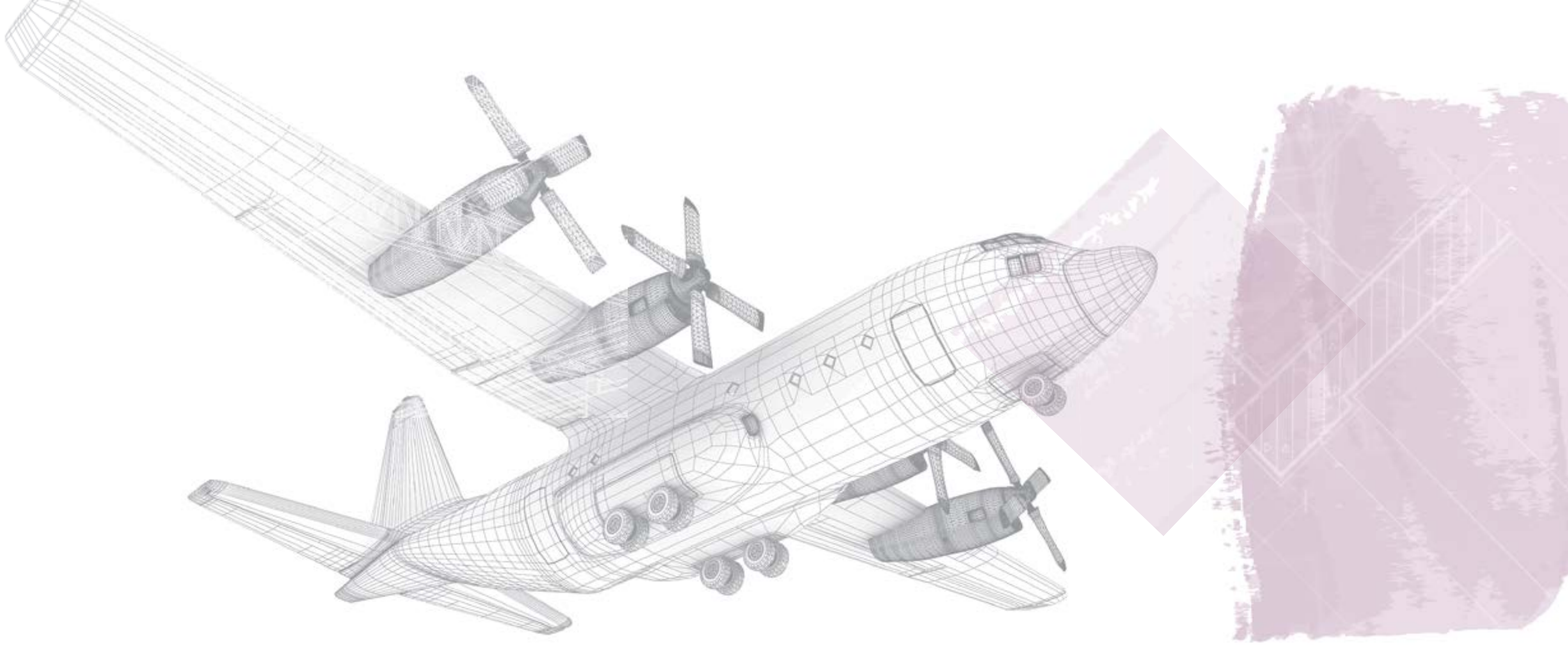
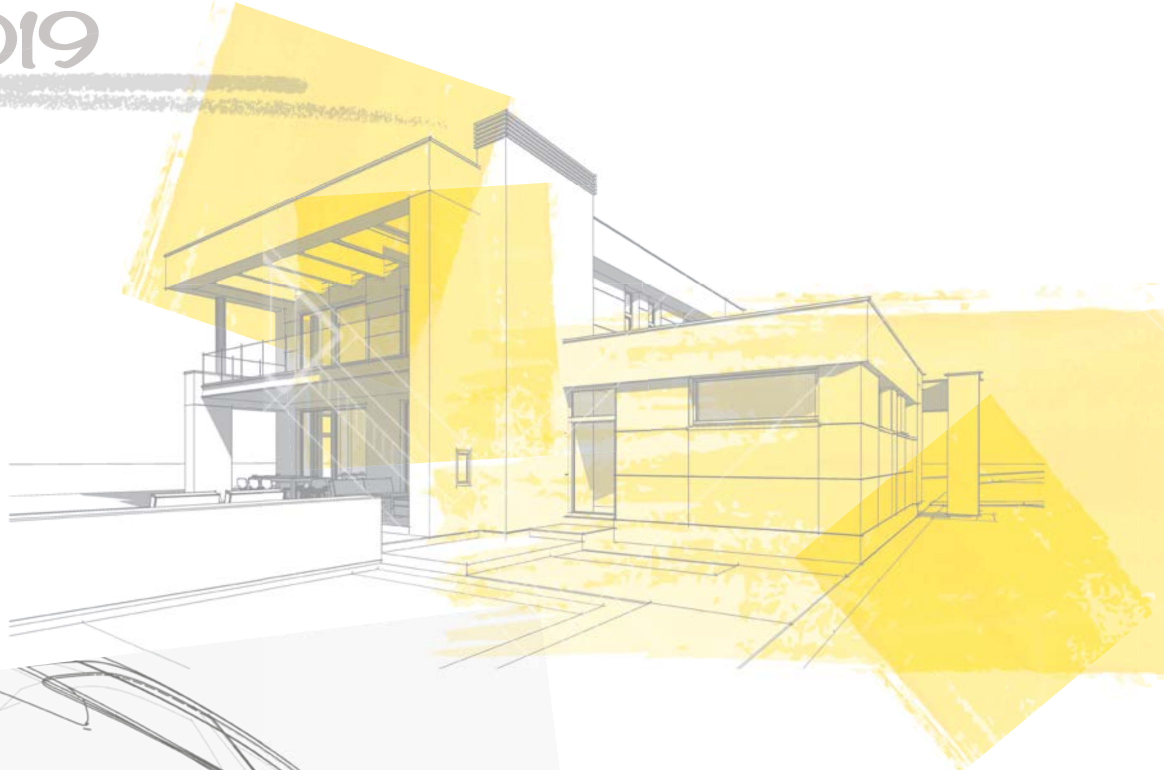
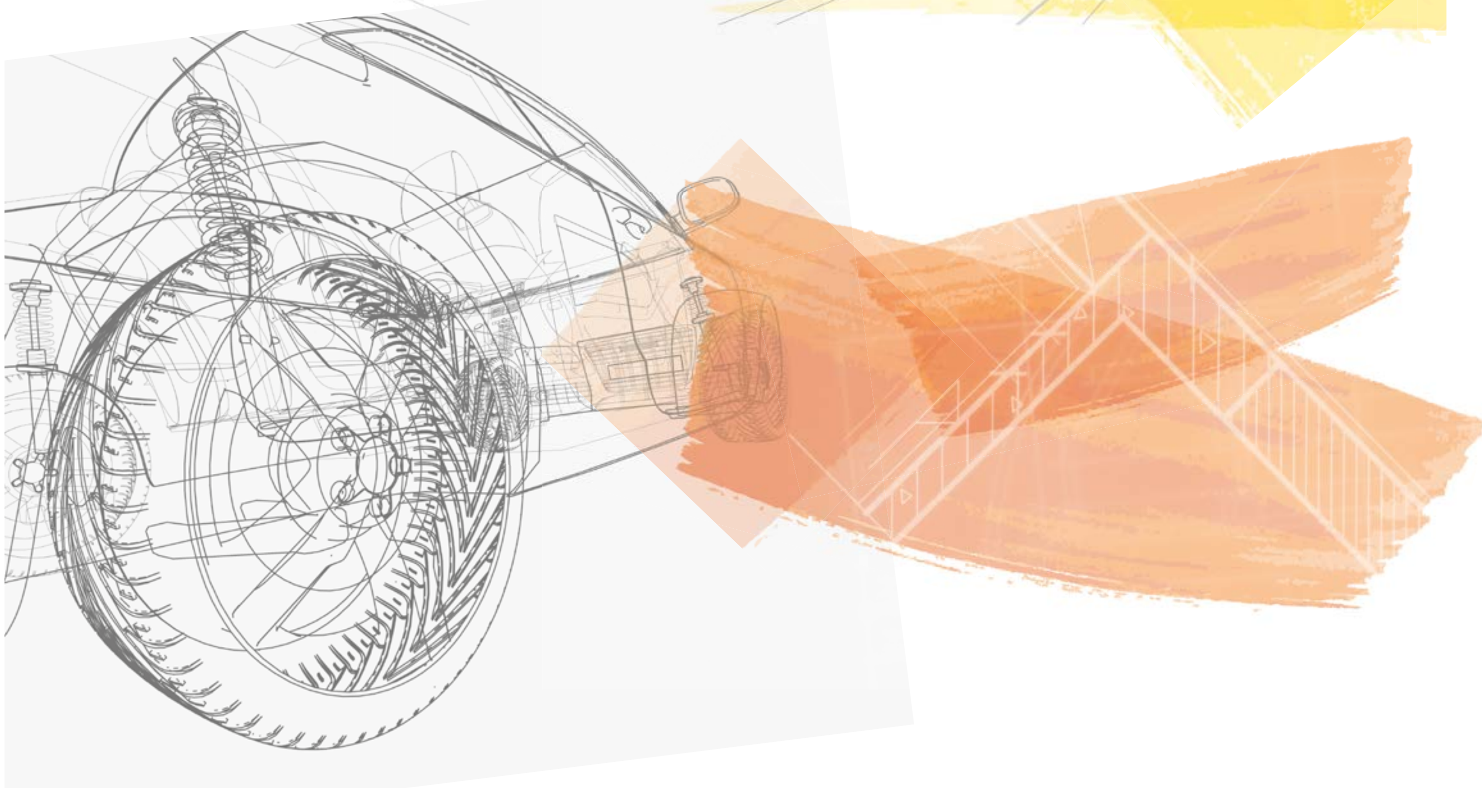


Marshall

Annual Report & Accounts

2019





Headlines

- Revenue up 6.2% to £2.6bn
- Statutory profit before tax of £30.7m (2018 – £40.4m)
- Underlying profit before tax of £35.2m (2018 – £36.0m)
- Closing net debt of £24.9m (2018 – £2.4m)
- The onset of the COVID-19 pandemic is causing significant disruption to the business, meaning that no final dividend will be paid for 2019
- Marshall Aerospace and Defence Group (MADG) enjoys growth in order book and now works with 17 nation states supporting C130 aircraft
- UK Ministry of Defence announces the decision to extend the life of their fleet of fourteen C130s by five years to 2035
- Global 6000 aircraft integration proceeding in line with the Board's expectations
- Aircraft Ground Running Enclosure (GRE) completed, commissioned and operational from November 2019
- Detailed planning permission received on first elements of the Wing development, which has now been renamed as Marleigh, and launched to the public in March 2020
- Marshall Motor Holdings plc (MMH) acquires eight VW franchises, seven Skoda franchises, two Honda franchises, one Volvo franchise and one LEVC franchise
- Announcement on 14th May 2019 relating to the relocation of MADG and submission of the Cambridge Airport site for development in the next Local Plan

Executive Chairman's Introduction

The unexpected death of our President, Sir Michael Marshall, in July deeply shocked us all. He was such a vibrant, towering figure both in the business and across so many communities that his loss will be felt by many for years to come.

Sir Michael left such an imprint on so many of us that he will never be forgotten. It was wonderful to see more than 1,000 people filling Ely Cathedral for his Memorial Service in January. The event celebrated the life and many achievements of a man who had such a positive impact on this business and so many people and organisations from all corners of society.

The Company intends to honour Sir Michael and his legacy by delivering the ambitious plans for the future of the business about which he was so excited, while building on the deeply embedded values which Sir Michael so clearly lived and breathed every day.

2019 was a year of good progress, with some significant strategic decisions taken to underpin our goal of increasing shareholder value. Operational performance was also pleasing, with good growth and efficiency improvements in Military Aerospace mitigating much of the impact of the well publicised slow-down in the new car market. The underlying profit before tax for the year was similar to last year at £35.2m (2018 - £36.0m), and shareholders' funds increased by £20.1m to £208.9m. Results for the year are discussed in more detail in the Strategic Report on pages 10 to 55.

In May, we announced our intention to relocate our MADG business to new purpose-built, state-of-the-art facilities and to put forward our current Cambridge Airport site for the next Local Plan. Since then, we have been working hard to develop and refine both parts of the plan, although this is a complex undertaking and it will be many years before we make any final decisions.

As our plans and options develop, we will continue to keep all stakeholders informed of our progress, as we did in January when we had to conclude that Duxford was not a viable relocation site for the business.

Our day-to-day focus continues to be on satisfying our customers and the successful implementation of our investment programme. The Group Strategic Report provides more detail concerning:

- the growth in MADG's order book, winning more international business, including with the US Navy for the first time;
- progress on our most complex engineering project (Global 6000 aircraft integration) as it nears completion;
- the commissioning of the Aircraft Ground Running Enclosure, opening the way for our Property developments in Cambridge; and
- MMH's outstanding performance in a difficult market.

We were delighted to be recognised by PwC, with our 2018 Annual Report and Accounts winning their 2019 Building Public Trust Award for Reporting in Private Business. The awards celebrate organisations who are leading the way in open, authentic and accessible reporting. These principles have been developed further in 2019 with a new Group website (www.marshallgroup.co.uk) and LinkedIn feed on social media.

The Board remains committed to increasing shareholder value and consistently delivering successful outcomes for all of our stakeholder groups. In the near term, however, the rapidly developing and changing landscape associated with COVID-19 has brought significant uncertainty to our business. The longer-term impact of the pandemic remains unclear at this stage, so our present focus is to ensure we prioritise our people and customers, both of whom are often working in critical situations, and secure support for our businesses' continuity from the government and our finance providers. We remain positive about guiding the Group through this crisis and maintaining the foundations for long-term growth. We are truly grateful for the efforts of our employees and support of our partners at this time. Further details of the Group's response to the pandemic are described on pages 22 and 23.

The Board has, therefore, decided not to pay a final dividend for 2019. While it remains our ambition to increase the dividend over time, we can only do so when we are confident that it is affordable and sustainable. The Board is very mindful of the importance of dividends, particularly to a family owned company, and will review the possibility of an early resumption of dividend payments as soon as visibility improves.

I would like to conclude by thanking our people and partners for their continuing support in making our achievements possible.

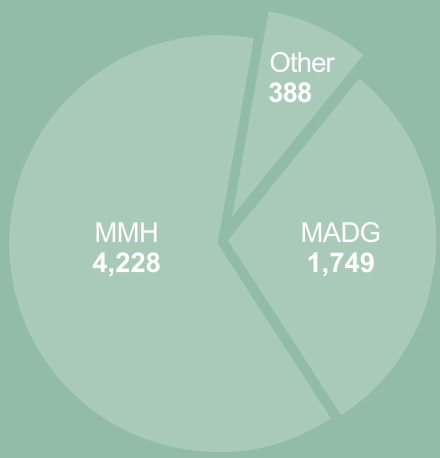
Alex Dorrian CBE
Executive Chairman
23rd April, 2020

Contents

More than 1,000 people attended the Memorial Service for Sir Michael Marshall in Ely Cathedral on 16th January, 2020, including personal representatives of six Members of the Royal Family and more than 250 current and former employees of Marshall. The lesson was read by Sir Michael Oliver, a long-standing friend of Sir Michael and a poem was read by Matthew Childs, a final year apprentice with Marshall ADG. Professor Lord Mair delivered a moving and inspiring tribute to Sir Michael, who was also honoured with a parade of the Cambridgeshire Lieutenancy and by No.2623 Squadron RAuxAF parading their Standard. Dr Carson Becke, a renowned Canadian pianist whom Michael had supported during his time in the UK, flew in from Canada to play at the service.

“Marshall is proud to be a private, family owned group, which is fully committed to maintaining its values and its relationships with its employees, customers, suppliers, shareholders, and local communities.”

International C130 Customers



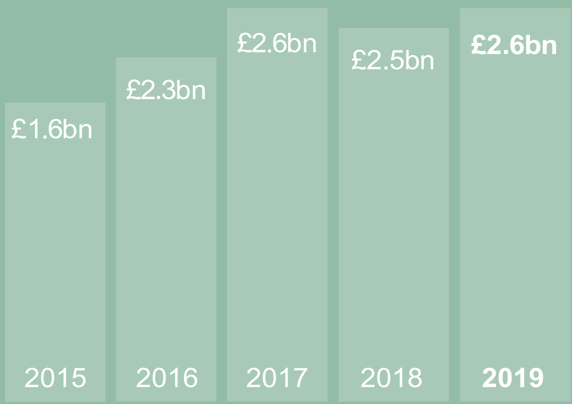
Employees

£817m

Engineering Order Book

94,277

Vehicles Sold



Revenue

Computer generated image kindly provided by HILL

Purpose

One Company united by a common purpose and culture, committed to serving our customers and the community.

Marshall is a unique private company committed to making a difference through providing support and services to its growing customer base; support which cannot be provided as effectively by others.

At its core, Marshall is determined to develop and deliver long-term value whilst also noticeably contributing to making Cambridge a better place.

Creating long-term value

We continue to invest in our long-term future in areas of sustainable growth and opportunity. We seek to generate value for our business and our customers in all we do.

Serve our customers in a way that no one else can

Our success relies on our unfaltering customer focus. We work tirelessly to meet all our customers' needs, delivering tailored solutions in all of our sectors.

Making Cambridge a better place

We remain committed to supporting Cambridge's extraordinary growth and development. In addition to our influence on the city's growth, we provide a vast range of skills development and employment opportunities.

Group Strategic Report

Growth Strategy

The overarching strategic objective over the next 20 years is to transition from a Group with revenue of £2.5bn to a Group with £2.5bn of assets under management.

Marshall Motor Holdings plc, with its independent board, will continue to seek appropriate growth opportunities in a changing and consolidating market.

Marshall Aerospace and Defence Group

Realise domestic growth opportunities arising from 2015 Strategic Defence and Security Review.

Expand international reach in alliance with our strategic partners.

Significant investment in transformation to achieve best in class levels of productivity.

Build firm foundations with appropriate research and technology expenditure as MADG aims to develop and deliver world leading applied engineering services.

Marshall Group Properties

Increase value of the portfolio whilst simultaneously developing and disposing of outlying and non-core land.

Develop land projects in partnership with experienced and trusted development partners, building continuous profit and cash streams.

Achieve appropriate returns while ensuring that the quality of design and build adds value to the portfolio as a whole.

Maximise long-term value of unsold land and our overall property legacy.

Manage property portfolio, including assets occupied by Group companies, to ensure that all of our workspaces and environments are fit for our state of the art engineering and retail activities.

Marshall Ventures

Support Marshall Motor Holdings plc so that it can fulfil its strategic aim to be the UK's premier automotive retail group.

Martlet Capital will continue to invest in the seed equity portfolio of predominantly Cambridge originated, high technology companies, achieving benchmark return on capital.

Help Marshall Fleet Solutions with its aim to achieve top-quartile returns by re-establishing our reputation to be the best national support organisation for the UK distribution industry.

One Company

- The strategy and actions of each business will be **additive** to each of the others.

- The **strategy** and values of each business will be consistent with those of the Group.

- Where either of the above cannot be **demonstrated by** a business, that business will be subject to rectification or disposal.

Consistency in performance

- Consistent improvement in year on year **performance** of the Group is a primary driver.

- We will match our **risk** profile against the need for consistent improvement.

- We will always be focused on **cash management** and will ensure we have sufficient reserves in place in the event of unforeseen risk materialisation.

Pride in our Values and making them work

- We will remain steadfast to our **Values** in all circumstances, whatever the short term cost.

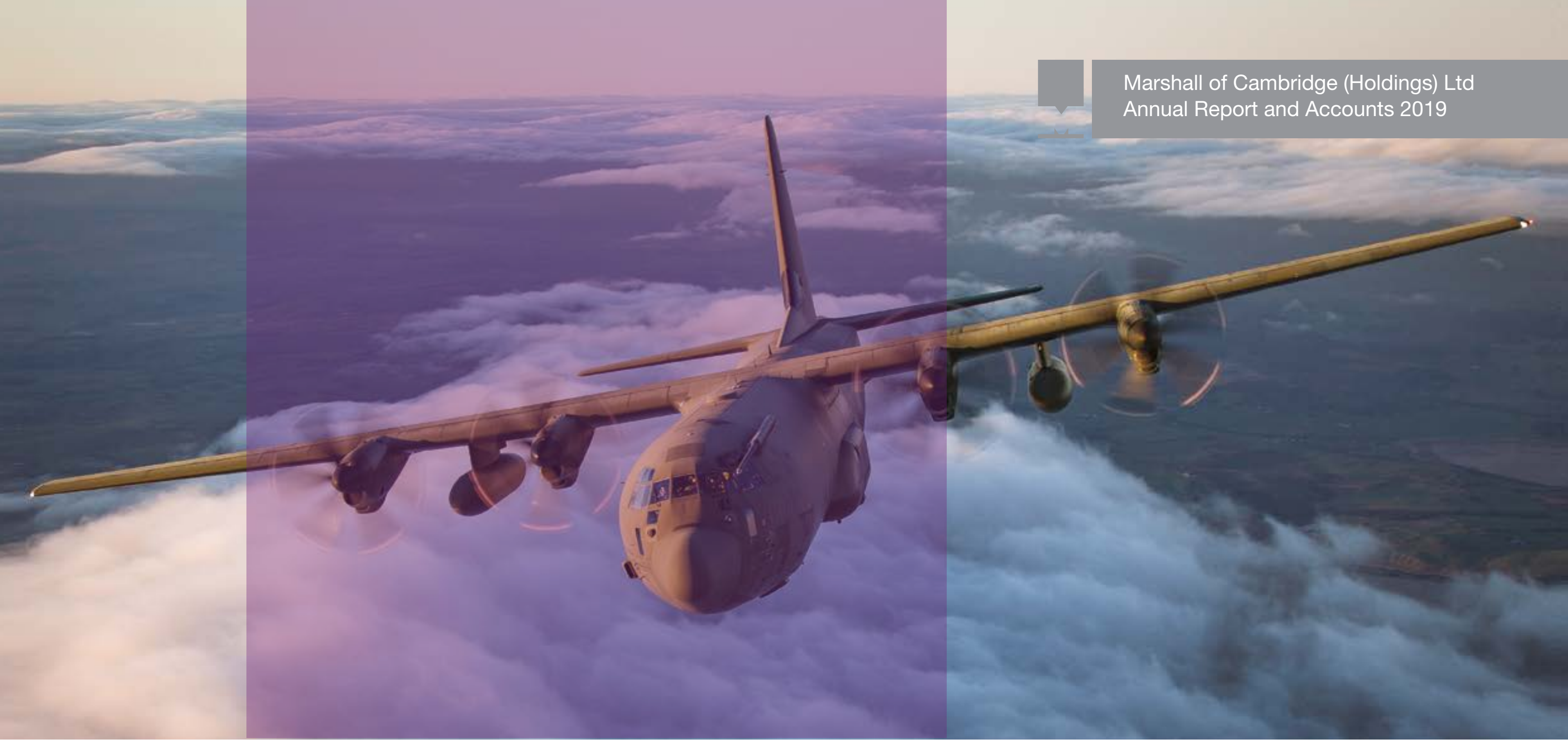
- We will routinely provide our **customers** with on-time, on-cost solutions with quality that exceeds their expectations, through developing a unique understanding of their needs.

