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Experience adjustments on scheme assets	1,266	986	958	(1,805)	1,778
Experience adjustments on scheme liabilities	(320)	(2,257)	102	911	598
Changes in assumptions	(6,401)	465	(1,399)	(5,355)	(695)
Total amount recognised in the statement of total recognised gains and losses	(5,455)	(806)	(339)	(6,249)	1,681
Fair value of scheme assets	34,119	32,006	29,502	27,093	27,326
Present value of scheme liabilities	(46,969)	(39,962)	(37,656)	(35,608)	(30,307)
Deficit in the scheme	(12,850)	(7,956)	(8,154)	(8,515)	(2,981)

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 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Statement of Cash Flows, the Group and Parent Company Balance Sheets, and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, set out on page 35, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Strategic Report and 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.



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

28th April, 2015

Recent Financial History

	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000
Turnover	883,974	1,002,747	1,126,374	1,292,522	1,425,853
Operating profit before exceptional items	5,204	9,366	16,631	24,177	24,346
Impairment charges	-	-	(680)	(1,564)	(2,093)
Restructuring costs	-	-	(1,718)	(3,124)	-
IPO preparation costs	-	-	-	-	(1,159)
Operating profit	5,204	9,366	14,233	19,489	21,094
Profit on disposal of tangible fixed assets	1,128	622	-	217	56
Net interest / investment income and amounts provided against investments	(1,135)	(1,462)	(2,115)	(1,601)	(1,611)
Profit before tax	5,197	8,526	12,118	18,105	19,539
Taxation	(1,903)	(1,843)	(4,198)	(5,195)	(6,120)
Minority interests	(7)	12	5	3	3
Profit for the financial year	3,287	6,695	7,925	12,913	13,422
Dividends charged	(2,494)	(2,494)	(2,642)	(3,083)	(3,523)
Retained profit	793	4,201	5,283	9,830	9,899
Dividends per Ordinary share paid and proposed for the year	1.5p	1.75p	2.25p	3.00p	3.75p
Dividends per NVPO share paid and proposed for the year	3.5p	3.75p	4.25p	5.00p	5.75p
Dividend cover for Ordinary and NVPO shares (excluding special dividends)	1.5	3.1	3.3	4.6	4.1
Basic earnings per share	4.3p	10.1p	12.2p	20.7p	21.6p
Underlying earnings per share	5.1p	11.8p	19.9p	31.3p	31.2p
Return on capital employed	3.4%	6.0%	9.0%	11.7%	12.0%
Cash balance at year end	48,730	24,905	58,796	54,676	65,471
Cash generated / (utilised)	27,934	(23,825)	33,891	(4,120)	10,795
Capital expenditure, acquisitions and investment (net)	33,049	30,788	31,317	49,366	58,395
Closing no. of staff	4,245	4,075	4,188	4,533	4,607
Fixed assets	143,601	146,104	144,863	158,222	187,432
Net current assets	42,178	49,385	54,050	56,712	36,633
Creditors over one year, provisions, pension liability and minority interests	(29,827)	(40,193)	(39,451)	(42,637)	(45,643)
Shareholders' funds	155,952	155,296	159,462	172,297	178,422

Notice of the Twenty Ninth Annual General Meeting

Notice is hereby given that the Twenty Ninth Annual General Meeting of Marshall of Cambridge (Holdings) Limited (the Company) will be held at 11.00 am on Wednesday 3rd June, 2015 at The Airport, Cambridge, CB5 8RY for the following purposes:

Ordinary Business

1. Proxies.
2. Statement by the Chairman of the Company.
3. 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 2014.
4. To declare a final dividend of 2.75p per Ordinary share and NVPO share amounting to £1,613,150 to be paid on Friday 26th June, 2015 to those shareholders on the register of members as at 3rd June, 2015. The Company paid an interim dividend on 19th December 2014, of 1.00p per Ordinary share and 3.00p per NVPO share, amounting to a total of £1,459,017 which, together with the proposed final dividend, brings the total dividend in respect of the year to £3,072,167.
5. To re-elect A.E. Cook, who retiring by rotation as director and, being eligible, is offering himself for re-election as director.
6. To re-elect S.J. Fitz-Gerald, who retiring by rotation as director and, being eligible, is offering himself for re-election as director.
7. To note the retirement of J.D. Barker and Sir Ralph Robins as directors.
8. 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.
9. To propose the date of the next Annual General Meeting as Wednesday 1st June, 2016.
10. 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.



S. J. Moynihan
Group Company Secretary

Dated this 28th April, 2015
by Order of the Board

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

Group Company Secretary

Sarah Moynihan

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 26th June 2015

A and B preference shares 15th October 2015

Interim Ordinary and NVPO shares 18th December 2015

A and B preference shares 15th April 2016

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:				
15th April 2015	-	-	4.00p	5.00p
Year ending 31st December 2015	-	-	4.00p	5.00p

Payment date:				
19th December 2014	1.00p	3.00p	-	-
15th October 2014	-	-	4.00p	5.00p
27th June 2014	2.25p	2.25p	-	-
15th April 2014	-	-	4.00p	5.00p
Year ended 31st December 2014	3.25p	5.25p	8.00p	10.00p

Payment date:				
20th December 2013	0.75p	2.75p	-	-
15th October 2013	-	-	4.00p	5.00p
28th June 2013	1.75p	1.75p	-	-
15th April 2013	-	-	4.00p	5.00p
Year ended 31st December 2013	2.50p	4.50p	8.00p	10.00p

Key Group Personnel

MARSHALL GROUP OF COMPANIES

Sir Michael Marshall	Chairman
R D Marshall	Group Chief Executive
W C M Dastur	Group Financial Director
S J Moynihan	Group Company Secretary
C M H Walkinshaw	Group Corporate Communications Director
F Laud	Group Financial Controller
K A Davies	Group Internal Audit Manager

MARSHALL AEROSPACE AND DEFENCE GROUP

S J Fitz-Gerald	Chief Executive
G J Clark	Chief Operating Officer
I W Atkinson	Commercial Director
N J B Baldwin	Human Resources Director
C A Hughes	Strategy & Business Development Director
N M Jennion	Infrastructure & Compliance Director
M A Johnston	Core Engineering Director
G J Moynehan	Financial Director
K J Bishop	Managing Director - Aeropeople
R D Cutting	Managing Director - Land Systems
B Phillipson	Managing Director - Engineering Solutions

MARSHALL MOTOR HOLDINGS PLC

D Gupta	Group Chief Executive
M Raban	Group Financial Director
H A Burrows	Human Resources Director
J Crowther	Head of Operations - Motor Group
P G Cakebread	Managing Director - Marshall Leasing
S Jones	Company Secretary

MARSHALL GROUP PROPERTIES

R Howe	Managing Director
R Oakley	Development Director

MARSHALL FLEET SOLUTIONS

G A Ralph	Managing Director
E Gedney	Director of Finance