- We will invest in our **people** to ensure that Marshall has a reputation, and is living up to that reputation, as an outstanding place to work.

Alignment of Purpose and Strategy

Marshall

Marshall Aerospace and Defence Group	Marshall Group Properties	Marshall Ventures
Making Cambridge a better place		
We are committed to generating further interest in engineering for today's young people, developing employability skills and providing the required training for them to excel in the aerospace industry in the future.	Our property developments will provide vibrant extensions to the city and significant space for new communities to flourish and succeed.	Cambridge continues to be a dynamic marketplace to invest in; our two investment vehicles demonstrate our ongoing commitment to the city, creating jobs and securing the future of local enterprises.
Creating long-term value		
We will deliver our current business and invest across MADG to become fit for the future, a profitable and sustainable business operating effectively in the global marketplace.	We will optimise the value of our land assets, creating a fitting legacy for the Group with the associated value generated, supporting the business for future generations.	Marshall Motor Holdings plc, Martlet Capital and Marshall Fleet Solutions will continue to pursue strategic growth both organically and through targeted acquisitions to create long-term value for their shareholders.
Serve our customers in a way that no one else can		
We will continue to employ highly talented teams who provide outstanding solutions to our customers, delivering a range of projects and programmes tailored to them.	We will develop unique additions to the city to benefit the local community and invest in our property assets to generate state-of-the-art facilities.	We will continue to foster a dynamic business, promoting strong customer engagement and improving our position in our chosen markets.

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Group Strategic Report

Business Model

Land Systems' shelters

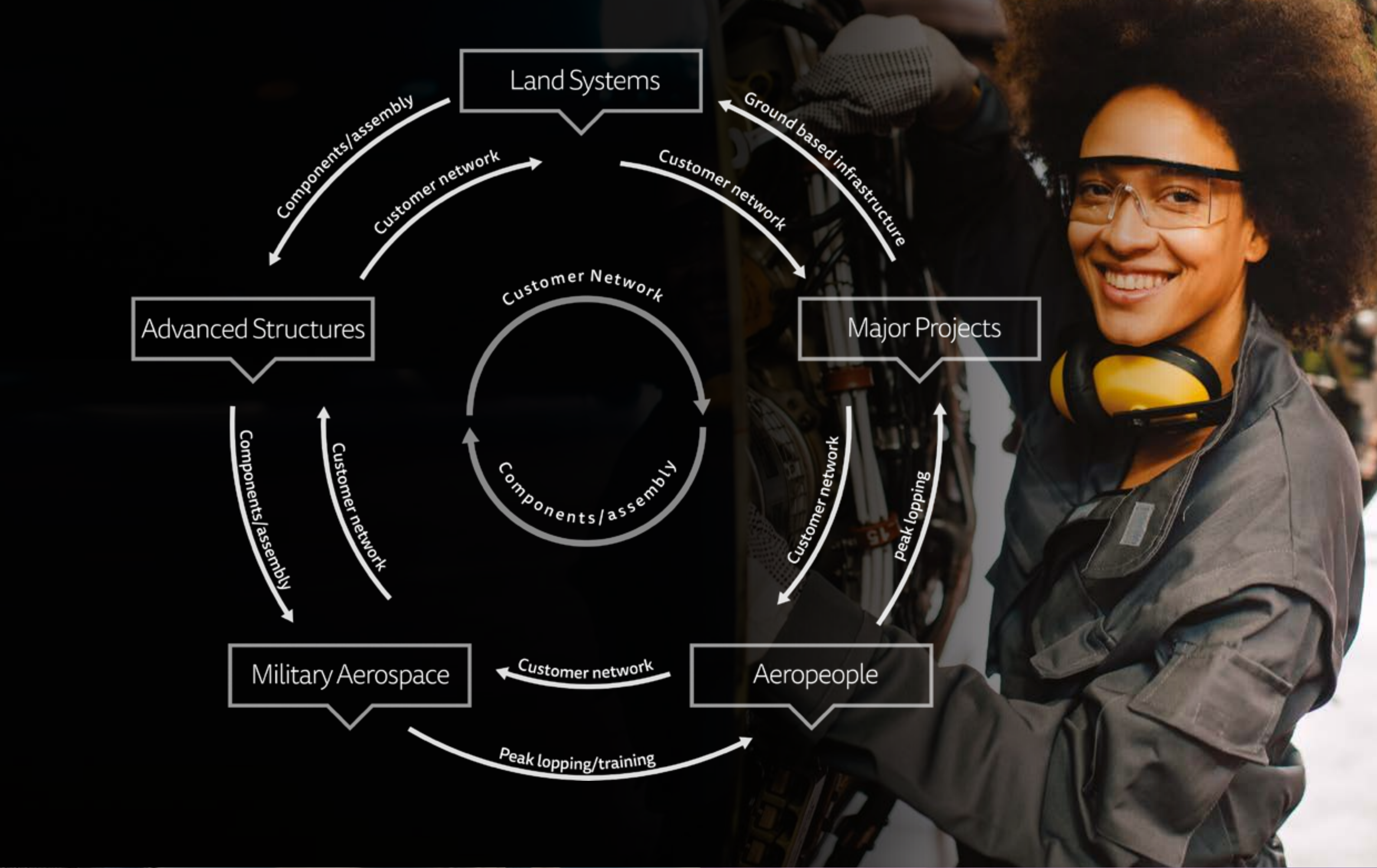
Marshall Aerospace and Defence Group

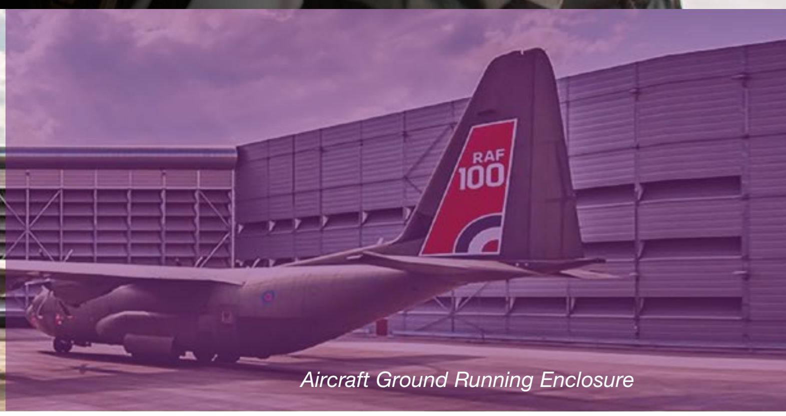
Marshall Aerospace and Defence Group delivers world leading applied engineering services and technology through our capability in Managed Services, Integration and Product Technologies.

We operate within five core market segments which reflect the differing needs of our customers in the Land, Air and Sea markets, whilst allowing us to optimise the synergies and customer opportunities which can be achieved through the common organisation capabilities applicable in those markets.

Our current and future business activities are defined and unified by our purpose to protect people in critical situations and we use this purpose when assessing developing market trends and opportunities. We believe this helps to provide more effective alignment between long-term value generation for our shareholders whilst delivering a recognisable DNA around which our key stakeholders, including employees and partners, can identify and engage.

Boeing P-8 fuel tanks




Aircraft Ground Running Enclosure

The depth of our engineering and project capabilities allows us to operate across the full lifecycle from complex new product introduction, through volume production and into optimising availability and operational costs through our managed service provision. Those capabilities can be delivered independently, such as the strategically important managed service provided to the RAF under the Hercules Integrated Operational Support (HIOS) programme, or through a more holistic approach such as in our special mission markets where we provide complex aircraft modification and certification services, which then migrate into ongoing operational support contracts for those aircraft end users.

We primarily operate as a tier 1 prime contractor and our customer base comprises government procurement agencies and armed forces across the UK, North America, Europe and the Middle East. In addition, we have also established a number of significant and long-term supply arrangements with a number of key OEM partners where we deploy a subset of our Advanced Structure technology capabilities as a tier 2 supplier in support of specific customer needs or requirements on major programmes for both the UK and US defence sectors.

Group Strategic Report

Business Model

Marshall Group Properties

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

- protecting and leveraging our land and property assets to maximise total long-term return;
- managing and investing in the existing property portfolio;
- ensuring the successful development of Marleigh and Land North of Cherry Hinton;
- actively promoting the Cambridge Airport land in the Cambridge Local Plans;
- strategically acquiring and consolidating land and property which will complement the existing portfolio;
- supporting our fellow sister companies within the group in the achievement of their strategies; and
- acting as a fair and equitable property company for both internal and external tenants.

The property business holds and rents out both investment properties and properties used in, or important to, the business of other Group companies which are in Cambridge, as well as carrying out farming and related agricultural activities on its land.

The Property team continues to work closely with MADG and MMH to manage the assets on the Cambridge campus and, in particular, the strategy for relocating businesses from the North Works to facilitate future phases of development, whilst providing improved facilities for our employees.

It has an increasingly proactive property development role, particularly within the Cambridge residential market, which has a high demand for new private and affordable housing.

The property business is progressing two major development projects in Cambridge:

Marleigh
A development of up to 1,300 homes, new state-of-the-art car showrooms, a retail hub, primary school, sports facilities and open space for the community to enjoy. A key driver for this project has been to create an impetus for investment in modern facilities for the Group businesses currently located on North Works.

Land North of Cherry Hinton
In collaboration with an adjoining landowner, an outline planning application has been submitted for up to 1,200 homes, a primary school, secondary school, local centre and spine road. The scheme will deliver around 700 homes on Marshall-owned land.

Group Strategic Report

Business Model

Marshall Ventures

Outside of MADG and Properties, Marshall Ventures incorporates all of the remaining activities of the Group.

Alongside our majority stake in Marshall Motor Holdings plc, this business unit includes the 100% owned subsidiaries of Marshall Fleet Solutions and The Cambridge Aero Club (a small flying school operated from Cambridge Airport).

Marshall Ventures activities are completed by the management of our investment portfolio in high-tech start-up businesses through Martlet Capital.

Marshall Motor Holdings plc (MMH)

This subsidiary was 100% owned until its listing on the AIM market of the London Stock Exchange in April 2015. At 31st December 2019, the Group shareholding was just under 65%. Marshall Motor Holdings plc operates with its own board and publishes its own annual report, which is available from www.mmhplc.com.

MMH's accounts are published under IFRS, but for Group purposes these have been converted into FRS102 and consolidated with the rest of the Group to produce the overall Group results.

To be the UK's premier automotive retail group

Class leading returns

The Group aims to deliver benchmarked class leading returns for its shareholders.

Customer first

Customer service is at the core of the Group as it drives repeat car sales and the purchase of higher margin aftersales products.

Retailing excellence

The Group maintains its competitive edge by investing in the best people supported by cutting-edge technology in the sector.

People centric

The Group is committed to recruiting, training, and retaining the best talent in the industry.

Strategic growth

The Group aims to grow both organically and through acquisitions, building scale with its existing brand partners and extending its geographic footprint.

Underpinned by five strategic pillars

Marshall Fleet Solutions (MFS)
MFS is the UK's largest independent commercial vehicle service organisation, providing premium sales, service and parts support for the UK distribution industry. MFS is a long established dealer of Thermo King equipment, as well as being main dealers for most manufacturers of tail lifts sold in the UK. The company has over 200 engineers, together with regional call centres in operation 24 hours a day, 365 days a year. The company offers unrivalled fleet management, breakdown support, repair and routine maintenance for transport fleet operators across the UK.


Dogtooth Robot

Martlet Capital
During the year, the Group's investment operation was rebranded as Martlet Capital. With the aim to identify start-up businesses that will achieve capital growth, the venture capital investments are separated into two funds, Martlet and MarQuity.

With close links to Cambridge University, a team of professional investor directors and a distinct focus on investing in the Cambridge eco-system, the Martlet fund invests in early-stage technology companies in line with an investment strategy that considers the quality of the management team, scale of the target market, competitive factors, valuation and the business model.

The MarQuity portfolio consists of companies identified from the Martlet portfolio that are worthy of higher levels of investment and support from the Group.

Group Strategic Report

Business Context COVID-19 Pandemic

Circumstances relating to the COVID-19 pandemic are changing rapidly, providing no certainty on the duration, or depth of impact on the Group.

The Group supports the C130 transport aircraft, which has a vital role to play in managing the crisis for many nations around the world. Similarly, through Marshall Fleet Solutions, we maintain refrigeration equipment on vehicles transporting the UK's food and medical supplies. MMH has announced that from 24th March it has temporarily closed all its dealerships, but over 60 workshops remain open to keep the nation's key workers mobile.

In the immediate term we are focussed on a number of key activities: ensuring that those employees that are working on-site are able to do so safely; adjusting work patterns so that employees that can work from home can do so as effectively as possible; implementing a furlough process for employees, where activity has closed down; and working with our customers to identify those contracts that are helping them protect people in critical situations.

Appropriate actions have been implemented to prioritise operational activities across the company, creating sufficient additional bandwidth to cope with increased absence and also alleviate the burdens on technical infrastructure necessary to support the increase in working from home. We also continue to work with our supply chain partners to ensure we do not suffer indirect disruption as a result of their responses to the COVID-19 pandemic.

Board engagement with stakeholders

Following the onset of the COVID-19 pandemic in March 2020 we have regularly updated all our key stakeholders with details of the actions being taken and how it affects them. We are in close dialogue with our customers and suppliers to enable us to prioritise workstreams in support of key workers and contracts that form part of the national response to the crisis. We have communicated frequently with employees via email and enhanced content on company-wide intranet systems. Similarly, the Executive Chairman has written weekly updates to shareholders that have also been published on the Group's website. The Chief Financial Officer, on behalf of the Board, has had discussions directly with our banking partners.

Short-term mitigating actions

The COVID-19 crisis will have a material impact on the Group's profitability and cash flows for the year ended 31st December, 2020.

In response to this unprecedented and uncertain situation, the Group is taking a number of actions to conserve cash, including:

- suspending dividend payments;
- deferring capital expenditure, repairs and maintenance expenditure, except those that impact the safety of our employees;
- reducing discretionary expenditure on items such as training, marketing and consultants;
- deferring implementation of major projects;
- implementing a recruitment freeze;
- utilising the Government's schemes to defer VAT payments, remove business property rates for retail businesses and furlough employees, where appropriate;
- negotiating a deferral of payroll taxes for a minimum of three months; and
- optimising working capital positions.

Financial position

The Core Group (excluding MMH) has a £75m revolving credit facility until March 2022. MMH operates separate treasury facilities utilising its own revolving credit facility of £120m, available until June 2021 and subject to covenant measures described in Note 18. Across both facilities the Group had £160m of available headroom at the end of March 2020.

MMH finances new and used vehicle inventories through manufacturer and other specialist vehicle funding agreements, totalling £444m at 31st December, 2019. MMH is normally required to repay amounts outstanding on the earlier sale of the vehicles that have been funded under the facilities or the stated maturity date of the agreement.

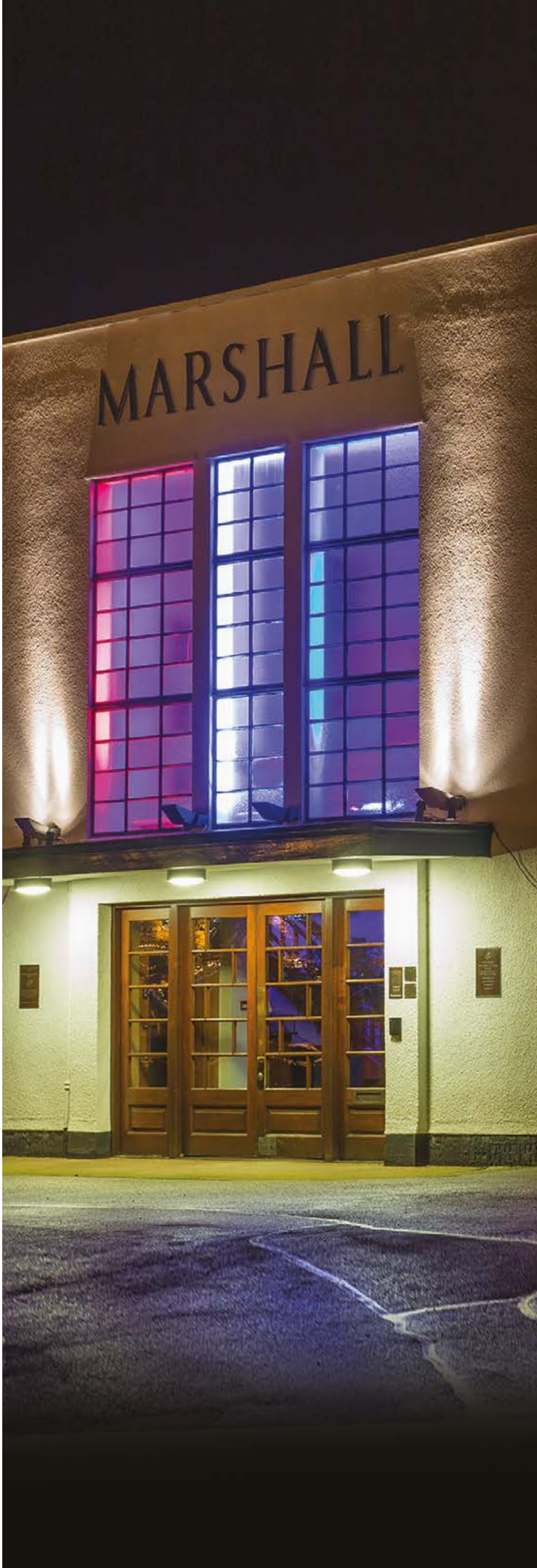
The directors have modelled scenarios representing a period of disruption to both the retail and engineering businesses until the end of June 2020 along with a longer-term stress test for MMH of disruption to the end of 2020. These scenarios take account of the Group's mitigating actions and support from the Government, but under stress show substantially reduced facility headroom and the risk of covenant breach.

The directors are grateful to the Group's banking partners, Barclays, HSBC and RBS, who have expressed an intention to support the Group through this crisis, subject to finalisation of approvals and documentation. The Group may require the consent of its banks for covenant waivers or approval to exercise accordion facilities. MMH has received extended credit support for vehicle funding arrangements, but may require further extensions under more extended shutdown scenarios.

Conclusion

The Group has a proud history of resilience, agility and innovation. We are taking every step possible to protect our employees and support our customers through these most challenging of times as well as encouraging our employees to support the local community where they can.

Although significant judgements have been made, based on the circumstances as they are known today and the scenarios modelled, the directors remain confident that the business can manage the situation, ensuring the company is ready to recommence its growth journey when the crisis eases.



Business Context

Operating throughout the UK and with customers across the globe, the Group has seen a number of significant developments in several of our key markets.

Within the UK, after a sustained period of significant uncertainty, the result of the 2019 general election provides the opportunity for more stable government, albeit one with some difficult circumstances to navigate. The longer-term effect of Brexit, however, remains to be seen. During the year, the government confirmed a shift in spending priorities, announcing a budget increase for the Ministry of Defence of 2.3% above inflation for 2020/21. Looking further ahead, the government undertook a Strategic Defence and Security Review (SDSR) in 2010 and 2015, however it is yet to be confirmed if such a review will be performed in 2020. As a long-term partner to the Ministry of Defence, we continue to work closely with them to drive cost efficiencies into our operations, thereby improving value-for-money and equipment availability; both of which were key factors in earlier reviews. The UK's C130 fleet has an out-of-service date of 2035, therefore it is essential that we expand our international footprint.

In Europe and elsewhere, we have also seen a shift in procurement practices in the Land domain, with a move towards integrated vehicle and deployable system programmes, rather than the traditional practice of separating these elements. This approach favours companies, such as Marshall, which has proven capability in effectively addressing vehicle to system interface issues and subsequent Health and Usage Monitoring Systems (HUMS). We have already benefitted from this shift through the capture of the significant DVOW contract for the Netherlands Armed Forces in 2018, with similar opportunities in the future in Canada (Logistics Vehicle Modernisation programme) and the UK (Deployable Technical Infrastructure).

In North America, we are seeing Canada move into a period where, under its latest Defence Investment Plan, it intends to deliver several key equipment programmes which are of significant interest to us over the next five years. In the United States, we are seeing the traditionally insular US market for C130 aircraft support begin to open up to international competition as the existing military and government backed maintenance facilities shift their focus to support on newer platforms such as the Lockheed Martin F-35 Lightning.

The market in the Middle East for intelligence gathering assets is increasing. These opportunities are closely aligned with our proven capabilities in the special mission sector, albeit that contracts tend to be higher risk.

The Property team, in conjunction with its joint venture partner Hill Residential, continue to monitor closely the impact of wider macro-economic conditions along with consumer confidence on the regional and sub-regional housing markets. Whilst there remains a degree of uncertainty around Brexit, the results of the recent general election should provide greater clarity around the future trading relationship with the EU and hence impact positively on business and consumer confidence. Along with the proposed changes to the Help-to-Buy scheme, the ever-changing policy landscape around net zero carbon is also being closely monitored. The coming year is pivotal for the successful launch of Phase 1 of Marleigh, being the first major residential development to the east of Cambridge for many years.

Although MMH performed well in 2019, uncertainty in the market created a challenging year for the new vehicle market with registrations down 2.4% from 2018 and 14.2% from the market peak of 2.69m registrations in 2016.

Further declines are expected in diesel market share, with growth in the registration of alternative fuel vehicle expected to continue. In the longer-term, climate change and the response of international governments to these issues, in combination with technological developments by vehicle manufacturers, will have a significant impact on the automotive sector in the coming years. As a result, all major vehicle manufacturers are investing heavily in the development and launch of battery electric vehicles (BEV).

The increasing proportion of BEV on the road is likely to impact traditional aftersales activities, including the sale of parts and oil products. However, these new technologies, and the associated expertise and facilities required to service them, can also offer opportunities to certain franchised dealers. Close partnerships with vehicle manufacturers and the ability to invest in the infrastructure required to service BEV differentiates MMH's position from those of the independent aftersales sector.

Further consolidation of vehicle manufacturers and the anticipated reduction of retail networks by up to c25% over the coming years should assist in higher throughput and profitability per location.

Group Strategic Report

Business Performance

Marshall Aerospace and Defence Group

Underlying operating profits, before separately disclosed items, increased by 16% to £17.8m (2018 - £15.3m) reflecting strong performance from our Military Aerospace, Land Systems and Aerostructures operating divisions. Overall profit before tax, after separately disclosed items, also showed a significant improvement at £17.7m (2018 - £12.1m) for the year whilst operating profit to cash conversion continued to be particularly strong. We were also delighted to continue to deliver strong growth in our order book, with £334m (2018 - £406m) of new orders secured during the year, representing a book-to-bill ratio of 1.6:1 (2018 - 2.5:1), excluding the Hercules Integrated Operational Support contract with the UK MoD.

Our Military Aerospace division secured key contracts with a number of existing and strategically important new customers, including NavAir and Kuwait which delivered revenue growth of 29% compared with the prior year. In recognition of this growth, we have launched a programme of significant capital investment, which incorporates the refurbishing and modernising of two of our main production hangars whilst also investing in improved facilities available to our employees.

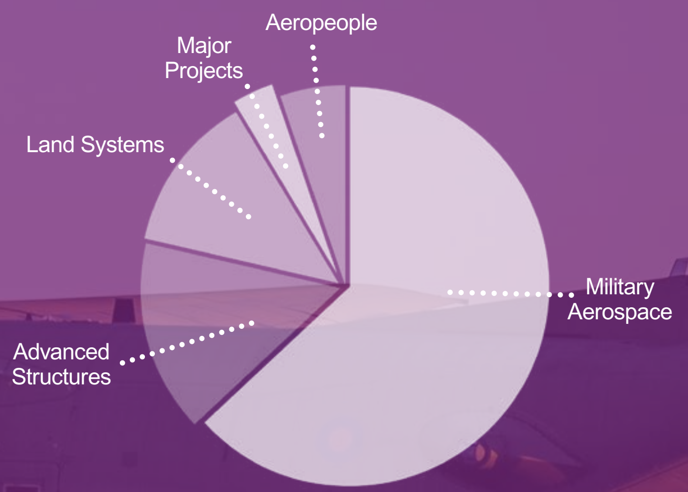
In respect of the Global 6000 Aircraft Integration programme, the Major Projects division also maintained its steady and planned progress over the past two years. As a result of successfully achieving all key milestones during the year, including delivery of all elements of the flight test programme and completion of the second aircraft modification activities, the loss provision was reduced by £1.8m. Using the advanced capability developed through the delivery of this project, the Major Projects team continues to progress opportunities for future programmes.

Following the successful winning of contracts within the DVOW and GASKET programmes, reported last year in our Land Systems division, 2019 has been a period of significant operational growth in our UK operations as we ramp up activities in support of those and other programmes. As a result, revenues have grown to £40.5m (2018 - £32.9m) and we expect to see further growth in 2020.

Our Advanced Structures offerings to customers are delivered through our Aerostructures and Advanced Composites teams.

The Aerostructures business continued to deliver predictable and reliable results, despite significant operational disruption on a key programme during the year as a result of delays in the provision of key components by a customer-mandated supplier.

Results in our Aeropeople and Advanced Composites subsidiaries were disappointing, however, with both reporting losses during the year. These businesses have active turnaround plans in place which are expected to return them to profitability in the second half of 2020.



Revenue by Division

Group Strategic Report

Business Performance

Marshall Group Properties

Marleigh

The outline planning approval for 1,300 homes was granted for the Marleigh development in 2016. In 2018, we partnered with Hill Residential to develop the first phase of the scheme, to include 547 homes (164 affordable), the local centre and primary school.

During 2019, detailed planning approval was obtained for the first 239 homes, as well as the local centre, and a contract was signed with London & Quadrant for the sale of all of the affordable homes in phase one.

The infrastructure funding provided by Homes England to the joint venture has now been fully drawn and works on Newmarket Road are underway to form the entrance to the site. Development finance for the construction stage within the joint venture will be provided by HSBC, with a £30m facility completed in March 2020. The Sales and Marketing Suite opened to the public on 21st March and we anticipate the first completion later this year.

Aircraft Ground Running Enclosure (GRE)

As noted previously, the building and commissioning of the GRE was the key enabling project for the occupation of new residential dwellings around the operational airfield. On the 6th November, 2019 we received formal confirmation from the Local Planning Authority that all planning conditions had been discharged and they were satisfied with the results of the GRE commissioning process. Furthermore, the obligations under the s106 legal agreement were also satisfied and the Homes England milestone for delivery of the GRE was met.

Land North of Cherry Hinton
Good progress has been made in the year responding to statutory consultee responses on the outline planning application submitted in 2018 for up to 1,200 dwellings, a primary school, a secondary school, a local centre and other community facilities. The project team, which includes the professional team of the adjoining landowner, working with the Local Planning Authority, are due to present the planning application at a Joint Development Committee meeting later in 2020.

Cambridge Airport Land
Following the announcement earlier in 2019 to relocate the Aerospace and Defence business and actively promote the Cambridge Airport site in the Local Plan, the project team has been working closely with Central and Local Government officers to progress the vision for a new city extension of Cambridge.

This development would have the potential for combining 12,000 new homes with civic, cultural, academic and education institutions and a modern urban science park to provide five million square feet of employment space and support employment for 38,000 people.

A key enabler for the scheme will be the provision of a rapid transit connection to unlock the huge potential Cambridge East offers. Marshall is engaged with all local stakeholders, including the Cambridgeshire and Peterborough Combined Authority in respect of proposals for the Cambridge Autonomous Metro, Cambridge's proposed underground transit network, and the Greater Cambridge Partnership on the allocation of further City Deal funding. The objective is to work with all parties, Business and Local Authorities, to develop a rapid transit scheme to ensure the City continues to grow and reach its full potential.

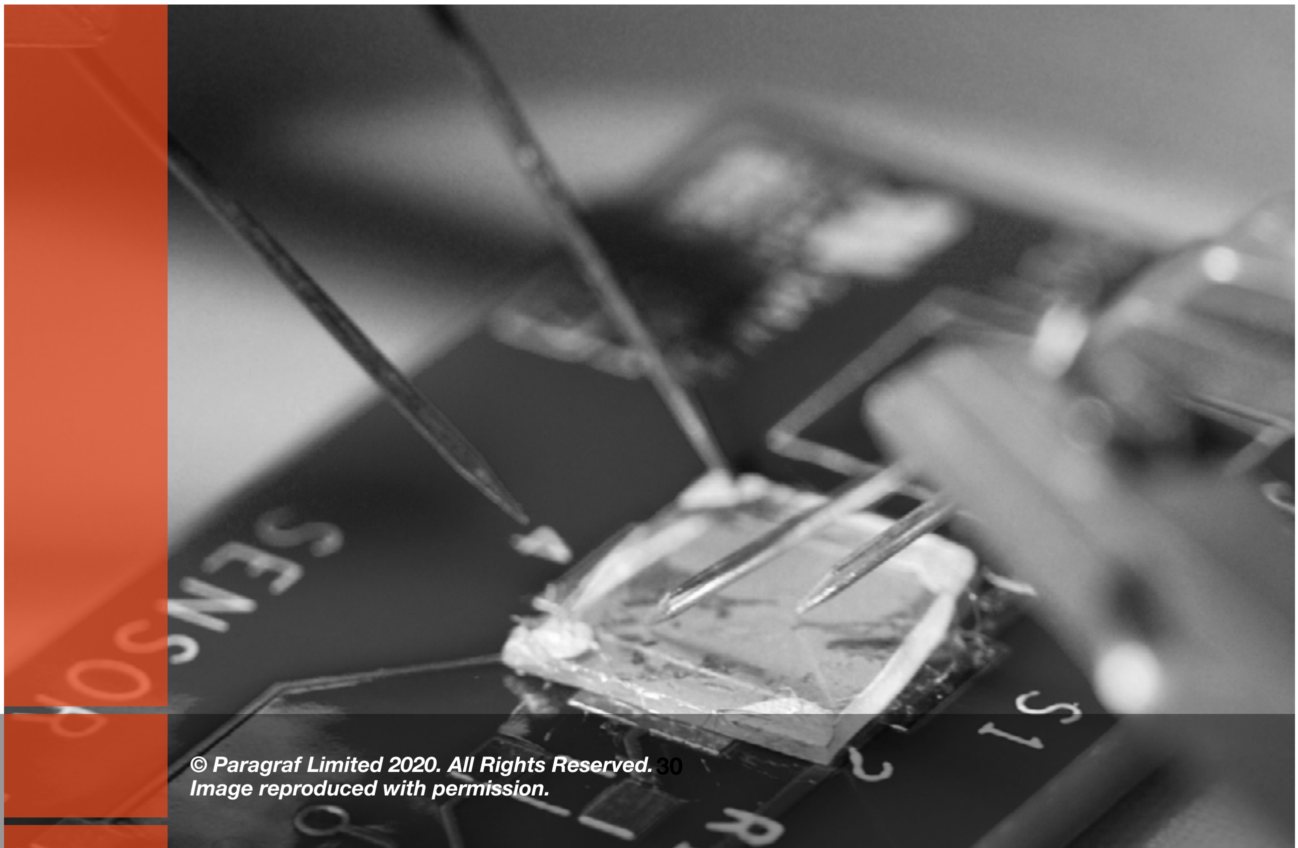
Business Performance

Marshall Ventures – Martlet Capital

With International Private Equity and Venture Capital (IPEV) Valuation Guidelines published recently, Martlet Capital follows this industry accepted best practice when estimating the fair value of its investments.

The Martlet fund invests in early stage technology companies under a clear investment strategy. The fair value is estimated to be £3.6m (2018 - £2.5m). Fifteen new investments were made during 2019 with a total value of £1.0m, adding seven new companies to the Martlet portfolio. Eight follow-on investments were made into existing portfolio companies. Provisions for the write-down of investments are taken where later investment rounds are completed at a lower price, or the prospect of realisation is unlikely. Disposals during the year realised £0.4m and a fair value increase of £0.2m was recognised (2018 - £nil).

The fair value of the MarQuity fund is estimated to be £4.3m (2018 - £4.1m). Following the disposal of Vantage Power (proceeds £0.6m), the MarQuity portfolio now consists of seven companies: Arachnys, Undo Software, Plumis, Audio Analytic, Dogtooth, Octagon and Paragraf. A fair value increase of £0.7m was recognised (2018 - £0.2m).



Marshall Ventures – Marshall Fleet Solutions (MFS)

MFS continues to achieve good growth in revenues, up by 11.8% to £53.0m (2018 - £47.4m), but reported a loss before tax of £1.5m, albeit lower than losses in 2018 (£1.7m) and 2017 (£2.8m). Profitability from fleet management services was stable during the year, whilst both volumes and margins improved on the sale of Thermo King refrigeration units. Aftersales revenues fell by 1.8% during the year, which impacted gross margins. This, along with an increase in overheads, was the main driver behind the loss recorded in the year.

Towards the end of 2019 the business was restructured into five regional hubs spread across the UK, which will benefit employees and customers. This will enable aftersales operations to focus on delivering the high level of service required by the transport sector and seek to turnaround the trading result over the next few years to deliver industry benchmarked returns.

Group Strategic Report

Business Performance

Marshall Ventures – Marshall Motor Holdings plc (MMH)

Despite the challenging market conditions, MMH delivered another strong set of results. Revenues grew 4.1% to £2.3bn in 2019 (like-for-like growth of 2.2%), whilst profit before tax increased from £11.5m in 2018 to £17.6m in 2019. Profit before separately disclosed items fell 10.6% to £22.9m.

Operational Activity
New vehicle unit sales were up 2.4% to 47,303 units, with like-for-like total new vehicle unit sales up 0.3%, representing a strong outperformance against a UK market registration decline of 2.4%, including the impact of dealer self-registrations. Within the total for new vehicles:

- sales to retail customers were up 1.3% with like-for-like down 2.2%, an outperformance against retail market registration decline of 3.2%; and
- sales to fleet customers were up 4.1% with like-for-like up 4.5%, an outperformance against fleet market registration decline of 1.7%.

MMH achieved an excellent used car performance against strong prior year comparisons: total unit sales up by 8.5% to 46,974 units, with like-for-like volumes up 6.1%, significantly outperforming the wider UK market which saw volumes decline by 0.1%.

MMH's strong aftersales performance in recent years continued during 2019, with revenue growth of 4.9% (like-for-like growth of 3.2%) partially offsetting margin pressure due to an increased proportion of parts sales compared to servicing revenue.

Acquisitions and Disposals
During the year, MMH added 20 new business units to its portfolio. In line with historical practice, all of these transactions were completed with the full support of brand partners.

- In March, MMH completed two transactions which further extended its relationship with ŠKODA from five locations to eleven, making it the largest retailer in the UK for the brand.
- In September, MMH acquired two Honda businesses, reinforcing its position as the second largest Honda partner in the UK.
- In December, MMH announced the acquisition of a portfolio of businesses from Jardine Motor Group UK Limited. The businesses acquired comprise six Volkswagen passenger car franchises, making MMH Volkswagen passenger car's largest partner in the UK, together with a Volkswagen commercial vehicle franchise, a ŠKODA franchise and a body repair facility. As part of this acquisition, another Volkswagen passenger car operation is expected to complete in 2020 following a legal process to sub-divide the property.
- Finally, also in December, MMH purchased a Volvo site, taking its total representation to nine sites, the largest in the UK for the brand.
- During the year, MMH also opened new businesses for Volkswagen commercial vehicles, LEVC and a Ford Parts Plus franchise.

The businesses acquired have been loss-making, so MMH expects them to be earnings dilutive in 2020 and 2021 while they improve the operational performance. The integration is progressing well, with the businesses already benefitting from MMH's scale and operating model.

Investment in Facilities
MMH continues to invest in its retail sites, investing £19.4m into its portfolio during the year. Investment in relocations and major rebuilds included: Southampton Mercedes Benz Commercial Vehicles, Wimbledon Audi (the first "city concept" facility in the UK), Lincoln Jaguar Landrover, Lincoln Nissan, Grimsby BMW, Northampton ŠKODA and Derby Volvo.


Cambridge Ford Store

Lincoln JLR

Lincoln Nissan

Group Strategic Report

Board Engagement with Stakeholders

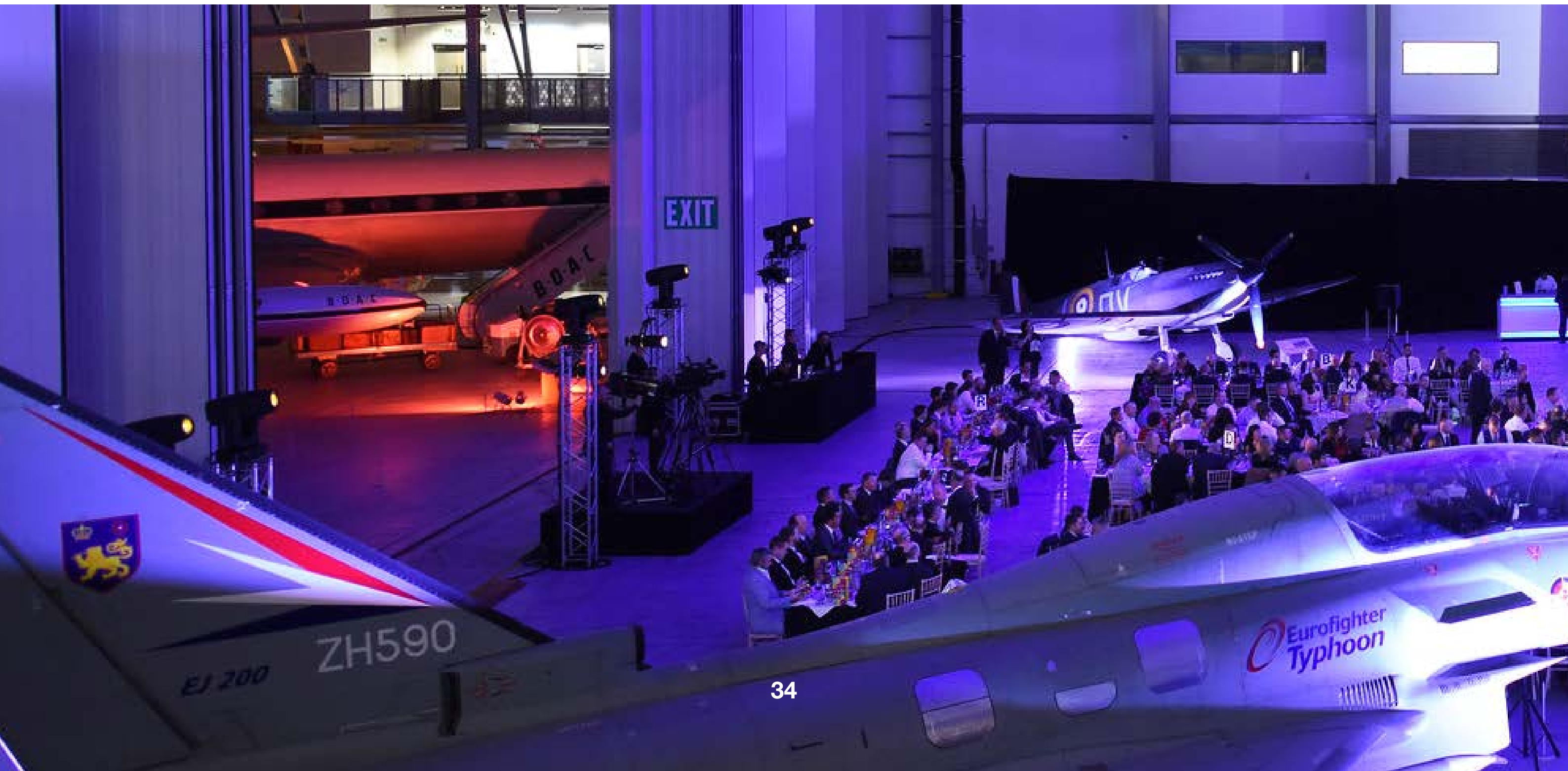
Directors' duties
Directors of the Group have a duty to promote the success of the Company. This is set out in Section 172 of the Companies Act 2006 as below:

Section 172 of the Companies Act 2006
Duty to promote the success of the company

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to-
- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company.

Protocol
As set out on pages 58 to 67 of the Governance Report, the Group has defined its own corporate governance framework. As part of this framework, it has adopted a protocol which provides detailed guidance for directors and management on the application and execution of their Section 172 duties across the Group and its key operating companies. Further details on the Group's approach can be found on pages 68 to 70. The protocol provides directors and management with a clear process to follow when considering principal decisions. At the heart of the framework is the role responsibilities that are placed on the Group directors, which are clearly defined and based on the Group's corporate purpose.

The strategic goal for the Group is based on a 'One Company' ethic which allows the operating companies to be aligned with a clear focus on customers and making a difference. Long term success is monitored by the Board against the implementation of the Group's strategy and business plan with regular updates to the directors of the operating companies. The Group's success is dependent on, amongst other things, what it considers to be its most valuable assets, its people. Supporting and retaining a highly skilled workforce is essential for its long-term success. Why and how the Group engages with all its stakeholders is set out on pages 35 to 39.



Principal decisions

The Board has responsibility for principal decision making. Responsibility for the implementation of these decisions lies with the respective operating subsidiary, and ongoing monitoring is led by the Board. The Board composition is such that it has the necessary skills and experience required to identify the impacts of its decisions on the Group's stakeholders, and where relevant, the likely consequences of the decisions in the long-term. Details of the skills and experience of the Board are set out on pages 56 to 57.

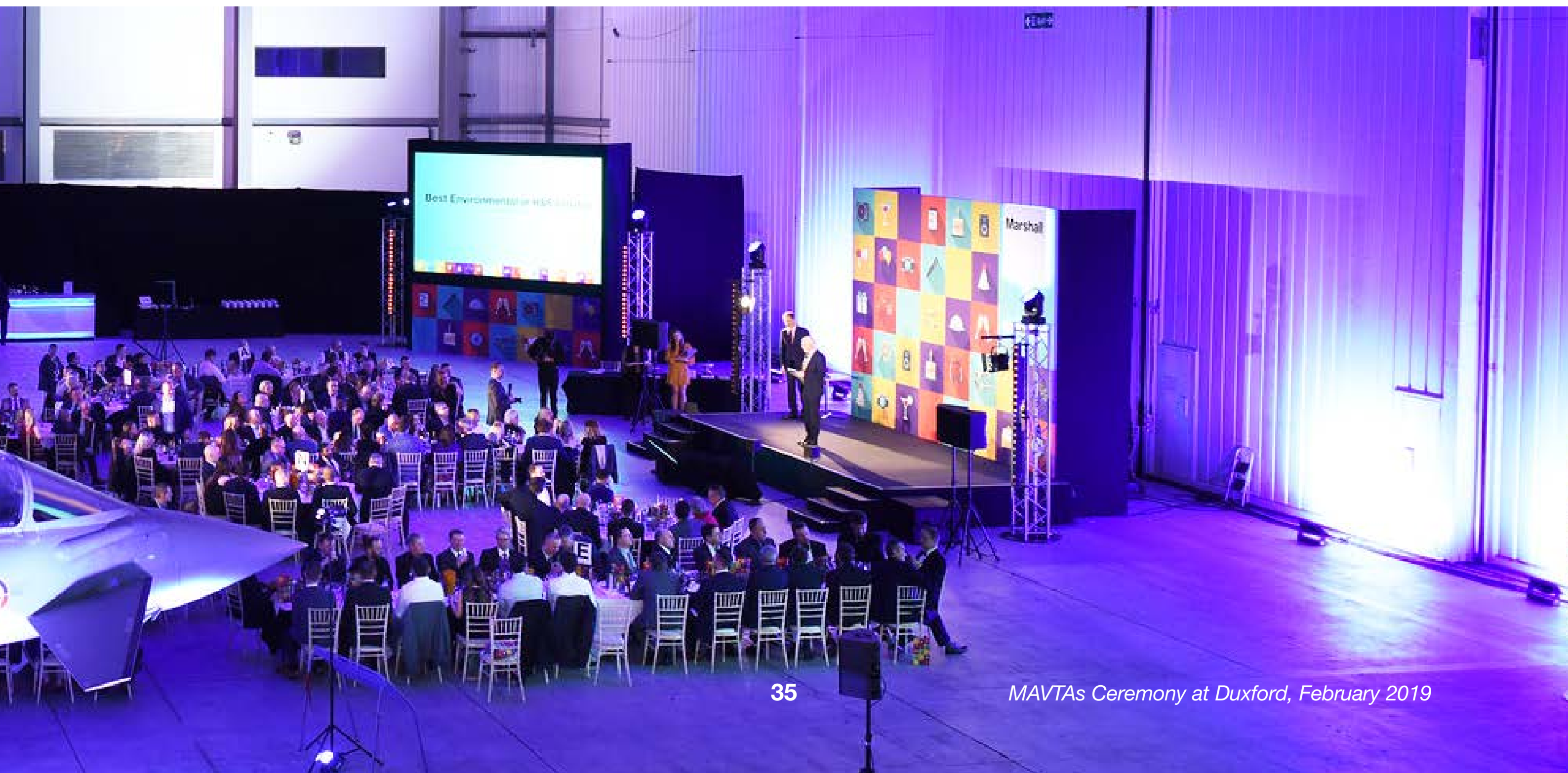
Principal decisions are those that are strategic, commercially material and impact the Group's and/or the operating companies' stakeholders. In addition, principal decisions are made by the Board when the value and/or the type of decision exceeds the delegated authority level or financial limits of the operating companies.

Examples of the principal decisions made on behalf of the Group and/or the relevant operating subsidiary during the year include:

1. Relocation of MADG

During 2019, the Group announced its intention to relocate the Marshall Aerospace and Defence Group (MADG) businesses from its 900 acre site at Cambridge Airport to new, state of-the-art facilities at one of three possible venues, Cranfield, Duxford airfield or RAF Wyton, by 2030. This decision was made by the Board as part of the Group's commitment to invest in the long-term future of the Group. The Board believes that the business will be stronger as a result of the move and that Cambridge will benefit from the development of the site. The Group intends to invest in new state of-the-art facilities which will be available to customers both in the UK and overseas, whilst maintaining the provision of an exceptional service to all customers. Even when MADG has relocated, its other businesses will continue to be based in Cambridge and the Group takes seriously its commitment to be part of the community in perpetuity, working to make sure that any building on the airport site benefits Cambridge and supports its growth ambitions for generations to come.

The Board received several briefing papers and presentations, which outlined, amongst other things, the impact the relocation might have on the Group's employees, suppliers, customers, and local communities. A final decision on the location has yet to be made, but as part of that decision, an impact assessment of the relocation on the stakeholders will be undertaken for presentation to the Board. This will include an assessment of how each stakeholders' interest was considered throughout the assessment process, details of any risks identified and resulting actions proposed to be taken to monitor and mitigate those risks. Consideration will also be given to any potential impacts on the Marshall reputation and how that impact will be monitored.



MAVTAs Ceremony at Duxford, February 2019

Board Engagement with Stakeholders

Principal decisions (continued)

2. Submission of Cambridge Airport site into Local Plan

Linked to the decision about the planned relocation of MADG, was the decision to promote Cambridge Airport, and surrounding farmland, in the Greater Cambridge Local Plan. The proposed land allocation is the first step in developing the vision for Cambridge East and delivering an exciting vibrant extension to the City of Cambridge which needs to grow to sustain its world-leading status. The Cambridge Airport site spans the City boundary on the East side and the Board believed that, including the Marleigh development which is already underway on Newmarket Road, the site can offer the 12,000 homes originally envisaged in the Cambridge East proposals from more than a decade ago, plus some five million square feet of business and commercial space, providing the jobs necessary to make the site sustainable in the long term.

The decision to promote Cambridge Airport does not materially impact stakeholders. Only at the point the business decides to develop the site on the back of a successful allocation in the Local Plan will stakeholders be impacted. At that point detailed stakeholder management plans will be drawn up and implemented. The project team have a detailed risk register that is updated and reviewed formally on a quarterly basis. The register includes controls and mitigation actions to manage the risks within the risk appetite of the Group. There has been interest and comment across all stakeholders on the announcement to promote Cambridge Airport in the Local Plan, but no adverse impact to the company's reputation has been registered. The Group has a well-established communications team that, along with the senior management team, monitor stakeholder reactions to principal decisions. This is achieved by both pro-active and reactive management.

3. Replacement ERP system

Although approved in December 2018, the decision to replace four different ERP/MRP systems within MADG with a single new ERP system had a significant strategic impact and financial spend during 2019.

The new system will allow consolidation and standardisation of processes across the business delivering increased efficiency and business information to improve decision making. The changes arising as a result of the system implementation should improve operating procedures which should impact employees' ways of working. This will be managed through the creation of a dedicated change team in the project who will be responsible for engagement, communications and training throughout the programme, including engagement in respect of any changes driven by the new target operating model.

The existing business systems are out of date, resulting in significant inefficiency in working practices for employees. As part of the preferred system selection process, employee representatives from across the business were engaged in both the initial system requirements specification document, and then the process for assessing candidate systems and selecting the preferred option.

As ERP implementation programmes are complicated to execute, a number of key risks have been identified and are being managed to ensure the system design works, that customisations are minimised or eliminated, that data cleansing and migration are effective, and that effective training mechanisms are in place to ensure a successful go live and subsequent sustainment. Failures on any of the above could result in cost overruns or a failure to deploy an effective operational system. To monitor and mitigate the risks, a steering committee sits regularly to oversee key programme progress and decisions, above a broader and deeper programme governance structure. Although this principal decision has not directly impacted the company's reputation, it is anticipated that once live, the business system will deliver operational improvements that will be visible to both customers and suppliers. Any impact would be monitored and captured through the rolling programmes of customer and supplier engagement.

Board Engagement with Stakeholders

“Marshall is proud to be a private, family owned group, which is fully committed to maintaining its values and its relationships with its employees, customers, suppliers, shareholders, and local communities.”

Our people

The Group has long held the value that people are at the heart of its success, recognising that everybody in the Group contributes, in various ways, to the products and services we supply. We value each individual’s contribution, encouraging everyone to reach their full potential.

Why we engage:

- To understand how our employees feel across a number of areas which impact their work environment
- To optimise input into changes with significant impact on our employees
- To keep employees up to date and encourage feedback and comments
- To give quarterly face to face business updates on performance and major projects
- To enable two-way communication with employees to generate understanding and engagement

How we engage:

- Jonathan Flint, a non-executive director, has responsibility for employee engagement
- Employees are consulted through an annual survey
- Peer nominations are made to the Group for its annual Marshall Achievement, Values and Teamwork Awards (MAVTAs)
- Company-wide intranet
- In-house magazine
- ‘Town hall’ events

Our customers

A key tenet to our purpose is to serve our customers in a way that no one else can. Our success relies on our unfaltering customer focus. We work tirelessly to meet all our customers’ needs, delivering tailored solutions in all of our sectors.

Why we engage:

- To enhance our understanding of, and alignment with, customer requirements
- To ensure the business has an objective view of its performance
- To allow the business to solicit informed feedback
- To use good customer relationships established in one division to generate opportunities in others
- To develop enduring strategic partnerships

How we engage:

- Visits to customer premises and attendance at customer working groups
- Industry days and supplier forums, as supplier
- Board to Board meetings with significant customers
- We monitor and measure customer satisfaction levels
- Customer KPIs are reported in operating subsidiary board packs
- Customers are invited to the Group annual reception

Our suppliers

Suppliers play a critical role in the Group's ability to operate sustainably, safely and efficiently.

Why we engage:

- To communicate future requirements and performance
- To qualify suppliers as suitable for specific contracts
- To provide a safe working environment for suppliers and visitors
- To reduce carbon footprint in supply chain
- To build strategic partnerships from which we can mutually benefit

How we engage:

- Supplier forums
- Visits to supplier premises
- Performance reviews with suppliers
- Supplier conferences and training

Our shareholders

The Board has a collective duty to promote the long-term success of the Group for its shareholders, and recognises the importance of establishing and maintaining good relationships with all of the Company's shareholders.

Why we engage:

- To maintain strong links with the Marshall family
- To ensure a mutual understanding of objectives and to deal with issues of concern
- To communicate financial performance and strength of the business
- To update on key and emerging issues and overall business performance
- To ensure the Board is aware of any shareholder issues

How we engage:

- A transparent and detailed Annual Report
- Business update presentations and site tour on AGM day
- An interim report to highlight progress on a number of key initiatives
- Regular informal shareholder briefings to update shareholders on the direction of travel of the business
- Board Terms of Reference
- Work experience days for the younger generation of the Marshall family
- E-mail updates of significant business news

Our communities

Whilst we operate globally, the Group has been headquartered in Cambridge since it began 110 years ago and moved to its current 900-acre site in 1937. We remain committed to Cambridge's extraordinary growth and development.

Why we engage:

- We benefit from actively engaging with other community members to understand their priorities and seek mutually beneficial outcomes
- To make a positive impact and be a good neighbour by the responsible running of our operations
- To provide experiences and opportunities designed to address the diversity issues which exist in STEM employment with the aim to improve gender diversity

How we engage:

- We support local communities who need help through charitable contributions and by encouraging employees to donate their time to community and charitable initiatives
- The Group is a founding industry partner of the Launchpad initiative in Cambridge, an outreach programme for students aged 8 to 18

Group Strategic Report

Risk Management

Managing our risks
Taking risk is an inevitable aspect of the businesses we operate within and therefore risk management is a fundamental part of achieving our strategy. Risk is present in everything we do and it is therefore our policy to identify, assess and manage the key areas of risk on a proactive basis. We seek to embed risk management into the culture of the Group without introducing unnecessary bureaucracy. We involve, empower and give ownership of the identification and management of risk to all of our operating companies. All of our principal risks are considered against the backdrop of the overarching Group strategy and purpose: “One Company united by a common purpose and culture, committed to serving our customers and the community” and are mapped against the three central tenets:

- Serving our customers in a way that no one else can;
- Creation of long-term value; and
- Making Cambridge a better place.

As an independent plc, Marshall Motor Holdings plc has established its own risk management framework, through which its board has identified and assessed the principal risks and uncertainties which could have the most significant adverse impact on its business, together with the controls in place to mitigate those risks. More details can be found in the Marshall Motor Holdings plc annual report which is available from www.mmhplc.com.

Risk appetite
Risk appetite is the level of risk the Group chooses to accept in pursuit of its strategic objectives. The Group’s lowest risk appetite relates to safety and compliance objectives, and its reputational exposure, with a higher risk appetite towards its strategic and operational objectives. The Board undertook a detailed review of its risk appetite during the year, and has identified ten key risk categories that are intrinsic to its consideration of appetite for risk, and which align with the published Group strategy. The Group is willing to bear or retain risks that have been assessed as being within the levels set for each risk category. Each risk category has a unique series of performance metrics which provide guidance to the Group and business units as to the level of performance required. Regular reporting of these metrics allows the Board to be given early warning of potential future risk events and deteriorating performance.

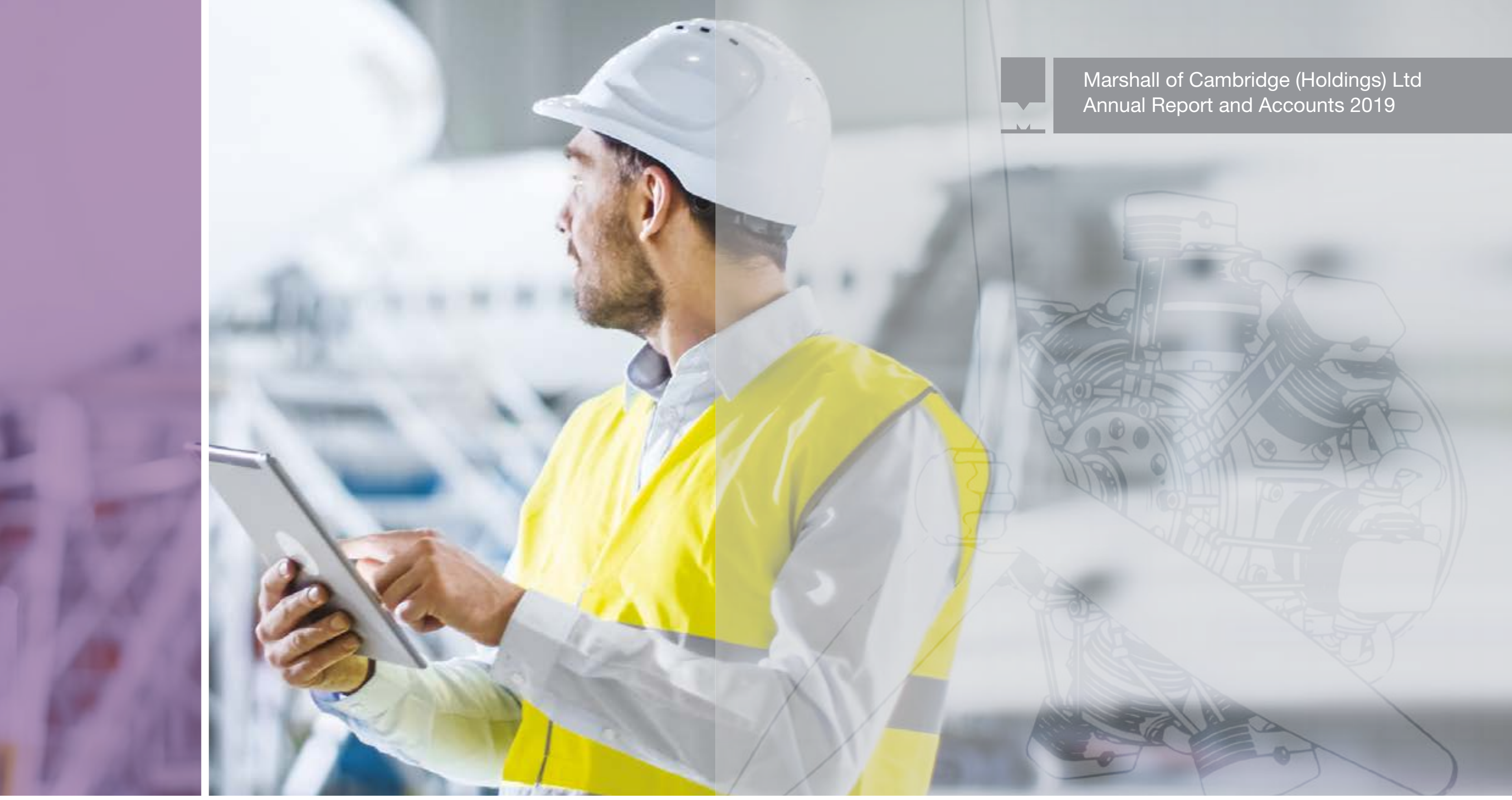
Risk framework
The Group has an established framework, structure and process for the management of its key risks, and the responsibility for risk identification, assessment, mitigation and reporting lies with the management of each of its businesses. Each business, and the Group overall, has its own risk register where risks and their relative likelihood and impact scores are reviewed and re-scored every quarter by each risk owner. Regular review, monitoring and reporting by the businesses enables the Board to ensure its risk appetite remains appropriate and that the businesses are consistent with it. The Group takes a proactive approach to risk management, with the expectation that by identifying risks early, the likelihood and impact of those risks might be reduced or removed before they transpire, and appropriate plans can be put in place to deal with them effectively if they materialise. Providing a safe working environment for employees, customers, suppliers and visitors is of paramount importance to the Group, 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.

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

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

Governance
The Board has identified ten principal strategic risks, as set out on pages 44 to 48. An additional risk, the relocation of MADG, has been identified as an emerging strategic risk, following the principal decision made by the Board during the year, as outlined in the Board Engagement with Stakeholders report on page 35. As part of the wider risk management process each principal strategic risk has been mapped to one or more of the risk appetite categories. Business decisions and discussions on further risk mitigations take into consideration whether the likelihood and / or impact breach agreed appetite levels.

The Audit and Risk Committee met three times during the year and completed deep dive risk reviews of business interruption, cyber-attack, regulatory breach and UK defence policy. The remaining six risks were reviewed by the Board, with contract completion and Group liquidity constraints considered at every meeting. The Audit and Risk Committee also reviews at each meeting the progress on the replacement ERP system, another principal decision made by the Board during the year.




1
Identify
Risk name
Causes
Consequences
Risk owner
Risk category
2
Assess
Impact
Likelihood
Scenario modelling
Risk score
3
Review & Validate
Current controls
Controls effectiveness
4
Assess & Respond
Control improvements
Financial impact
Trend
5
Report
3 lines of defence
Heat map
Key risk dashboard
Risk Management Process


About
Investor Relations
Aerospace and Defence
Property
Ventures
Commitment
Contact
Marshall
Marshall is proud to be a private, family owned group with a diverse portfolio of businesses
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Learn more
Marshall Group Properties
Learn more
Marshall Ventures
Learn more
Our business activities
Marshall is a unique private company committed to making a difference through providing support to its growing customer base. See the business activities across each of its business arms in the latest annual reports.
Our Annual Reports

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

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

The ORMC is charged with the responsibility of reviewing and monitoring key risks which are identified, assessed, reviewed and reported by the businesses. To support the businesses, the ORMC assists in establishing, maintaining and reviewing procedures at management and operational level to identify, monitor and mitigate operational risk.

The ORMC meets at least three times a year under the chairmanship of the Group Company Secretary, with meetings scheduled in accordance with the Audit and Risk Committee timetable. Relevant directors 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 new risks and procedures. The ORMC serves both to embed risk management procedures and advise the Audit and Risk Committee on current risk exposures and potential changes to future risk strategy.

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

Risk assurance activity during the year
Risk assurance activity in 2019 included the following:
- reassessment and realignment of the Board's risk appetite to ensure risks are only taken in pursuit of strategy;
- mapping of each risk on the Group's risk heat map to a risk appetite category;
- identification of a unique series of performance metrics for each risk category to provide guidance to the Group and business units as to the level of performance required;
- re-evaluation by the ORMC at each meeting of the Group's top strategic risks and their position on the Group's risk heat map;
- pre-review by the ORMC of all risks undergoing deep dive at the Audit and Risk Committee, whereby the management or mitigation of the Group's principal risks are presented by line management who are responsible for the relevant risk;
- continued development of the rolling deep dive programme for the Audit and Risk Committee;
- consideration of new risks and whether current risks are increasing or decreasing;
- regular review of most significant risks continuing at Board level; and
- reassessment of the viability statement in the annual report.

Communication
The Group has published to all employees and on its website, 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. The aim of this booklet is to make sure we have a consistent approach to managing risks – whatever these might be – across the entire Group, and to show employees how everyone can contribute to the risk management process, identifying risks as early as possible and working out how to deal with them effectively.

Board assessment of principal risks
The Board confirms that it has carried out a robust assessment of the principal risks facing the Group in 2019, including those that would threaten its business model, future performance, solvency or liquidity. The Group's risk profile evolves as changes in circumstances elevate risk, mitigating activities reduce net risk over time, or as new risks emerge. In 2018 the business experienced a period of consolidation and re-alignment which influenced the principal risks and uncertainties. In 2019, the Board made some significant principal decisions and re-evaluated its appetite for risk.

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

More detail on the risk activity can be found in the Audit and Risk Committee Report on pages 74 to 77.

Principal Risks and Uncertainties

Business interruption

Risk description
Delivery of the Group's business plan requires continuity of business operations. In the event of disruption, the Group needs to restore activity as safely and as quickly as possible.

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

Severe but plausible scenarios
The onset of the COVID-19 pandemic has caused serious disruption to the business as described on pages 22 to 23. The duration of the disruption and nature of government measures implemented to control the spread of the disease are unknown at this time. Other scenarios that could cause severe disruption include: a major incident at the airport; disruption to core IT systems; loss of regulatory approvals and the loss of business critical buildings or infrastructure.

Mitigating activities
Details of the Group's response to the COVID-19 pandemic are described on pages 22 to 23. Business continuity plans, incident notification plans and airport emergency plans are in place and being integrated. Plans to periodically test the incident management processes and the continuity plans are being drawn up for 2020, along with updating the business critical asset register. High risk compliance contracts and service level agreements are in place with third party specialists.

Responsibility
MADG Chief Executive, MMH Board

Likelihood / Impact
High / High

Risk movement
Increasing

Cyber attack

Risk description
Operational disruption, commercial penalties, and / or reputational damage associated with a successful cyber attack on ICT infrastructure.

Context
The threat environment is continually evolving. MADG, as a defence company, is at a higher risk of being targeted by a high end sophisticated sleeper or gathering attack which does not readily present visible symptoms.

Severe but plausible scenarios
Operational disruption caused by ICT infrastructure disruption. Loss of engineering design data compromising national security resulting in inability to tender for secure government programmes. Employee data loss. Operational costs associated with remediation activities necessary in the event of a significant or sustained breach.

Mitigating activities
The nature of cyber threats means penetration of lower risk general data perimeter on occasion is generally accepted as unavoidable. Significant investment has been made to increase rapid threat identification, response and containment, together with layered defence which negates ability to compromise high value data/systems. In 2019, training processes have been enhanced and an independent simulated attack to assess the effectiveness of current threat identification and cyber incident response has not identified any major weakness. MoD accreditation has been achieved.

Responsibility
MADG Chief Executive

Likelihood / Impact
Medium / Medium

Risk movement
Stable

Contract completion

Risk description
Significant delay and cost escalation in our most complex engineering project, resulting in significant losses being recorded and unbudgeted cash requirements.

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

Severe but plausible scenarios
Further programme delay gives rise to risk of liquidated damages, impact on reputation and brand, and reduction in ability to win new complex engineering contracts.

Mitigating activities
Daily programme KPI metrics; ongoing negotiations with customer; project opportunity register; weekly cost performance KPI measurements; alignment of materials and project work breakdown schedules; revision of integrated master schedule; continuous improvement reviews of estimate to complete; third party peer review. In 2019, a Joint Accord was agreed with the customer to realign milestones through to completion of the project.

Responsibility
MADG Chief Executive

Likelihood / Impact
Low / Medium

Risk movement
Decreasing

Group liquidity constraints

Risk description
Inadequate facility capacity available during our investment phase.

Context
At the end of 2016 the Group entered into a new bank facility agreement in support of the five year business plan adopted by the Board. Financial covenants must be complied with and any unplanned events must be monitored and managed within the overall debt capacity.

Severe but plausible scenarios
The total facility cap for loans and ancillary services is £75m. The cumulative impact of unplanned events could consume the headroom in the facility. If the Group's trading performance falls, the Group could be in breach of the financial covenants and the facility agreement. The COVID-19 pandemic could have an impact on facility headroom and covenant compliance as described on page 22.

Mitigating activities
Awareness of the facility promoted at directors and leadership conferences; weekly 13-week forward looking cash forecasts of likely cash requirements; quarterly forward-looking profit, cash and covenant compliance forecasts; development of safety levers that can be triggered in the event of forecast difficult position; more acute focus on cash element in budget and performance reviews. In 2019, the bank facility agreement was extended by 12 months to March 2022. The Group's response to the COVID-19 pandemic and the mitigating actions taken are described on page 22.

Responsibility
Chief Financial Officer

Likelihood / Impact
High / High

Risk movement
Increasing

Principal Risks and Uncertainties

Brexit/Political

Risk description
The UK left the EU on 31st January, 2020 with a transition agreement in place until 31st December, 2020. The future trading arrangement is yet to be agreed, however, meaning that the business is operating in uncertain trading conditions.

Context
Details of the relationship between the UK and EU after the 31st December, 2020 remain uncertain.

Severe but plausible scenarios
Negative impact on profitability and competitiveness for those of our businesses which source goods from the EU. Potential disruption caused by lack of trade agreements. Loss of EU national workforce. Regulatory risks relating to the acceptability of product standards to UK and EU authorities.

Mitigating activities
Safety valves are in place, including pre-negotiated lease break clauses and potential moth ball of some sites. Some stockpiling activity / buffer stocks are available, advanced delivery programmes and alternative supply chain movements considered. Analysis and challenge of first and second tier suppliers' mitigating actions. Continual monitoring of Brexit impact for example, on CAA and maintenance engineer licences.

Responsibility
MADG Chief Executive

Likelihood / Impact
High / Medium

Risk movement
Stable

Organisational capability

Risk description
Failure to deliver the strategic plan and impact on business performance. The business requires robust resource planning in order to ensure the Group has the organisational capability to deliver.

Context
Past business performance has created an unpredicted workload and a skills, utilisation and loading mismatch.

Severe but plausible scenarios
Unpredicted workload on major projects/activities creates a continued financial and management burden on our businesses. Unpredicted contract losses or cessations create a labour surplus that would need to be addressed quickly by a redundancy plan or closure. Critical skills could be lost.

Mitigating activities
The risk is being managed by limiting permanent recruitment and maintaining flexibility with contractors. Integrated business planning (IBP) and resource planning tools were embedded throughout the business in 2018 allowing the resourcing team within the HR function to work more closely with the businesses, to plan for future projects. Launch of the Alignment project to modernise the employee value proposition whilst simplifying and ensuring consistency of employment terms, to give clear career development opportunities, flexible terms of working and pay progression.

Responsibility
Chief Operating Officer

Likelihood / Impact
Medium / Medium

Risk movement
Increasing

Regulatory breach

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

Context
Regulatory environment continually evolving against a backdrop of safety culture and development of right safety behaviour.

Severe but plausible scenarios
Aircraft failure leading to loss of aircraft; health and safety incident leading to fatalities or major injury; major product quality escape; environmental contamination.

Mitigating activities
Improving safety and regulatory competencies at all levels through delivery of improved programme of safety and regulatory training. Reinforcement of positive safety behaviours and challenge of inappropriate safety behaviours through the application of One Marshall Continuous Improvement Programme. Improvement in capability across the business on root cause and corrective action identification through delivery of training. Improvement of effectiveness of internal policies, processes and procedures.

Responsibility
MADG Chief Executive

Likelihood / Impact
Low / Medium

Risk movement
Stable

UK defence policy

Risk description
UK Government budget constraints lead to reduced spending in the core markets in which the Group operates, with specific reference to the publication of periodic Strategic Defence Spending Reviews.

Context
Potential cuts to the MoD budget with regard to future costing and affordability.

Severe but plausible scenarios
The most significant scenario would be a shortening to the C130 Out of Service date. The financial impact could be very significant and could have a knock-on effect on the Group's ability to compete in the global market.

Mitigating activities
Reducing impact by diversifying C130 business away from the UK and working with more C130 customers combined with engagement with stakeholders to ensure that the value of C130 is recognised by MoD and the decision makers. Driving capability improvements onto the platform to help to secure the Group's position which includes centre wing replacement and other special forces modifications and contracts. The business continued to expand its portfolio of international customers in 2019.

Responsibility
MADG Chief Executive

Likelihood / Impact
Low / Medium

Risk movement
Stable

Principal Risks and Uncertainties

Succession planning

Risk description
To deliver the strategic plan and restore business performance the business requires continuity and succession planning for key executives and specialists with critical skills.

Context
The current business context has some critical programmes and projects that will need to be delivered over the course of the five year business plan. The delivery of some key programmes are currently dependent on a few key individuals.

Severe but plausible scenarios
The Group is unable to retain the key individuals needed to deliver its strategic and business plans. Unforeseen circumstances lead to loss / absence of a key individual. There is a lack of internal and external potential candidates to replace or succeed key individuals.

Mitigating activities
The risk was recognised by the businesses in 2016 and the succession planning tools that were in place have been refreshed in 2018. An organisational capability review / gap analysis was also conducted with regard to key projects. A development pathway programme is in progress and should be launched in 2020. A project to create a more agile and collaborative work environment was launched during the year, that will provide clear career paths with wider opportunities for meaningful career development.

Responsibility
Chief Operating Officer

Likelihood / Impact
Medium / Medium

Risk movement
Stable

Relocation of MADG

Risk Description
Multiple factors could affect the proposed relocation of MADG from its current site at Cambridge Airport, with the potential to significantly impact the current and future prospects of the business, especially in relation to staff morale, retention and recruitment, business winning and programme delivery. It may also impact the progress of MADG, the Group's planning application and in the extreme, impede the Cambridge East development.

Context
The redevelopment of the Cambridge Airport site is contingent on the successful delivery of the proposed relocation of MADG from Cambridge Airport by 2030. The project is also key to unlocking funds to enable the relocation of MADG.

Severe but plausible scenarios
The Group fails to find a suitable site for MADG, impacting the deliverability of Cambridge East. Aerostructures and Land Systems may both need two moves, which would result in significant additional cost, risk and disruption. Growth of MADG impaired by new site proving to be unsuitable for some future needs. Loss of staff as a result of the proposed move impacts MADG's business.

Mitigating activities
Along with input into employee forums, workforce communications are being delivered at least quarterly. A significant tranche of work has been undertaken to provide deeper analysis of issues and potential of candidate sites from an operational, socio-economic / workforce perspective, informing the cost model (capital, transitional and operational).

Responsibility
MADG Chief Executive

Likelihood / Impact
Medium / Medium

Risk Movement
Increasing

Viability Statement

Following public company practice, the directors have assessed the viability of the Group over a three year period to December 2022.

Marshall Motor Holdings plc (MMH) is currently funded by a revolving credit facility and stock secured asset financing, all of which is managed by an independent board. The Core Group, excluding MMH, has separate financing facilities and cash generation.

The Board has considered that a period of three years is appropriate because:

- although longer term business plans exist, the budget process provides a firmer three year view. Budgets, covering a three year period, are prepared each year;
- the nature of Marshall Aerospace and Defence Group means that one major contract provides greater visibility of longer periods, but most others do not extend beyond three years;
- the Group's retail and property development activities are exposed to considerably more uncertainty over the short-term; and
- the Group's funding facilities tend to cover a period of three years from each renewal date. New facilities may be extended, subject to bank consent.

The annual budget process provides a forecast of the divisional business performance, anticipated cash flows as well as net debt headroom and financial covenant compliance against existing facilities. In assessing the viability of the Group, the directors have considered the principal risks from pages 44 to 48 to determine those risks, which could potentially pose the most significant threat to viability over the period. Refer to the Going Concern section of the Directors' Report for more details of the short-term viability. The scenarios selected for modelling are shown below.

Scenario One
The Core Group's covenant leverage test and cash flows over the period are dependent on trading performance within MADG. A scenario has been modelled where MADG performance is significantly lower than expectations. *Link to Principal Risks and Uncertainties* **-** Cyber attack, contract delay, Brexit/political, organisational capability, regulatory breach, UK defence policy and succession planning.

Scenario Two
A major change in circumstances, with an impact of £15m, relating to our complex engineering project. *Link to Principal Risks and Uncertainties* - Contract completion, organisational capability and succession planning.

Scenario Three
The progress of our property development projects is delayed. *Link to Principal Risks and Uncertainties* - Brexit / political, organisational capability and succession planning.

Scenario Four
Disruption caused by the COVID-19 pandemic, including reduced engineering operations and the closure of retail businesses, continues until December 2020.

The sensitivity analysis includes several assumptions and material uncertainties, which are listed in the Going Concern section of the Directors' Report on page 81.

The reverse stress testing process has also been further enhanced in 2019 to identify the theoretical sensitivity that the Group could absorb without affecting its viability.

The directors confirm that their assessment of the principal risks was robust and the modelling is reasonable, considering the inherent uncertainty involved. Based on the results of their review, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the period up to 31st December, 2022, subject to the assumptions and material uncertainties outlined above.

Group Strategic Report

Financial Review

Revenue for the year was £2.6bn, representing an increase of 6.2% over the previous period (2018 - £2.5bn). The primary reason for the increase was the growth achieved in both MADG and MMH.

Trading Performance
86.3% of the Group's revenues arose from motor retailing (2018 – 88.0%).

On a statutory basis, the Group reported a profit before tax of £30.7m (2018 - £40.4m). When reviewing the results before several non-recurring items, underlying profit before tax of £35.2m represents a slight decrease over the previous year (2018 - £36.0m). With strong performances from core businesses; Military Aerospace and Aerostructures, as well as our independent subsidiary, Marshall Motor Holdings plc, the Group continues to perform in line with the Board's expectations.

With a higher average inventory level over the year, finance costs increased to £6.4m (2018 - £5.7m).

The Group owns just under 65% of MMH, with recognition of the minority 35% share noted as non-controlling interests in the Consolidated Income Statement and the Consolidated Balance Sheet.

The Core Group (excluding MMH) recorded significant tax losses during 2017, which have been utilised where possible in 2018 and 2019. As the Group's holding in MMH is less than 75%, group relief of losses is not available. The Group, therefore, is expecting to pay cash tax relating to the 2019 results of £3.7m (2018 - £6.2m), including local corporation tax paid in our overseas operations.

Deferred tax assets on losses has been recognised where the directors consider that profits will be made in the foreseeable future, ensuring full recovery. The Group's effective tax rate for 2019 was 21.7% (2018 – 24.5%).

The earnings per share, on a statutory basis, were 30.7p (2018 – 45.6p). Adjusting for separately disclosed items, as set out in note 3, underlying earnings per share were 35.0p (2018 – 33.9p).

Dividend
As in previous years, preference dividends amounting to £744,000 were paid to preference shareholders. The Board is not recommending the payment of a final dividend for 2019. This means the full year dividend is 1.0p per Ordinary share and 3.0p per NVPO share.

Net Debt / Cashflow
The Group closed the year with a total debt, net of cash at 31st December of £24.9m (2018 - £2.4m). Capital expenditure totalled £47.6m (2018 - £48.0m). The Group continued to invest in its infrastructure for the future. In Cambridge, the Aircraft Ground Running Enclosure was completed, whilst new facilities were constructed for Jaguar Land Rover in Lincoln and Mercedes Benz Commercial Vehicles in Southampton.

During the year, MMH acquired twenty additional businesses for a total purchase price of £28.2m.

Another major factor in the movement in cash in the year was an increase of £16.7m (2018 - £28.7m) in the balance of customer advance payments, which is a natural timing issue as we execute major projects. We anticipate that borrowings will increase further during 2020 as we continue our investment programme and we see positive cash profiles on certain programmes come to an end.

Financing
The Group operates with two major loan facilities. The Core Group has a committed, unsecured £75m three year revolving credit facility, previously due to expire in April 2021. During the year, however, the Group exercised an option to extend the facility to March 2022. MMH has a £120m committed, unsecured revolving credit facility, which was put in place in May 2016 and is due to expire in 2021. Both facilities are provided on an equal basis by Barclays Bank plc and HSBC plc.

Intangible Assets
Goodwill and franchise agreements are amortised over 20 years to an estimated residual value. Total amortisation during the year was £4.1m (2018 - £4.8m), with the net intangible asset carried on the balance sheet of £99.0m (2018 - £94.8m).

Intangible assets added by acquisition were £7.3m.

Joint Ventures
During 2017, the Group entered two joint venture partnership arrangements with Hill Residential Limited, relating to the Marleigh development. The Group holds a 50% interest in both partnerships with both parties having equal representation on the respective boards. Activity in the partnerships during 2019 related to the detailed planning and infrastructure stages of the development. A new debt facility for the construction of residential and commercial property of £30m was entered into in March 2020.

Pensions
The deficit on the Group's defined benefit scheme, the 'Plan', under FRS 102 decreased to £3.0m from £9.9m, and after deferred tax there was a net liability of £2.5m (2018 - £8.2m). The expected liabilities decreased because of payments made by the Group under the agreed funding plan and cash received from Marshall Motor Group Limited relating to its cessation of participation in the Plan. During 2018, the scheme was closed to future accrual of benefits.

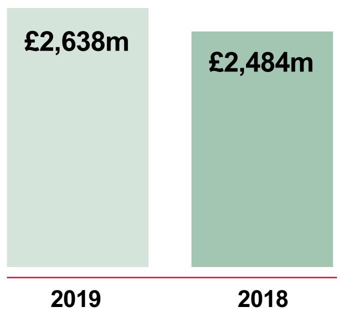
Both the Trustees of the Plan and the Board continue to work together to reduce the inherent risk and ensure the Plan remains viable, effective and cost efficient. A funding valuation used both by the Trustees and the Group, as at 31st December, 2016, indicated an actuarial deficit of £8.1m. To address the deficit, the Group has agreed to make annual cash contributions through to 2023. The next funding valuation is due to be carried out as at 31st December, 2019, but is not yet available.

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

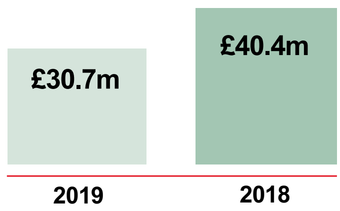
Key Performance Indicators
The individual businesses use a number of Key Performance Indicators (KPIs), both financial and non-financial to gauge performance. The diversity of the nature of the Group's businesses, particularly after the flotation of MMH, means that few are universal or applicable for every company. A number of specific KPI's, against which individual or Group performance can be monitored, with order intake and profitability being particularly important. These are measured and reported to the Board each month.

Key Performance Indicators

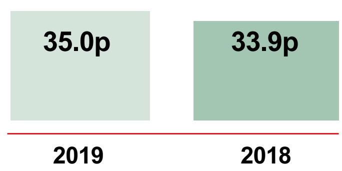
Revenue



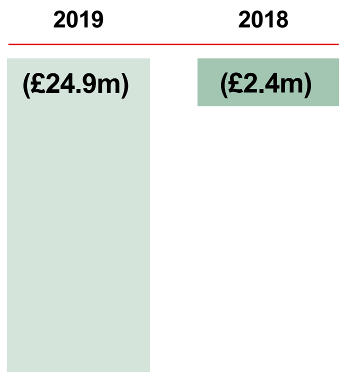
Profit before tax



Underlying earnings per share



Net debt



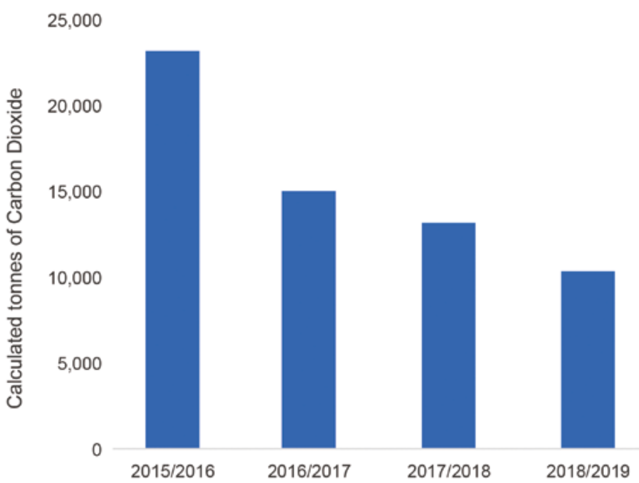
Group Strategic Report

Environment

Objectives
The Group is committed to making a difference, whilst operating in an environmentally responsible manner through:

- the progressive reduction and prevention of pollution and carbon emissions;
- environmental best practice in our working environment though a documented system;
- continuous improvement in our environmental performance by regular benchmarking and review against measurable targets; and
- regular communication to our employees and interested parties of our performance.

Improvement in Energy Efficiency
Since the introduction of the UK Government Carbon Reduction Commitment (CRC) Energy Efficiency obligation, the Group (excluding MMH) has improved its energy efficiency such that its calculated CO_2 emissions in the last four years are:



The CRC Energy Efficiency Scheme ended in March 2019 and was replaced by the Streamlined Energy and Carbon Reporting (SECR) obligation. The SECR framework obligates large businesses to report publicly their energy use, carbon emissions, and energy efficiency measures. We have focused on SECR throughout 2019 ahead of the 2020 reporting obligation. An energy metering and mapping project to investigate smart metering and understand how automated energy data can be captured to better understand, and enable accurate reporting of, our energy consumption by each location, has been completed and will be rolled out in 2020.

Environmental Policy
We will be conducting a review of our overall environmental policy in 2020, in the light of the UK Government's commitment to achieve net-zero carbon by 2050. We are seeking expert advice to help us develop a comprehensive environmental policy and will include the outcome in our annual report next year. We are aware that many of our operations are in areas where carbon emissions are hard to tackle, so we will be looking at all aspects of the Group to plan for the transition, adaption to climate change impacts and reducing emissions.

For our residential developments, whether that be in a joint venture or on our own land, we meet government policy on sustainability and carbon initiatives. Specifically on Marleigh and Land North of Cherry Hinton we have committed to delivering exemplar sustainable communities through the Town and Country planning framework.

Waste and Recycling

The new arrangements for increased waste recycling and reducing general waste sent for incineration, as successfully trialled in 2018, were progressively rolled-out site-wide during 2019, completing in October. Total waste generated in 2019 increased by 1% to 385 tonnes when compared with 2018, with 46% of that waste recycled (2018 - 45%). The elimination of plastic packaging and introduction of Vegware, compostable food packaging, has diverted 1.5 tonnes of general packaging waste in the Gipsy Moth restaurant away from incineration and into composting.

Environmental Initiatives

Hangar 17 remained the trial focus area for our continuous improvement programme and through engagement with the hangar bay teams, energy inspections have been undertaken to identify energy efficiencies and improvements within the hangar, including employee access to heating controls, heat leakage surveys and de-stratification fans to push warm air down to the work areas.

The paint facility in Hangar 17 also saw the ‘Regenerative Thermal Oxidiser’ (RTO) optimisation project completed during the year, which altered the RTO controls and software to allow it to retain more heat and saw the installation of new gas meters in each spray booth in the paint facility. Early monitoring of gas meters is showing around a 50% reduction in gas consumption.

Hangar 10 was refurbished during the year with particular attention paid to environmental concerns, waste management plans and green initiatives from the start through to completion. This included the distance contractors travelled, the materials used and the lighting, heating and ventilation systems. Hangar 16 is undergoing refurbishment in 2020 with a very similar approach. Other hangars have also been upgraded with thermal insulated roof panels and new LED lighting.

Group Strategic Report

Community

David Gregory Marshall

The Group continues to encourage and support its employees in a wide variety of fundraising and volunteering activities. It concentrates its corporate giving through the family charity, donating £100,000 in 2019 to the D G Marshall of Cambridge Trust.

The D G Marshall of Cambridge Trust (DGM Trust)
Three Group employees serve as trustees for the DGM Trust, which was registered as a charity in 1983 (number 286468) and named after the founder of the Marshall Group, David Gregory Marshall. The Trust's objectives are to support:

- needy and deserving cases arising anywhere, but in particular among employees or ex-employees, or their relatives and dependants;
- local charities; and
- local educational institutions charitable in nature.

Along with the Group donation and other investment income, the annual DGM Trust income is circa £150,000 per annum and it aims to distribute at least two thirds of this annually.

The Trust considers all applications for funding as received. The Trustees indicatively categorise donations as follows:

Core - These charities are Cambridge centric and support for them will have an impact on beneficiaries in the immediate vicinity to the Cambridge site. The core charities are reviewed annually.

Arising - These are the requests for donations which the DGM Trust regularly receives. These requests can be from external parties or from existing employees or ex-employees, or their relatives and dependents.

Major Projects - These are large one-off projects which may last a number of years and may be capital in nature.

Recent beneficiaries include Form The Future, The Arthur Rank Hospice, The Cambridge United Community Trust, The Addenbrooke's Charitable Trust, the Fields Nursery School and Teversham Primary School.

Conclusion

The Group Strategic Report has been approved by the Board and signed on its behalf by:

Alex Dorrian CBE
Executive Chairman
23rd April, 2020

Sean Cummins
Chief Financial Officer
23rd April, 2020

The Board

Alex Dorrian
CBE FREng FRAeS FIET

Executive Chairman
Appointed: 2016

Skills and experience

Alex has extensive experience of senior leadership of global businesses and brings to the Group a deep understanding of the aerospace and defence industries gained from his career with BAe Systems and Thales. He continues to use this experience to oversee the development of the Group's strategy, its risk management and the effectiveness of its operations. He was awarded a CBE in 2002 and was made Officier de la Legion d'Honneur in 2010.

Committee membership

- Chairman, Nomination

Current external appointments

- None

Key former appointments

- Chairman of Thales UK
- Executive Vice President of Thales Group
- Chairman of Manoir Aerospace
- Non-executive director of UKTI
- Founding President of ADS

Julie Baddeley

Senior Independent Non-Executive Director
Appointed: 2016

Skills and experience

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

Committee membership

- Chairman, Remuneration
- Audit and Risk
- Nomination

Current external appointments

- Non-executive director of Ebiquity plc
- Non-executive director of Chrysalis VCT plc
- Director of the Hughes Hall Centre for Climate Change Engagement

Key former appointments

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

Robert Marshall
FRAeS

Vice Chairman
Appointed: 2000

Skills and experience

After attaining a 1st Class degree in engineering at Cambridge University, Robert spent time in the USA as a Scientific Research Associate with Lockheed Martin. Robert joined the Group in 1994 taking on roles in each of the businesses. In 2012 he became Chief Executive Officer and in 2019 was appointed Vice Chairman. Robert has responsibility for the long-term strategy of the Group and leadership of Martlet Capital.

Committee membership

- Nomination

Current external appointments

- Chairman of Workfinder Ltd
- Non-executive director of EEF Ltd

Key former appointments

- Group Chief Executive
- Chairman of Marshall Motor Holdings
- Chairman of Marshall Land Systems
- Chairman of Vantage Power Ltd

James Buxton
DL FRICS

Non-Executive Director
Appointed: 2014

Skills and experience

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

Committee membership

- Nomination

Current external appointments

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

Key former appointments

- Senior Partner, Bidwells LLP
- Chairman of the CBI in the East of England
- Advisory Board of the Department of Land Economy at Cambridge University
- Non-executive Director of Strutt & Parker Farms Ltd

Philip Yea
FCMA

Independent Non-Executive Director
Appointed: 2016

Skills and experience

Phil brings significant executive and financial management experience from both private equity and public companies with a focus on creating and implementing strategic and financial change. A Chartered Management Accountant, he has experience as a CEO and CFO, over twenty years serving on public company boards and has chaired nearly a dozen companies in multiple sectors. His particular focus is on strategy, finance and risk management.

Committee membership

- Chairman, Audit and Risk
- Nomination
- Remuneration

Current external appointments

- Chairman of Equiniti Group plc
- Non-executive director of Aberdeen Standard Asia Focus plc
- Non-executive director and Chairman Elect of Mondi plc

Key former appointments

- Chairman of Greene King plc
- Senior Independent Director of Vodafone Group plc
- Chief Executive of 3i Group plc
- Group Finance Director of Diageo plc
- Non-executive director of HBOS plc

Jonathan Flint
CBE FREng, FInstP

Independent Non-Executive Director
Appointed: 2019

Skills and experience

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

Committee membership

- Audit and Risk
- Nomination
- Remuneration

Current external appointments

- President, Council of the Institute of Physics
- Member of QuantIC strategic advisory board
- Non-executive director of Oxford University Innovation

Key former appointments

- Chief Executive of Oxford Instruments plc
- Non-executive director of Cobham plc

Sean Cummins
ACA

Chief Financial Officer
Appointed: 2016

Skills and experience

Sean qualified as a chartered accountant with PwC and has 30 years' experience in financial leadership, mostly as Group Finance Director of London listed companies, which has instilled strong disciplines operating in a regulated environment. He has significant experience in corporate transactions, debt raising and management, together with demonstrated success in stakeholder engagement, winning the AIM Best Communications award in 2016 with WYG plc.

Committee membership

- N/A

Current external appointments

- None

Key former appointments

- Group Finance Director of WYG plc
- Group Finance Director of Scott Wilson plc
- Group Finance Director of Yule Catto plc

Sarah Moynihan
FCA CRAeS

Group Company Secretary
Appointed: 2012

Skills and experience

Sarah qualified as a chartered accountant with EY, specialising in mergers and acquisitions. She joined the Group as Financial Controller and was appointed Company Secretary in 2012. She provides regulatory, legal, governance and compliance advice to the Board and its Committees, as well as advising and supporting shareholders. She is responsible for the co-ordination of the Group's risk management framework, chairs the pension governance committee and is a trustee of the Group's pension scheme.

Committee membership (Secretary to:)

- Audit and Risk
- Nomination
- Remuneration

Current external appointments

- Independent Trustee of the Royal Aeronautical Society

Key former appointments

- N/A

Corporate Governance

Governance framework

The Group has always endeavoured to apply the highest standards of corporate governance and has a goal of continuous improvement in governance processes. Although as a private limited group it is not subject to the UK Corporate Governance Code ("the Code"), the Board has taken account of the Code and related guidelines in developing the form of governance that is appropriate for the Group and its values.

The Companies (Miscellaneous Reporting) Regulations 2018 (the “Regulations”) have been in force with effect from 1 January, 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. As a large private group which meets the threshold, the Group is required to disclose its corporate governance arrangements.

Throughout the year ended 31st December, 2019, the Group and its key operating subsidiaries continued to operate under high standards of corporate governance which underpin the importance of the role of statutory directors, at both Group and subsidiary level. The Group’s governance framework is driven through its application (where practical) of the Code along with the full application of the Wates Principles which provide for a robust corporate governance framework. This is defined as the Marshall Group Corporate Governance Framework and is explained in more detail in this section.

The Regulations also require the Group to report how the directors of Marshall Group entities have considered their duties under section 172 of the Companies Act 2006 during the financial year. This is set out on pages 34 to 36 of the Group Strategic Report and on pages 68 to 70.

Application of Wates Principles

Principle	Applied	How Marshall has applied it
Principle One: Purpose and Leadership An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	Applied ✓	• Through the leadership of the Board, a clear vision for the Group's purpose and overall values is articulated, which underpins and defines the strategy and culture of the organisation. This is embedded at every level of management. • Policies and protocols are in place to support the execution of the Group's purpose and values across the organisation, which drives overall engagement with employees, shareholders and wider stakeholders across the operating businesses. • Group wide initiatives such as LaunchPad and the 'One Company' ethic are examples of how purpose is brought to life and benchmarked.
Principle Two: Board Composition Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	Applied ✓	• The Group operates through clear Board protocols and governance processes. These are set out in its terms of reference and standing items for the Board and its committees. This allows for both independent challenge and transparency in its decision making. • The Board is supported through the executive management team and its internal governance protocols including, for example, the ethics, operational risk management and other executive committees. • Accountability is driven through routine evaluations of the Board with a recent external Board evaluation having been undertaken in 2019. • The Board composition is balanced between executive and independent directors.

Principle	Applied	How Marshall has applied it
Principle Three: Director Responsibilities The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	Applied ✓	• Given the diverse nature of the businesses within the Group, Board appointments have been made with care and to ensure that its membership includes the right and appropriate levels of skills and experience to address the challenges that the business currently faces along with those of the future. • Through the company secretary's office, the Board has been given sufficient infrastructure to allow them to undertake their work with due care, which is aligned to achieving the Group's long-term success and vision. • The Board is focused on improving its operational governance to ensure that the Group's corporate purpose and strategy remains at the centre of its decision-making protocols.
Principle Four: Opportunity and Risk A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	Applied ✓	• Through clear definition of the Group's corporate purpose and values, the Board's decisions are focused on promoting and delivering long-term value, at the heart of which are its customers and the City of Cambridge. This is embedded across the Group's key operating businesses and strategic decision-making areas. • Principal risks have been identified across the Group and at the operating business level with robust reporting to the Board on the plans to address and mitigate these. These are articulated in the annual report and are set out also in the viability statement. • The Board has carried out a deep dive of its risk appetite, which it defines as the level of risk it chooses to accept in pursuit of its strategic objectives. This identified ten key risk categories which are intrinsic to its consideration of appetite for risk, and which align with the published Group strategy. Each risk category has a unique series of performance metrics which provide guidance to the Group and business units. As part of the wider risk management process, each risk in the corporate risk register is linked to an appetite category.
Principle Five: Remuneration A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	Applied ✓	• The Group's remuneration policy is set out and monitored by its remuneration committee with clear objectives to incentivise management based on the long-term success of its strategic goals and business plans. • Succession planning and talent retention are key focus areas at Group and operating business levels.
Principle Six: Stakeholder Relationships and Engagement Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Applied ✓	• Through the Group's defined purpose and overall 'One Company' ethic, stakeholder engagement is embedded at all levels of the organisation with clear direction and endorsement from the Board and senior management across each of the operating businesses. • The Group promotes an annual cycle of stakeholder engagement and has embarked on an ongoing programme to improve both its employee consultations and engagements with the appointment of a non-executive director with responsibility for employee engagement.

Governance

Corporate Governance

Purpose and Leadership

The Board has integrated the purpose and vision of the Group into its ongoing strategy and business model development and has aligned its purpose and strategy as set out on page 14 of the Group Strategic Report. The Group takes pride in its values and making them work as highlighted on page 13 of the Group Strategic Report, and is committed to embedding the right culture. Pages 35 to 39 give more detail on stakeholder engagement.

Governance Model

The governance model and key objectives which were refreshed at the start of the year and are set out below. All of the Committees operate under written terms of reference.

Board
Key objectives: To be collectively responsible to the shareholders for direction, leadership, strategy and oversight to promote long-term success.

Audit and Risk Committee
Key objectives: To support the Board in its oversight of the Group's financial reporting, internal and external audit, and internal controls, and to give assurance as to the risk management framework.

Remuneration Committee
Key objectives: To support the Board in fulfilling its responsibilities relating to the Group's remuneration policies and procedures, incentive design and setting of targets, and review of executive remuneration.

Nomination Committee
Key objectives: To take responsibility for Board and committee composition, to lead the process for appointments and to ensure plans are in place for orderly succession.

Strategy Committee
Key objectives: To take responsibility for the preparation and submission of the Group strategy to the Board for its approval.

Group Executive Committee
Key objectives: To provide advice, guidance and challenge, and to act as a communication forum to ensure alignment of the strategies of the operating subsidiaries.

Executive Ethics Committee
Key objectives: To recommend objectives, policies and procedures that best serve the Group's interests in maintaining a business environment committed to high standards of ethics and integrity, corporate responsibility and legal compliance and to approve overseas sales agency agreements.

Operational Risk Management Committee
Key objectives: To take responsibility for the oversight of the maintenance of the Group's operational risk management plan.

Treasury Committee
Key objectives: To review, update and monitor compliance with the treasury management policy and record significant treasury decisions.

Quarterly Business Reviews
Key objectives: To monitor, challenge and review business performance across the operating subsidiaries.

Major Bid and Programme Reviews
Key objectives: To challenge and review bids, tenders and gateways with delegated authority and to review papers before submission to the Board.

The role of the Board

The Board is responsible for the framework within which the Group operates and is collectively responsible to the Company's shareholders for the direction, promotion and oversight of the Company to ensure its long-term success. It provides leadership for the Group, devises strategy, ensures the necessary resources are available, and sets controls and standards. In doing so, the directors comply with their duties under section 172 of the Companies Act 2006.

Other core activities include obtaining assurance that material risks to the Group are identified, defining the Group's appetite for risk and ensuring that appropriate systems of risk management and internal control exist to mitigate such risks, as well as responsibility for ensuring the effectiveness of, and reporting on, the system of corporate governance. It also monitors performance and approves budgets, major acquisitions, projects and contracts. The Board has a clearly articulated set of matters which are specifically reserved for its determination and has approved terms of reference for all Board committees. The Board is responsible for setting the levels of delegated authority, whilst retaining overall responsibility for the governance of the Group.

The Board's schedule of matters reserved includes:

- strategy;
- structure and capital;
- financial reporting and controls;
- internal controls and risk management;
- authorisation and approval levels;
- board membership;
- delegation of authority and policy development;
- corporate governance matters;
- major acquisitions, projects and contracts;
- dividend policy; and
- section 172 protocol.

Board Composition

Board membership

Information about the Board members and their membership of Board Committees is given on pages 56 and 57. As reported last year, the external evaluation of the operation of the Board carried out in the last quarter of 2018 supported the change made to the Board structure and composition whereby with effect from 1st April, 2019, Robert Marshall took up the new role of Vice Chairman, and Alex Dorrian became Executive Chairman.

The Board considers the overall size and composition to be appropriate, having regard to the experience and skills that individual Board members bring to their duties. They are able to operate at a high level independently of each other, but also work together as a team.

The Board considers that the skills and experience of its individual members, particularly in the areas of aerospace and defence, property, general business skills, corporate finance, governance, and risk management, have provided both support and challenge to the Executive Chairman, Chief Financial Officer and the executive management team during the year. This is in terms of the Group strategy as well as significant commercial projects and contracts.

At the date of this report, the Board comprises the Executive Chairman, the Vice Chairman, four other highly experienced non-executive directors, three of whom are considered independent, the Chief Financial Officer and the Group Company Secretary.

The Executive Chairman

The Executive Chairman, working with the Group Company Secretary, sets the agenda for Board meetings and encourages an open and constructive debate. In addition to previous duties which continue, Alex Dorrian now attends and chairs a number of executive meetings and major programme reviews and is regularly in Cambridge. He also stepped down from the Audit and Risk and Remuneration Committees with effect from his appointment as Executive Chairman.

Senior Independent Non-Executive Director

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

Corporate Governance

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

Designated employee engagement non-executive director
The designated employee engagement non-executive director's role is to understand the views of the workforce and identify any areas of concern; to communicate the views of the workforce to the Board and to ensure the Board considers the workforce in all its key decisions. Following his appointment to the Board on 1st March, 2019, Jonathan Flint has taken on this responsibility.

Group Company Secretary
The Group Company Secretary is responsible to the Board for ensuring Board procedures are complied with, and that directors are supplied with information in a timely manner. She is also the day-to-day contact for shareholders.

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

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

Ongoing professional development
The Board ensures that new directors receive a bespoke induction programme covering, amongst other things: the business of the Group; their statutory responsibilities as directors; opportunities to visit business operations and meet with management and employees; and an introduction to the Marshall values code of business ethics and risk management framework. The Board is kept up-to-date on legal, regulatory and governance matters through regular papers from the Group Company Secretary and by presentations from internal and external advisors. 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.

Board evaluation
The external Board evaluation carried out in the last quarter of 2018 had an overall conclusion that the current Board governance is of a high standard for a private company of our size and stature. The Board has implemented its recommendations including the refreshing of the governance model and key objectives, and the change in Board composition. In the first quarter of 2020 an internal Board evaluation was carried out by the Senior Independent Non-Executive Director and the Group Company Secretary.

Director Responsibilities

Operation of the Board
The Board has an annual calendar of meetings and operates through a comprehensive set of processes which define the themes to be considered by the Board and its Committees during the annual business cycle. This includes the purpose and vision of the Group, the level of delegated authorities, the Group's business ethics, risk management, and health, safety and environmental processes.

The Board devotes much of its time to strategy and business planning issues that have an impact on the Group. The Board also met in 2019 for a two-day strategy and business planning meeting.

The timetable is set in the prior year to ensure that sufficient regular meetings are scheduled and other meetings held, as required, 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. If a director is unable to attend a meeting, they still receive and read the documents for consideration at that meeting, and have the opportunity to relay their comments prior to the meeting.

The standing agenda items considered at every meeting include:

- reports from the Executive Chairman and / or the Chief Financial Officer on strategic and business developments, together with relevant operational updates, employee engagement and the key actions taken since the previous Board meeting;
- reports from the Chief Financial Officer which include commentary and highlights from the latest available management accounts, and where relevant, budgets and forecasts;
- reports from the Group Company Secretary which include health and safety management, risk management, interactions with shareholders, and any key legal or regulatory issues that affect the Group; and
- reports from the Group's nominee directors on the Board of Marshall Motor Holdings plc.

Board attendance

The table below sets out details of all directors who have served during the year and includes details of each member's attendance at the Board meetings held in 2019. There are separate attendance statements in respect of the nomination, remuneration and audit and risk committees on pages 71, 72 and 74.

Director	Attendance
Alex Dorrian	9/9
Julie Baddeley	9/9
James Buxton	9/9
Sean Cummins	9/9
Jonathan Flint *(appointed 1st March 2019)*	7/8 *
Robert Marshall	9/9
Philip Yea	8/9 *

* *Unable to attend one meeting due to a previous commitment*

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 and to ensure the long-term success of the Group for customers, employees and wider stakeholders, to create shareholder value. The Board considers the meetings an effective mechanism for discharging its duties under Section 172 of the Companies Act 2006.

The actions taken by the Board throughout the period reflected the strategic goals. The Board also regularly discussed governance, risk management and the Group's financial performance giving particular consideration to the Group's stakeholders and to ensuring that the culture is aligned with its purpose, values and strategy. The matters considered and the outcomes are set out below.

The Group's purpose, vision and strategy

The Board has had full oversight of the progress of the Group strategy and transformation programmes during the year. At each meeting the Board has had the opportunity to question and challenge the work being undertaken. The June Board Strategy meeting was a two-day meeting held at an off-site location where the strategy for the Group was reviewed by the Board. Reading materials were circulated in advance of the meeting, setting the strategic market context and including updates on strategic initiatives, the strategy for each business, and updates on the Group's financial performance and trajectory. The Board also reviewed the purpose and the vision of the Group.

Review of principal risks

As detailed on page 44, with respect to the risk of contract completion, the improvement in the Group's cost control, engineering, risk management, and project control processes continued through 2019 and the Board is satisfied that both the costs and the programme continue to be in line with the integrated master schedule. With respect to the liquidity constraints risk, the Group has been within its covenant levels throughout the year and the bank facility agreement has been extended for a further 12-month period.

Risk appetite

The Board has undertaken a detailed review of its appetite for risk, identifying ten key risk categories which are intrinsic to its consideration of appetite for risk, and which align with the published Group strategy.

Corporate Governance

Board evaluation
After carrying out an external Board evaluation in 2018, and implementing its recommendations in 2019, the Board initiated an internal Board evaluation, which was carried out in the first quarter of 2020.

Operational performance updates
The Board received regular operational performance updates from each of the Group's key business streams, giving senior management the opportunity to interact with the Board.

Contract bids and tenders
The Board received and approved several presentations on new bids and tenders, giving senior management the opportunity to interact with the Board.

Board visits
The Board made several visits to the operational businesses to see aircraft in work, a mobilisation centre for a new contract win, and the new continuous improvement safety pillars. This gave employees the opportunity to present to, and interact with, the Board.

Safety incidents
The Board were briefed at each meeting as to whether any reportable incidents (RIDDORs), significant lost time incidents or airworthiness incidents have arisen, along with actions taken and the overall ongoing risk mitigation.

Governance
The Board were kept up-to-date on the proposed changes to the governance landscape for private businesses including both the Companies (Miscellaneous Reporting) Regulations 2018 and the Wates Principles and considered how best to maintain its high standards of corporate governance.

Principal decisions
The Board made a number of principal decisions which are explained in more detail in the Board Engagement report on pages 34 to 36. Matters determined to be principal decisions are those that are strategic, commercially material and impact the Group and / or the operating subsidiary stakeholders.

Opportunity and Risk

Opportunity

Part of the Group's purpose and a key focus for the Board is creating long term value, by continuing to invest in its long-term future in areas of sustainable growth and opportunity and seeking to generate value for the business and its customers in all that it does. To help identify all future opportunities, the Board has undertaken a detailed review of its appetite for risk, identifying ten key risk categories which are intrinsic to its consideration of appetite for risk, and which align with the published Group strategy. The Group is willing to bear or retain risks that have been assessed as being within the levels set for each risk category.

All of the Board's principal decisions are those which should add to the long-term success of the Group whilst creating and preserving value.

Risk management

The Group recognises that risk management is a vital activity that both underpins and forms part of the vision, values and strategic objectives. Risk is present in everything the Group does and it is therefore the Board's policy to identify, assess and manage the key areas of risk on a proactive basis. The Group seeks to embed risk management into the culture of the Group without introducing unnecessary bureaucracy. The aim for the risk management framework is that it is fit for purpose, reflects the size and nature of the various operations and uses the Group's skills and capabilities to the full.

For risk management to be most effective and become an enabling tool, the Board ensures that there is a robust, consistent, communicated and formalised process across the Group. The risk management policy and its supporting documentation form an integrated framework that supports the operating companies in the effective management of risk. In implementing the risk management system, the Group seeks to provide assurance to all stakeholders that the identification and management of risk plays a key role in the delivery of the Group strategy and related objectives.

The Board involves, empowers and gives ownership of the identification and management of risk to all the operating companies. Risk management activity is regularly supported through discussion and appropriate action by the Group. This includes a thorough review and confirmation of the significant risks, evaluation of their mitigation strategies and establishment of supporting actions to be taken to reduce them to an acceptable level. The process to identify and manage risks is set out in more detail on pages 40 to 43.

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. The Board delegates responsibility for reviewing and monitoring the Group's internal controls to the Audit and Risk Committee and the key features of the Group's internal control systems are therefore set out in the Audit and Risk Committee Report on page 74.

Board review of the effectiveness of risk management and internal control processes

The Board confirms that it has conducted a review of the effectiveness of the Company's risk management and internal control systems in operation during the year. The Board considers that the risk review activities addressed the key aspects of risk management and internal control for the year under review.

Ethics

The Board continues to ensure that the Group's code of business ethics remains up to date with latest best practice and legislation. All new employees receive a copy of the code of ethics, along with the Marshall values booklet, and the risk management framework booklet, and are asked to reinforce these messages via an e-learning system. In accordance with the Group's disclosure obligations under the Modern Slavery Act 2015, the Group has published its Slavery and Human Trafficking Statement on its website. The Executive Ethics Committee, which comprises the Chief Financial Officer, the Chief Operating Officer and the Group Company Secretary, has continued to operate during the year.

Anti-bribery and the prevention of corruption

The Group has internal procedures in place that are designed to ensure compliance with the UK Bribery Act 2010, and other international regulations and best practice relating to the prevention of corruption, which are applicable to its business. The Group's anti-bribery and corruption e-learning is also mandatory for relevant new employees, along with regular refresher training for existing employees.

Corporate Governance

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 confidentially raise any concerns about business conduct. The Group operates an independent whistleblowing hotline, affording employees the mechanism by which to report concerns to a party unconnected with the Group. The whistleblowing policy is set out in the Group's code of business ethics which is distributed to all staff and reinforced with a bespoke e-learning system.

Tax strategic intent
The principles which govern the Group's management of its tax affairs are fully aligned with the Group's wider commercial, reputational and business practices and are consistent with the Group's values and commitment to good corporate responsibility. The principles are also fully aligned with the Confederation of British Industry's seven tax principles, and consist of the following:

- to manage the Group's tax affairs responsibly and transparently;
- not to use contrived or artificial structures to reduce tax liabilities;
- to take advantage of the reliefs and incentives that exist, but show respect for the intention, as well as the letter of the law at all times in conformity with the Group's values;
- the Group is committed to conducting its affairs in a way that ensures a low risk tax rating, a classification first awarded by HMRC in 2009;
- as part of its aim to conduct business safely, tax is considered in all significant business developments or acquisitions so as to assess fully any potential tax consequences of actions in advance and thereby reduce risk;
- where required, proportionate external advice is sought from reputable professional firms;
- there is skilled in-house resource so that the Group can adhere to these principles without exception.

Remuneration
The Remuneration Committee's key objective is to support the Board in fulfilling its responsibilities relating to the Group's remuneration policies and procedures. The Group's remuneration policy remains focused on the attraction, motivation and retention of high calibre executives, who have a track record of achievement in high performing businesses, who demonstrate behaviours in accordance with Group values and who can deliver the Group's strategic objectives in a manner consistent with both its purpose and the interests of its shareholders. The Remuneration Committee Report is set out on pages 72 to 73.

Stakeholder Relationships and Engagement
The Board Engagement with Stakeholders report can be found on pages 34 to 39.

Dialogue with shareholders
The Executive Chairman ensures that all directors are made aware of major shareholder issues and concerns by way of reports from the executive directors at Board meetings, attendance at key financial calendar events and by making themselves available to meet shareholders as required.

The Board is committed to maintaining an effective engagement with shareholders to ensure a mutual understanding of objectives and to deal with issues of concern. Responsibility for communications with shareholders rests with the executive directors, assisted by the Group Company Secretary, and regular briefings and meetings are held with various shareholder groups.

Annual General Meeting
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. All Board members were present at the 2019 Annual General Meeting. In light of COVID-19, the 2020 Annual General Meeting has been postponed to a date yet to be confirmed.

Interim report
In addition to the annual report, the Board also provided shareholders with an interim report, which highlighted progress on a number of key initiatives across the Group.

Interim briefing
The Board held a more informal shareholder briefing in November 2019 to share the interim report and update shareholders on the direction of travel for the business.

Terms of Reference
The Board Terms of Reference enshrine the basis on which the Board will keep shareholders informed and, where appropriate, seek ordinary shareholder consent for certain major transactions or changes in ownership of major assets.

Re-appointment of directors
All directors are subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter by rotation.

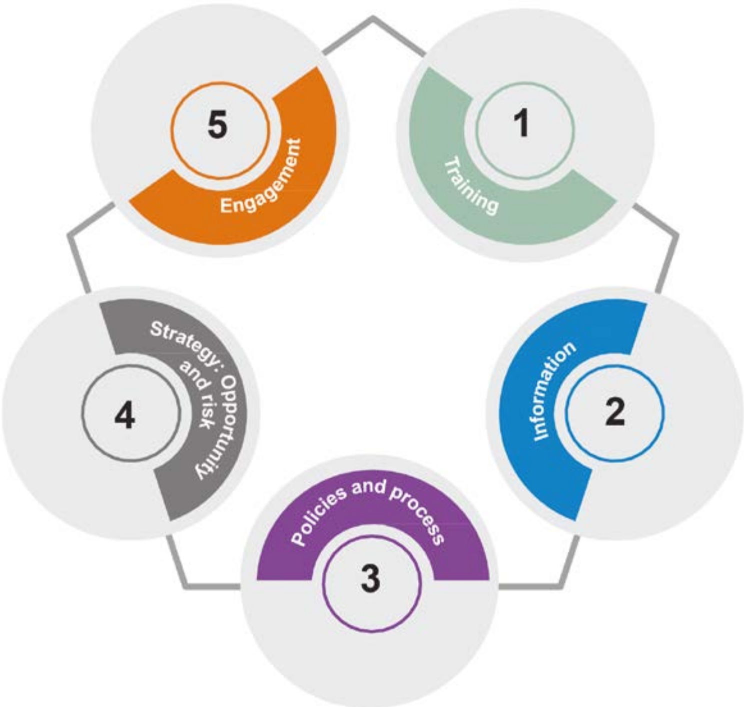
*Marshall of Cambridge (Holdings) Ltd won the **'Best Reporting by a Private Company'** award at the 2019 PwC Building Public Trust Awards*

Governance

Corporate Governance

Section 172 application

The Group's approach to the application of Section 172, to promote the success of the Group and its operating subsidiaries, regulates the behaviour and activities of the Board, as well as the boards and executive committees of the operating companies.



1. Training

Directors and senior management

All Group directors and senior management have received training on their primary duties under the Companies Act and broader regulatory responsibilities. Group governance policies are in place to support these primary duties and broader regulatory requirements. The Group Company Secretary is responsible for maintaining a regular programme of training for directors, ensuring newly appointed directors receive induction training on Group policies and statutory duties. She is also responsible for keeping the Board up to date with regulatory changes and agreeing which matters should be taken to the Board (to ensure compliance and reduced regulatory risk and associated breaches). Where appropriate, training is extended to senior management to enhance their effectiveness in supporting the directors.

Director briefings

During 2019, several director briefings were held, attended by the Executive Chairman, operating company statutory directors and senior management. These were an opportunity for the directors to focus on the strategy and business of the Group.

E-learning

All statutory directors, those with delegated authority, and senior management undertake regular e-learning modules, including anti-bribery and business ethics.

2. Information

Directors and senior management
The directors are appraised of their duties under the current legislation and stakeholder reporting requirements and understand the importance of identifying the impacts of their decisions, and where relevant, the likely consequences of the decisions in the long-term. All statutory directors, and those with delegated responsibility, ensure that they are provided with sufficient information to understand stakeholder interests and relevant factors making a principal decision.

Principal decisions
The Board has agreed what information is required for principal decision-making and what is needed for ongoing oversight as part of the risk management framework. This is reviewed at regular strategy meetings.

Stakeholder impact assessment
A stakeholder impact assessment is made during the decision-making process. To allow the Board to evaluate and take into account all perspectives in decisions likely to affect stakeholders' interests. The operating companies have identified their respective stakeholders and maintain these on a stakeholder register. On an annual basis, they review and confirm their key stakeholders, recording how the directors formed the opinion that they are key stakeholders.

3. Policies and process

Directors and senior management
The Group has policies and protocols in place to support the execution of the Group's purpose and values across the organisation, which drives overall engagement with employees, customers and wider stakeholders across the operating businesses. Group-wide governance policies and processes are designed to complement and promote the Group strategy.

4. Strategy: opportunity and risk

Risk management framework
Directors' duties are incorporated into the Group's risk management framework and strategic decision making. Directors are required, and actively encouraged, to consider factors which will contribute to the company's success, and those that are affected by the company's operations.

Looking forward
Operational processes are built into the annual Board programme so that information relating to stakeholders impacted in key upcoming decisions is provided to the Board in advance of the requirement to make a final decision.

5. Engagement

Principal decisions

The Group has an agreed framework under which principal decisions require the approval of the Board. Where a principal decision is to be made an impact assessment is undertaken and documented for recommendation to the Board.

Designated employee engagement non-executive director

The Group has embarked on an ongoing programme to improve both its employee consultations and engagement. To help with this, Jonathan Flint has taken on responsibility for employee engagement. His role is to understand the views of the workforce and identify any areas of concern, communicate the views of the workforce to the Board and ensure it considers the workforce in its proposals.

Employee survey

Employees are consulted through an annual survey, on matters including fair deal, well-being, teamwork, their manager, giving something back, the environment, flexible working, recognition, development and benefits. Results of the survey are considered by the Board and fed back to employees via the business units.

Alignment

In 2019, the Alignment project commenced, with the intention of engaging with all staff through their employee representatives and trade unions across the Group. The aim was to modernise the employee value proposition whilst simplifying and ensuring consistency of employment terms by considering amendments to career structures, terms and conditions, flexible working, leave, pay, allowances and benefits.

The businesses are now acting on the demand for clear career development opportunities, flexible terms of working, simpler, more transparent job levels and pay progression. As this programme will result in changes to terms and conditions of employment, consultation with employee and trade union representatives is in line with legal requirements. In addition, employees have the opportunity to contact the project team directly with questions and feedback as well as through their representative.

Employee recognition

Peer nominations are made to the Group for its annual Marshall Achievement, Values and Teamwork Awards (MAVTAs) which have become an important tool for recognising and rewarding the contributions made by many of our employees to the business. The 2019 awards saw some 250 finalists and their guests from across all areas of the business gather at the Imperial War Museum, Duxford for a gala dinner and presentation.

LaunchPad

The Group is a founding industry partner of the LaunchPad initiative in Cambridge, now managed by Form the Future, a community interest company in Cambridge. With the Group's support, the Form the Future STEM (science, technology, engineering and mathematics) outreach programme, provides students aged 8 to 18 with experiences and opportunities designed to address the diversity issues which exist in STEM employment with the aim to improve gender diversity. Cambridge LaunchPad has raised the profile of the Group and allows for engagement with local businesses across Cambridge. 2019 saw 28 of Cambridge's companies involved and over 7,000 young people participated in its activities.

Operating companies

Specific details of how Marshall Thermo King Limited and Marshall of Cambridge Aerospace Limited engage with their stakeholders can be found in the directors' report of each company's 2019 report and accounts.

Governance

Nomination Committee Report

Committee attendance

Director	Attendance record
Alex Dorrian	1/1
Julie Baddeley	1/1
James Buxton	1/1
Philip Yea	1/1

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

Governance
The Nomination Committee membership comprises the Executive Chairman (as Committee Chairman), and all non-executive directors, subject to a minimum of three to be quorate.

Responsibilities
In accordance with its terms of reference, the key responsibilities of the Committee include:

- an annual review of the Board's composition and consideration of any proposed changes;
- the formation of a succession plan for the Board; and
- 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 carried out its annual review of the Board's composition and reiterated the requirement for a non-executive director with significant aerospace and defence experience and strategic thinking. The appointment of Jonathan Flint CBE was announced on 14th February, 2019, and took effect from 1st March, 2019.

Alex Dorrian CBE
Nomination Committee Chairman
23rd April, 2020

Remuneration Committee Report

Introduction from Julie Baddeley, Committee Chairman

"I am pleased to present the Remuneration Committee's annual report on its activities during the year."

During the year the Committee's primary function has been to set remuneration, including salary, bonus and other benefits at levels that will secure, motivate and retain a senior leadership team that can deliver the Group's strategic ambitions in a manner consistent with its purpose, values and the interests of its shareholders.

Following his change in role to Executive Chairman, Alex Dorrian stood down from the Committee on 1st April 2019 and I thank him for the experience and insight he brought. Philip Yea and Jonathan Flint became members from the same date, so all members of the Committee continue to be independent non-executive directors.

This report aims to set out the key areas of focus and issues considered by the Committee since my last report to shareholders:

- review and agreement of remuneration for the new Executive Chairman and Vice Chairman roles;
- review and agreement of remuneration for the executive directors and the Group Company Secretary;
- review and agreement of 2019 to 2021 Long Term Incentive Plan participants and financial targets;
- oversight of the Alignment project which is to modernise the employee value proposition whilst simplifying and ensuring consistency of employment terms;
- recommendation on non-executive director fees to the Board; and
- monitoring the Group's progress against the annual bonus targets.

Committee attendance

Director	Attendance record
Julie Baddeley	4/4
Alex Dorrian	1/1
Jonathan Flint	3/3
Philip Yea	3/3

Objective
The key objective of the Committee is to assist the Board in fulfilling its responsibilities in relation to the Group's remuneration policies and procedures.

Governance
The Remuneration Committee has clearly defined terms of reference and its membership comprises the Senior Independent Non-Executive Director (as Committee Chairman) and two other independent non-executive directors. The Executive Chairman attends meetings at the request of the Committee.

Responsibilities
In accordance with its terms of reference, the key responsibilities of the committee include:

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

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, personal contribution and performance, market changes and any change in role or responsibility.	Increases are generally expected to be in line with inflation and comparative increases in the business and competitor companies.
Annual Bonus	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 signed.	75% of salary, for stretch financial targets, with on-target achievement realising 50%, and a threshold level to be reached for 25%. Up to 25% of salary based on achievement of specified personal objectives bringing the total opportunity to 100%.
Long Term Incentive Plan 'LTIP'	To focus on longer-term performance and growth and align executive director interests with those of shareholders.	Awards are made based on a three year performance period. Performance is against profitability, cash generation and adherence to Group objectives and values.	Up to 125% of salary can be achieved. Awards are calculated at the end of the three year period. There is then a further two year holding period until cash is paid out. This is in accordance with recent and best industry practice.
Pension	To provide competitive levels of retirement benefit.	Membership of company pension scheme or salary supplement or cash deferral scheme.	Typically a Defined Contribution arrangement with some variation of contributions based on time employed.
Other Benefits	To provide competitive levels of employment benefits.	Benefits include: • 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.

The remuneration policy for Executive Directors does not apply to the Executive Chairman, who whilst receiving a base salary, does not participate in any bonus or incentive scheme nor have an entitlement to any pension benefit.

Remuneration Policy for Non-Executive Directors

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

The remuneration policy for Non-Executive Directors does not apply to the Vice Chairman, who is in a two-year transition period.

Julie Baddeley
Remuneration Committee Chairman
23rd April, 2020

Audit and Risk Committee Report

Introduction from Philip Yea, Committee Chairman

"I am pleased to present the Audit and Risk Committee's annual report on its activities during the year."

During the year the Committee's principal focus has been to ensure the integrity of the Group's financial reporting and audit processes and the maintenance of sound internal control and risk management procedures, by providing independent challenge and oversight.

Following his change in role to Executive Chairman, Alex Dorrian stood down from the Committee on 1st April 2019 and I thank him for the experience and insight he brought. Julie Baddeley and Jonathan Flint became members from the same date, so all members of the Committee continue to be independent non-executive directors.

This report sets out the key matters considered by the Committee since my last report to shareholders, which include:

- routine risk reports from the Group Company Secretary outlining the areas of focus of the Operational Risk Management Committee;
- specific principal risks reviewed in depth at each meeting as part of the rolling deep dive programme;
- the appointment of Grant Thornton UK LLP in March 2019 following consideration of the options as to how best resource the internal audit function;
- reports from Grant Thornton on the internal audits undertaken and agreement and tracking of internal audit plan;
- reports from the Treasury Committee;
- reports from the external auditor, Ernst & Young LLP (EY) on the planning and reporting of the external audit;
- review of the annual report and accounts, audit findings and significant accounting issues;
- input to the Board's review of the suitability of the internal control structure following the change of the Chairman's role to an Executive one;
- a recommendation to the board to undertake a tender of external audit;
- a recommendation to the Board, following a process in line with the Financial Reporting Council's guidelines, to appoint BDO LLP as external auditor;
- the Committee's terms of reference, objectives, governance and responsibilities; and
- a going concern and viability review due to the ongoing COVID-19 pandemic.

Committee attendance

Director	Attendance record
Philip Yea	3/3
Alex Dorrian	1/1
Julie Baddeley	2/2
Jonathan Flint	2/2

Objectives

The objectives of the Committee are to support the Board in its oversight of the Group's financial reporting, audit and internal control functions, and to give the Board assurance concerning the operation of the Group's risk management framework.

Governance

The Audit and Risk Committee comprises three members, all of whom are independent non-executive directors of the Company. Two members constitute a quorum. Appointments are for a period of three years, extendable by two further three-year periods, after which they are subject to annual review so long as members continue to be independent. Any term beyond six years is subject to particularly rigorous review.

The Committee meets at least three times during the year. The Executive Chairman, the Chief Financial Officer, the Group Company Secretary, the Chief Operating Officer and members of the Grant Thornton internal audit team also attend each meeting at the invitation of the Committee chairman. The external audit partner is invited to attend meetings involving the planning and reporting on the results of the annual audit. Other relevant people from the business are invited to attend meetings as required for the Committee to discharge its duties. The Committee chairman also meets separately with the external audit partner and Chief Financial Officer without others being present.

The Committee has unrestricted access to company documents and information, as well as to employees of the company and the internal and external auditors. The Committee may take independent professional advice on any matters covered by its terms of reference at the company's expense. The Committee chairman reports the outcome of meetings to the Board at each meeting which follows a Committee meeting.

Responsibilities

In accordance with its terms of reference, the key responsibilities of the Committee include:

- monitoring the integrity of the financial statements including both the annual and interim reports;
- challenging the accounting policies and methodology, and the clarity of disclosure in the annual and interim reports;
- recommendation of the annual and interim reports to the Board for approval;

- review of the effectiveness of the Group's internal controls and risk management systems;
- oversight of a rolling cycle of deep dives into the principal risks identified;
- review of whistleblowing arrangements;
- review of the effectiveness of the internal audit function;
- recommendations on the appointment of the external auditor; and
- review of the external audit plan.

Risk management framework
The Group's risk management process and its principal risks are set out in more detail on pages 44 to 48.

The key features of the Group's internal control and risk management systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures. This framework was reviewed early in the year to ensure that the change in the Chairman's role to Executive Chairman did not weaken the control environment.

The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control to the Committee. This covers all material controls including financial, operational and compliance controls and risk management systems.

Principal risks rolling deep dive programme
The ten principal risks identified include nine previously identified, which, following review and challenge, continue to be considered principal risks:

- Business interruption
- Cyber attack
- Contract completion
- Group liquidity constraints
- Regulatory breach
- Organisational capability
- UK defence policy
- Succession planning
- Brexit / Political

An additional risk, the relocation of MADG, has been identified as a principal risk, following the principal decision made by the Board during the year, as outlined in the Board Engagement with Stakeholders report on page 34.

The management of the risks relating to contract completion and Group liquidity constraints continue to be reviewed directly by the Board in view of their materiality. Succession planning, organisational capability and Brexit/ political risk have also been designated as Board risks and are reviewed regularly. The Committee completed deep dive risk reviews of business interruption, cyber-attack, regulatory breach and UK defence policy during 2019. The Committee also reviewed at each meeting the progress on the replacement ERP system, another principal decision made by the Board during the year.

The rapid change in business environment since the financial year-end due to the effects of the Covid-19 pandemic has been reviewed directly by the board prior to the finalisation of the Annual Report and Accounts. As noted on pages 44 and 45, the principal effects are a marked increase in the Business Interruption risk, particularly but not exclusively at MMH, and a material change in the group's Liquidity risk absent expected exceptional support from our lenders.

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

Through the Committee, the Board reviews the adequacy and effectiveness of the internal control system. This review covers material controls, including financial, operational and compliance controls, and risk management systems.

Financial Controls

- Board approved budgets with a three-year time horizon for the Group and all operating companies.
- Monthly financial reports from the Chief Financial Officer and quarterly reports from the Executive Chairman to the Board, with written commentary including key developments for each business stream.
- Organisational structure at head office and operating company level which clearly defines responsibilities.
- Independent internal audit function.
- Board approval of acquisitions and disposals, significant tenders and long-term contracts.

Operational Controls

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

Compliance Controls

- Health and safety and environmental policies in place at both Group and operating company level.
- Group code of business ethics, refreshed and republished during 2019.
- Executive Ethics Committee in place which recommends and reviews policies and procedures to maintain high standards of ethics and integrity, corporate responsibility, anti-bribery and legal compliance.
- Detailed matrix across the Group setting out levels of authority.

Audit and Risk Committee Report

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

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

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. Marshall Motor Holdings plc has its own internal audit function, which reports solely to its Board.

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

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

The Committee approved the annual plan of internal audits to be undertaken during the year and received progress reports at each meeting. 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.

Treasury Committee
The Board has adopted a treasury management policy setting out the policies and strategies the Group will follow to manage its cash resources, minimise financial and operational risks and establish and manage relationships with financial institutions.
The Treasury Committee, which comprises the Chief Financial Officer, the Group Company Secretary and the Group Treasurer has met twice in 2019 and reported to the Committee on banking relationships, hedging contracts, foreign currency management, and covenant compliance.

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

The effectiveness of the external auditor is assessed annually by the Committee taking into account feedback from executive management. This assessment considers the quality of the audit and the service from EY, and provides feedback to the lead audit partner.

During 2019 the Audit Quality Review team of the Financial Reporting Council reviewed the EY audit papers for 2018. A number of recommendations were highlighted to EY and shared with the Group Committee, all of which EY have confirmed have been incorporated into their 2019 year end audit.

Following the 2019 audit, the EY audit partner will be subject to compulsory rotation and in response to developing market sentiment and shareholder questions regarding rotation of audit firm, the Committee recommended to the Board that the external audit should be put out to tender. Following a process in accordance with FRC guidelines a resolution for the appointment of BDO LLP will be put to the shareholders at the AGM.

Review of the annual report and accounts, audit findings and significant accounting issues
The Committee reviewed the annual report and accounts to ensure that they were fair, balanced and understandable, and provided the information necessary for shareholders and other stakeholders to assess the company's performance, strategy and business model. To enhance its review, the Committee considered reports from the Chief Financial Officer and the external auditor.

In the preparation of the annual report and accounts, a number of areas required the exercise of management judgement or a degree of estimation. The key judgement areas considered by the Committee in relation to the 2019 financial statements, and how these were addressed, were:

Going concern and viability
The Committee joined the Board in reviewing the revised projections and assumptions for going concern and viability in the circumstances of COVID-19 business disruption. This review also challenged the stress testing of the projections and assessed the quality of disclosures of the process, assumptions and material uncertainties over going concern, taking into account feedback from the Group's bankers, the MMH Board and the external auditors.

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

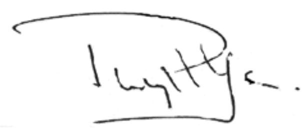
Exceptional costs
The Committee considered the amounts included as exceptional income and costs in the year to ensure that the categorisation was appropriate by reference to their nature and relevant guidance. EY also commented on this assessment providing a detailed report on its audit findings.

Goodwill impairment
The key goodwill impairment reviews were in relation to prior acquisitions by Marshall Motor Holdings plc. 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 was made. The committee reviewed these assumptions and estimates, and discussed them with EY, which provided a detailed report on its audit findings.

Marshall Motor Holdings plc (MMH)
MMH is fully consolidated into the Group's financial statements due to the controlling shareholding. The Committee considers the key issues that arise in those financial statements as publicly reported and as reported through EY who are auditors to the whole group. The key matters of judgment were assumptions around impairment reviews of goodwill and franchise intangibles, supplier rebates, accruals and provisions.

Management reported to the Committee that they were not aware of any material misstatements. The auditors reported to the Committee any misstatements that they had found in the course of their work. After due consideration, the Committee concurred with management that no adjustments were required.

Terms of reference, governance and responsibilities
The Committee reviewed and refreshed its terms of reference during the year, and these were approved by the Board on 26th March, 2019.



Philip Yea
Audit and Risk Committee Chairman
23rd April, 2020

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), including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Parent Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

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

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

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

Advisers and Registered Office

Auditor
Ernst & Young LLP

Bankers
Barclays Bank plc
HSBC Bank plc
Lloyds TSB Bank plc
Royal Bank of Scotland plc
Santander UK plc

Insurance Brokers
Willis Towers Watson

Pension and Actuarial Advisers
Buck Consultants

Property Advisers
Bidwells
Rapleys
Savills

Solicitors
Bird & Bird
Dentons
Greenwoods
Mills & Reeve
Travers Smith

Tax Advisers
Deloitte LLP

Registered Office
Airport House
The Airport
Cambridge CB5 8RY

Registered Number
2051460

www.marshallgroup.co.uk

Long Service Awards Lunch, 2019

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, 2019.

Results and dividends

The Group recorded a profit after tax and minority interests for the year of £18,905,000 (2018 – £27,678,000). On 14th December, 2019, the Board paid a priority dividend of 2.0p per share on the non-voting priority ordinary (NVPO) shares, together with an interim dividend of 1.0p per share for both Ordinary and NVPO shareholders. The directors have not recommended a final dividend for 2019. 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 aerospace and defence businesses, in order to maintain a competitive position in all its markets (see note 5 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.

Directors' indemnities

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

Fixed assets

The Group invested £47.6m (2018 - £48.0m) in new fixed assets and investments and a further £28.2m (2018 - £nil) in new businesses. The Group's other existing freehold investment properties were revalued by the directors as at 31st December, 2019, resulting in a total valuation of £9.5m (2018 - £10.1m). A revaluation surplus of £0.6m (2018 – £0.1m) has been taken to the income statement and non-distributable reserves. Other tangible fixed assets' details and movements can be found in note 12 to the financial statements.

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.

Charitable donations

The Group made charitable donations of £185,000 (2018 - £17,000) during the year.

Political contributions

There were no political donations in either year.

Future developments and risk management

The Group Strategic Report gives further details on future developments and the Group's risk management framework, as set out on pages 10 to 55.

Directors

Details of the current directors are set out on pages 56 to 57. The following served as directors of the Company during the year ended 31st December, 2019 and up to the date of signing:
Alex Dorrian (Executive Chairman), Julie Baddeley, James Buxton, Sean Cummins, Jonathan Flint (appointed 1st March, 2019), Robert Marshall and Philip Yea.

In accordance with the Articles of Association of the Company, Julie Baddeley and Philip Yea will retire by rotation, and, being eligible, offer themselves for re-appointment as directors at the forthcoming Annual General Meeting.

The interests of the directors, who were directors of the Company at the date of the approval of the financial statements, in the shares of the Company at 1st January, 2019 and 31st December, 2019 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**
Julie Baddeley	-	-	7,000	-	-	-	-	-
James Buxton	-	7,260,390	-	18,059,010	-	2,402,000	-	1,801,000
Alex Dorrian	-	-	10,000	-	-	-	-	-
Robert Marshall	205,900	29,500	275,763	373,167	-	60,666	-	28,333

Robert 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.

Governance
The Group's corporate governance framework and its application of s172 of the Companies Act 2006 is set out on pages 58 to 70.

Board Engagement
The Board's engagement with stakeholders and the principal decisions made during the year are set out on pages 34 to 36.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are described within the Group Strategic Report on pages 10 to 55. 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 50 and 51, whilst the principal risks and uncertainties facing the Group are set out in the Group Strategic Report and specifically on pages 44 to 48. The directors have assessed the potential impact of the COVID-19 pandemic as described on page 22.

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

The directors have modelled a base case scenario that assumes the disruption of engineering operations and closure of motor retail businesses continues through to June 2020, and a stress-tested scenario with a longer period of MMH disruption through to the end of the year. The review period is through to June 2021. The Group has the following facilities currently in place:

(a) Core Group (the Group excluding MMH) - £75m multi-option facility maturing in March 2022, with an accordion option of £15m at the lender's option; and
(b) MMH - £120m of facilities due to expire in June 2021. MMH also has substantial vehicle inventory financing arrangements (c£440m at 31st December 2019).

Estimates have been made for the monthly impact on the Group's businesses of the loss of revenue, secured and planned costs savings, and the utilisation of government support schemes. For MMH this assumes that the existing facilities and the vehicle financing can be extended or replaced at similar levels and terms throughout the review period, and also assumes government support for furloughed staff during a period of continued closure of MMH sites beyond June 2020, which is not yet confirmed by Government. The base case projections show that both the Core Group and MMH could operate within their respective facilities for the review period, but that under the stressed case MMH headroom over facilities could be eliminated within the review period. In addition, the reduction in EBITDA performance caused by a period of disruption beyond April 2020, would cause breaches of leverage covenants in both the Core Group and MMH facilities. The lead banking agent for the facilities of the Core Group and MMH has indicated orally that they intend to support requests for waivers required due to COVID-19 related issues to ensure the continuity of these facilities throughout the review period and to complete the refinancing of the MMH facilities – all subject to bank approvals and final documentation.

Having assessed the combination of these scenarios, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of the financial statements. In forming this conclusion the Board has made significant judgements about:

- the forecast cash requirements of the Group's businesses given the uncertainty of the duration of the impact of COVID-19 on those businesses through lost revenue and the reliance on forecast government support and mitigating actions;
- the continued availability of current and accordion Core Group bank facilities in the knowledge that this could be reliant upon continued waiver of debt covenants, which, in some scenarios, are forecast to be breached; and
- the refinancing of the MMH bank facilities and continuity of vehicle funding in the knowledge that both will require bank and vehicle funding lender's support to achieve, including waivers in relation to existing covenants and terms as necessary.

Each of these significant judgements represent material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

BY ORDER OF THE BOARD

Sarah Moynihan
Group Company Secretary
23rd April, 2020

Independent Auditor's Report

Independent Auditor's Report to the members of Marshall of Cambridge (Holdings) Limited

Opinion

We have audited the financial statements of Marshall of Cambridge (Holdings) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31st December, 2019, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 30 for the consolidated financial statements and notes 1 to 17 for the parent company, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31st December, 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainties related to going concern

We draw attention to Notes 1 and 30 in the consolidated financial statements, which describe material uncertainties relating to: the forecast cash requirements of the Group's businesses given the uncertainty of the duration of the impact of COVID-19 on those businesses through lost revenue and the reliance on forecast government support and mitigating actions; the continued availability of current and accordion Core Group bank facilities in the knowledge that this could be reliant upon continued waiver of debt covenants which, in some scenarios, are forecast to be breached; and the refinancing of the MMH bank facilities and continuity of vehicle funding in the knowledge that both will require bank and vehicle funding lender's support to achieve, including waivers in relation to existing covenants and terms as necessary.

As stated in Note 1, these events or conditions, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 78, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

R. Forsyth

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
29th April, 2020

Financial Statements

Consolidated Income Statement

for the year ended 31st December, 2019

	Notes	**2019** **£000**	2018 £000
Revenue	2	**2,637,961**	2,483,942
Cost of sales		**(2,253,813)**	(2,112,152)
Gross profit		**384,148**	371,790
Net operating expenses		**(348,174)**	(350,970)
Profit on transfer of land to joint venture entities	3	**-**	22,621
Other income		**1,176**	2,708
Operating profit	5	**37,150**	46,149
Net finance expenses	6	**(6,413)**	(5,710)
Profit before taxation		**30,737**	40,439
Analysed as:			
Underlying profit before tax		**35,159**	36,038
Separately disclosed exceptional items	3	**(4,422)**	4,401
Tax on profit	7	**(6,655)**	(9,895)
Profit after taxation		**24,082**	30,544
Attributable to:			
Owners of the parent		**18,905**	27,678
Non-controlling interests		**5,177**	2,866
		24,082	30,544
Basic and diluted earnings per share	8	**30.7p**	45.6p
Underlying earnings per share	8	**35.0p**	33.9p

Consolidated Statement of Comprehensive Income

for the year ended 31st December, 2019

	Notes	2019 £000	2018 £000
Profit after taxation		**24,082**	30,544
Exchange differences on re-translation of subsidiary undertakings		**(5)**	(247)
Fair value gain / (loss) recognised on cash flow hedges		**6,093**	(1,464)
Taxation on cash flow hedges	7c	**(1,037)**	249
Remeasurement loss recognised on defined benefit pension scheme	29	**(79)**	(660)
Deferred tax credit relating to defined benefit pension scheme	29, 7c	**14**	112
Total other comprehensive income / (expense)		**4,986**	(2,010)
Total comprehensive income		**29,068**	28,534
Total comprehensive income for the year attributable to:			
Owners of the parent		**23,891**	25,668
Non-controlling interests	22	**5,177**	2,866
		29,068	28,534

Financial Statements

Consolidated Balance Sheet

as at 31st December, 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible fixed assets	11	**98,957**	94,752
Tangible fixed assets	12	**271,663**	237,905
Investments	13	**7,864**	6,601
Total fixed assets		**378,484**	339,258
Current assets			
Stocks	14	**490,609**	406,034
Debtors			
Amounts falling due within one year	15	**172,634**	158,270
Amounts falling due after more than one year	15	**30,026**	28,330
Cash at bank and in hand		**11,573**	12,900
Total current assets		**704,842**	605,534
Creditors: amounts falling due within one year	16	**(742,673)**	(619,624)
Net current liabilities		**(37,831)**	(14,090)
Total assets less current liabilities		**340,653**	325,168
Creditors: amounts falling due after more than one year	17	**(30,098)**	(19,338)
Provision for liabilities	19	**(27,117)**	(37,928)
Net assets before pension liability		**283,438**	267,902
Pension liability	29	**(2,985)**	(9,860)
Net assets		**280,453**	258,042
Capital and reserves			
Called up share capital	20	**15,785**	15,785
Share premium		**611**	611
Capital redemption reserve	21	**130**	130
Cash flow hedge reserve	21	**3,841**	(1,215)
Profit and loss account		**188,555**	173,557
Shareholders' funds		**208,922**	188,868
Non-controlling interests	22	**71,531**	69,174
Total capital employed		**280,453**	258,042

The financial statements of Marshall of Cambridge (Holdings) Limited were approved by the board of directors and authorised for issue on 23rd April, 2020. They were signed on its behalf by:

S V Cummins

Director

Consolidated Statement of Changes in Equity

for the period ended 31st December, 2019

	Share capital £000	Share premium £000	Capital redemption reserve £000	Cash flow hedge reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
At 1st January, 2018	15,785	611	130	-	150,859	167,385	68,196	235,581
Profit for the financial year	-	-	-	-	27,678	27,678	2,866	30,544
Other comprehensive expense	-	-	-	(1,215)	(795)	(2,010)	-	(2,010)
Total comprehensive (expense) / income for the year	-	-	-	(1,215)	26,883	25,668	2,866	28,534
Equity dividends paid (note 9 and 22)	-	-	-	-	(4,013)	(4,013)	(1,758)	(5,771)
Change in interest in subsidiaries' net assets	-	-	-	-	(172)	(172)	(130)	(302)
At 31st December, 2018	15,785	611	130	(1,215)	173,557	188,868	69,174	258,042
Profit for the financial year	-	-	-	-	18,905	18,905	5,177	24,082
Other comprehensive income / (expense)	-	-	-	5,056	(70)	4,986	-	4,986
Total comprehensive income for the year	-	-	-	5,056	18,835	23,891	5,177	29,068
Equity dividends paid (note 9 and 22)	-	-	-	-	(4,013)	(4,013)	(2,567)	(6,580)
Change in interest in subsidiaries' net assets	-	-	-	-	176	176	(253)	(77)
At 31st December, 2019	**15,785**	**611**	**130**	**3,841**	**188,555**	**208,922**	**71,531**	**280,453**

Financial Statements

Consolidated Statement of Cash Flows

for the year ended 31st December, 2019

	Notes	2019 £000	2018 £000
Operating activities			
Net cash inflow from operating activities	10a	**65,925**	44,752
Investing activities			
Interest received	6	**124**	222
Payments to acquire intangible fixed assets	11	**(1,044)**	(259)
Payments to acquire tangible fixed assets	12	**(45,087)**	(45,994)
Payments to acquire fixed asset investments	13	**(1,479)**	(1,761)
Receipts from sales of tangible fixed assets - excluding property		**610**	363
Receipts from sales of tangible fixed assets - property		**47**	6,963
Receipts from sales of fixed assets investments		**1,320**	229
Acquisition of non-controlling interests in subsidiaries		**-**	(50)
Acquisition of businesses (including acquisition costs)	4	**(28,232)**	-
		(73,741)	(40,287)
Financing activities			
Interest paid	6	**(1,279)**	(1,747)
Stock finance and other interest paid	6	**(5,961)**	(4,923)
Dividends paid to preference shareholders	9	**(744)**	(744)
Equity dividends paid	9	**(3,269)**	(3,269)
Settlement of exercised share options	27	**(708)**	(968)
Dividends paid to non-controlling interests	22	**(2,567)**	(1,758)
New loans and overdrafts	18	**28,000**	32,354
Repayment of loans	18	**(6,781)**	(30,802)
		6,691	(11,857)
Decrease in cash and cash equivalents		**(1,125)**	(7,392)
Effect of exchange rates on cash and cash equivalents		**(202)**	630
Cash and cash equivalents at 1st January	10c	**12,900**	19,662
Cash and cash equivalents at 31st December	10c	**11,573**	12,900

1a. Accounting policies

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

The Group's financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as it applies to the financial statements of the Group for the year ended 31st December, 2019.

Basis of preparation and change in accounting policy
The financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the board of directors on 23rd April, 2020. The financial statements have been prepared in accordance with applicable accounting standards. They have been prepared in sterling which is the functional currency of the Group and are rounded to the nearest £000.

Going concern
COVID-19
The Group's business activities, together with the factors likely to affect its future development, performance and position are described within the Group Strategic Report on pages 10 to 55. 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 50 and 51 whilst the principal risks and uncertainties facing the Group are set out in the Group Strategic Report and specifically on pages 44 to 48. The directors have assessed the potential impact of the COVID-19 pandemic as described on page 22.

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

The directors have modelled a base case scenario that assumes the disruption of engineering operations and closure of motor retail businesses continues through to June 2020, and a stress-tested scenario with a longer period of MMH disruption through to the end of the year. The review period is through to June 2021. The Group has the following facilities currently in place:

- Core Group (the Group excluding MMH) - £75m multi-option facility maturing in March 2022, with an accordion option of £15m at the lender's option; and
- MMH - £120m of facilities due to expire in June 2021. MMH also has substantial vehicle inventory financing arrangements (c£440m at 31st December, 2019).

Estimates have been made for the monthly impact on the Group's businesses of the loss of revenue, secured and planned cost savings, and the utilisation of government support schemes. For MMH this assumes that the existing facilities and the vehicle financing can be extended or replaced at similar levels and terms throughout the review period, and also assumes government support for furloughed staff during a period of continued closure of MMH sites beyond June 2020, which is not yet confirmed by Government. The base case projections show that both the Core Group and MMH could operate within their respective facilities for the review period, but that under the stressed case MMH headroom over facilities could be eliminated within the review period. In addition, the reduction in EBITDA performance caused by a period of disruption beyond April 2020, would cause breaches of leverage covenants in both the Core Group and MMH facilities. The lead banking agent for the facilities of the Core Group and MMH has indicated orally that they intend to support requests for waivers required due to COVID-19 related issues to ensure the continuity of these facilities throughout the review period and to complete the refinancing of the MMH facilities – all subject to bank approvals and final documentation.

Having assessed the combination of these scenarios, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of the financial statements. In forming this conclusion the Board has made significant judgements about: the forecast cash requirements of the Group's businesses given the uncertainty of the duration of the impact of COVID-19 on those businesses through lost revenue and the reliance on forecast government support and mitigating actions; the continued availability of current and accordion Core Group bank facilities in the knowledge that this could be reliant upon continued waiver of debt covenants which, in some scenarios, are forecast to be breached; and the refinancing of the MMH bank facilities and continuity of vehicle funding in the knowledge that both will require bank and vehicle funding lender's support to achieve, including waivers in relation to existing covenants and terms as necessary.

Each of these significant judgements represent material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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

1a. Accounting policies (continued)

Basis of consolidation
The Group financial statements consolidate the financial statements of the Parent Company and all of its subsidiary undertakings drawn up to 31st December each year.

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

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

- Sale of goods: Revenue 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: Revenue from long-term contracts is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally determined by the proportion that contract costs incurred to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. If the nature of a particular contract means that costs incurred do not accurately reflect the progress of contract activity, an alternative approach is used such as the achievement of pre-determined contract milestones. Revenue in respect of variations to contracts, claims and incentive payments are recognised when it is highly likely that it will be agreed by the customer. Profit attributable to long-term contracts is recognised if the final outcome of such contracts can be reliably assessed. On all contracts, full provision is made for any losses in the year in which they are first foreseen.
- Rendering of services: Revenue 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.

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

Business combinations
The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS102.

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be reliably measured, in which case the value is subsumed into goodwill. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the recognition criteria under FRS102.

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

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

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

Intangible assets
Other intangible assets, when acquired separately from a business combination, include computer software and licenses. Cost comprises purchase price from third parties and amortisation is calculated on straight line basis over the assets' expected economic lives, which varies depending on the nature of the asset. Licenses are amortised over the length of the license and software is amortised between 3-5 years.

1a. Accounting policies (continued)

Intangible assets (continued)
Other intangible assets, acquired as part of a business combination, include franchise agreements and favourable leases. These items are capitalised separately from goodwill if the asset is separable and if the fair value can be measured reliably on initial recognition. Such assets are stated at fair value less accumulated amortisation which is calculated on straight line basis. Favourable leases are amortised over the shorter of the remaining lease period and 3 years and franchise agreements are amortised at fair value less residual value, over 20 years. Amortisation is included within administrative expenses in the Income Statement.

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

Depreciation is provided on property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold properties	50 years
Investment properties	Fair valued
Short leasehold	Over lease term
Plant and machinery	3 - 20 years
Assets under construction	Not depreciated

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. Such costs are capitalised from the point that a viable development is considered probable and includes external and directly attributable incremental internal costs relating to planning, site preparation, infrastructure and construction costs.

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

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

Impairment of assets
If any such indication exists the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates, the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Income Statement unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

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

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

- Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.
- Investment properties fair value, of which can be measured reliably, are measured at fair value. The surplus or deficit on revaluation is recognised in the Income Statement. The Group engages independent valuers to assist the directors in determining fair value.
- After initial recognition, investment properties fair value, of which can be measured reliably, without undue cost or effort are recorded at fair value. The surplus or deficit on revaluation is recognised in the Income Statement and accumulated in the non-distributable reserve. The company engages independent valuers to assist the directors in determining fair value.
- Expenditure to improve the rentals or capital appreciation are recorded as additions to investment properties. Where a substantial development is commenced with a view to the sale, the property is transferred to inventory.
- Properties held in the course of development are valued using the discounted cash flow technique to arrive at the fair value of the asset.
- Transfers into and out of investment properties are performed at fair value determined above.

1a. Accounting policies (continued)

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

Marshall Motor Holdings plc is recorded at cost less impairment because all of the following conditions do not exist:

a) the items traded in the market are homogeneous;

b) willing buyers and sellers can normally be found at any time for the whole investment; and

c) prices are available to the public.

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

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

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

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

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

Long-term contract work in progress is recognised as 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 (stock holding cost, responsibility for safe-keeping and some risk of obsolescence) rest within the Group.

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

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

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

Research and development expenditure credit
Costs incurred, which qualify as research and development, entitle the Group to a payment from HM Revenue and 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.

Taxation
The charge / (credit) for taxation is based on the profit or loss 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, which are differences between taxable profits and total comprehensive income, that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax, which would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends are receivable;

1a. Accounting policies (continued)

Taxation (continued)

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities, compared with the amounts which are recognised for those assets and liabilities in a business combination, a deferred tax liability/(asset) is recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted 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 cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the Income Statement during the period in which it occurs.

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

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

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

Contributions to defined contribution schemes are recognised in the Income Statement in the period in which they become payable.

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

Leases

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

Rentals payable under operating leases are charged in the Income Statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Foreign currencies

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

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

Derivative financial instruments

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

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

1a. Accounting policies (continued)

Derivative financial instruments (continued)
The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. In 2019, the currency derivatives in some of the subsidiaries met the requirements for hedge accounting in full and qualify for fair value hedge accounting.

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

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

Cash and cash equivalents
Cash and cash equivalents in the Balance Sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

Non-current assets
All long-term balances which are basic financial instruments are initially recognised at the present value of consideration payable by the counterparty (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation (unwinding of discount) is included as part of interest receivable and similar income in the Income Statement.

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

Equity-settled share-based payments are measured at fair value (calculated excluding the effect of service and non-market based performance vesting conditions) at the date of grant. The share-based payment charge to be expensed is determined by reference to the fair value of share options granted and is recognised as an employee expense within underlying earnings, with a corresponding increase in equity.

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

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

Social security contributions payable in connection with share options granted are considered to be an integral part of the grant and are, therefore, treated as cash-settled transactions. For cash-settled share-based payments, MMH recognises a liability for the services acquired, measured initially at the fair value of the liability. This liability is re-measured at each balance sheet date and at the date of settlement, with any changes in fair value recognised in the Consolidated Statement of Comprehensive Income. When options are exercised, MMH issues new shares. These shares are gifted to its Employee Benefit Trust by MMH at nominal value. The cost of these shares is recognised as a reduction to equity in its own shares reserve. When the options are exercised and the shares transferred to the employees, the cost on the own shares reserve is transferred to equity.

When options issued by the Employee Benefit Trust are exercised the own shares reserve is reduced and a gain or loss is recognised in reserves based on proceeds less weighted-average cost of shares initially purchased now exercised.

Where shares options are forfeited, effective from the date of the forfeiture, any share-based payment charge previously recognised in both the current and prior periods in relation to these options is reversed though the Income Statement with a corresponding adjustment through the Consolidated Statement of Changes in Equity.

Separately disclosed exceptional items
Items, which are material and significant to the reader's understanding of the financial statements, are presented as exceptional items within their relevant Income Statement category. The separate reporting of exceptional items helps provide additional useful information regarding the Group's underlying business performance.

1a. Accounting policies (continued)

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

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

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

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 102, equity dividends on ordinary share capital are recognised as a liability in the period in which they are declared.

1b. Judgements and key sources of estimation uncertainty

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

Judgements

Equity investments
In the directors' judgement the Marshall Motor Holdings plc investment cannot normally be sold as a whole at any time, and so in line with the accounting policy have recorded the investment as cost less impairment in the financial statements.

Fair values on acquisition
In respect of acquisitions, at the point of acquisition the Group is required to assess whether intangible assets need to be separately identified and measured. The measurement and assessment of the useful economic lives of intangible fixed assets requires the use of judgement by management.

Recoverability of property development costs
The directors have made a judgement that the property costs capitalised to date in connection with the development of the airport and associated land will be recoverable on the basis that they expect planning permission will be obtained and that they have reviewed viable development projections.

Sources of estimation uncertainty

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the Income Statement. The Group engaged independent valuation specialists to assist the directors in determining fair value at 31st December, 2019. The valuer determines fair value by considering comparable local market data such as rental yields, location, condition and nature of the property.

Long-term contracts
Revenue on long-term contracts is recognised by reference to the stage of completion of contract activity, and, therefore, is sensitive to the ability to reliably assess this stage of completion. This is normally based on the costs incurred to date as a proportion of total anticipated contract costs. However, if this does not accurately reflect the stage of completion then an alternative approach is used instead. In making its estimate of costs to complete the contract, management exercises judgment to forecast likely contract outcome based on its best estimate of likely costs, taking into account development, production, financial and customer risks. These assessments are inherently highly judgmental and whilst they are the best estimate of the contract outcome at a point in time, the final outcome can vary materially as new risks or opportunities develop. In addition, if the final outcome of a contract cannot be reliably assessed, revenue recognition is limited to the level of costs incurred until such time that the contract has progressed sufficiently to make profit recognition appropriate. Where a contract is forecast to be loss making, full provision is made for such losses in the first year in which they are foreseen.

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

Impairment of goodwill and intangible assets

The Group reviews the goodwill arising on the acquisition of subsidiaries or businesses for impairment when events or changes in economic circumstances indicate that impairment may have taken place. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. The group of CGUs to which the goodwill is allocated (being groups of dealerships connected by manufacturer brand) represents the lowest level within the group at which the goodwill is monitored for internal management purposes. The impairment review is performed by projecting the future cash flows, excluding finance costs and tax, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a recognised rate which takes into account prevailing market interest rates and the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying asset or group of assets and related goodwill, an impairment charge is recorded in the Income Statement. This calculation requires the exercise of significant judgement by management. If the estimates made prove to be incorrect or changes in the performance of the cash generating unit affect the amount and timing of future cash flows, goodwill may become impaired in future periods.

Impairment of tangible fixed assets

Where there are indicators of impairment of tangible fixed assets or investments, the Group compares the carrying value of the asset with its recoverable amount, represented by the higher of its value in use and its fair value less costs to sell. Value in use is based on a discounted cash flow model, and is, therefore, sensitive to the discount rate used as well as the expected future cash flows and extrapolated growth rate. Net realisable value is estimated as fair value less costs of disposal, based on available data from sales transactions for similar assets.

Motor vehicle inventory valuation

Motor vehicle inventories are stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using reputable industry valuation data which is based upon recent industry activity and forecasts. Whilst this data is deemed representative of current value, it is possible that ultimate sales values can vary from those applied.

Timing of joint venture cash receipts

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

Pensions

The liability recognised in the Balance Sheet in respect of the Group's retirement benefit obligations represents the liability of the Group's defined benefit pension after deduction of the fair value of related assets. The scheme liability is derived by estimating the ultimate cost of benefits payable by the scheme and reflecting the discounted value of the proportion accrued by the year end in the Balance Sheet. In order to arrive at these estimates, a number of key financial and non-financial assumptions are made by management, changes to which could have a material impact upon the net deficit and also the net cost recognised in the Income Statement.

The principal assumptions relate to the rate of inflation, mortality and the discount rate. The assumed rate of inflation is important because this affects the rate at which salaries grow and, therefore, the size of the pension which employees receive upon retirement. Over the longer term, rates of inflation can vary significantly.

The overall benefit payable by the scheme will also depend upon the length of time that members of the scheme live; the longer they remain alive, the higher the cost of the pension benefits to be met by the scheme. Assumptions are made regarding the expected lifetime of the scheme members based upon recent national experience. However, given the advancement in medical science, it is uncertain whether these assumptions will prove to be accurate in practice.

The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on AA rated corporate bonds with a similar duration to the scheme liabilities. This rate is potentially subject to significant variation. The net cost recognised in the Income Statement is also affected by the return on the scheme's assets.

2. Segmental analysis

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

	Revenue		Operating profit / (loss)	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Business segments:				
Aerospace and Defence	**307,585**	247,778	**17,901**	12,219
Property	**7,775**	7,951	**2,868**	24,683
Ventures				
- Motor retail	**2,276,129**	2,186,887	**24,584**	17,223
- Fleet solutions	**52,966**	47,443	**(1,413)**	(1,663)
Ventures total	**2,329,095**	2,234,330	**23,171**	15,560
Unallocated central costs	**-**	-	**(6,790)**	(6,313)
Consolidation adjustments	**(6,494)**	(6,117)	**-**	-
	2,637,961	2,483,942	**37,150**	46,149

	Revenue by destination		Revenue by origin	
	2019	2018	**2019**	2018
Geographical segments:	**£000**	£000	**£000**	£000
UK	**2,487,715**	2,381,544	**2,614,760**	2,463,865
Rest of Europe	**41,603**	27,912	**1,183**	860
North America	**65,233**	54,640	**22,018**	19,217
Rest of World	**43,410**	19,846	**-**	-
	2,637,961	2,483,942	**2,637,961**	2,483,942

	2019	2018
The total amount of income, including revenue, recognised in the year is analysed as follows:	**£000**	£000
Sale of goods	**2,088,862**	2,003,669
Rendering of services (including long term contracts)	**547,818**	478,956
Rents received	**1,281**	1,317
Revenue	**2,637,961**	2,483,942
Interest received	**1,410**	1,235
Research and development expenditure credit	**945**	2,182
Other income	**327**	526
Total income	**2,640,643**	2,487,885

Revenue recognised on long term contracts was £291,126,000 (2018 - £228,466,000).

3. Separately disclosed exceptional items

	2019 £000	2018 £000
Details of separately disclosed exceptional items:		
Amortisation of intangible fixed assets - franchise agreements and goodwill (note 11)	**(3,682)**	(4,791)
Impairment of intangible fixed assets (note 11)	**-**	(13,011)
Impairment of tangible fixed assets (note 12)	**(708)**	-
Release of provision for losses on complex programme *	**1,776**	-
Restructuring (costs) / release	**(1,736)**	1,232
Cyber security incident response	**-**	(772)
Profit on transfer of land to joint venture entities	**-**	22,621
Loss on disposal of investment property	**(72)**	(878)
Separately disclosed exceptional items	**(4,422)**	4,401

* Included within revenue in the Income Statement. All other items are included within net operating expenses.

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

- Charges for amortisation of acquired intangible assets and impairment of intangible fixed assets;
- Impairment of tangible fixed assets;
- Release of a provision for losses anticipated on the completion of a major complex project within MADG;
- Other costs relating to organisational restructuring;
- Loss on disposal of investment property;
- Costs relating to exceptional IT security expenditure; and
- Profit on transfer of land to joint venture entities.

4. Acquisitions

a) Current period

On 31st January, 2019, MMH acquired the trade and assets of two ŠKODA dealerships located in Leicester and Nottingham. On 28th February, 2019 MMH acquired the trade and assets of four ŠKODA dealerships in Northampton, Bedford, Letchworth and Harlow. These acquisitions are part of MMH's stated strategy to grow with existing brand partners in new geographic territories by adding further sites in excellent locations that are contiguous to MMH's existing ŠKODA sites.

On 2nd September, 2019, MMH acquired the trade and assets of two Honda dealerships in Reading and Newbury. This acquisition is part of MMH's stated strategy to grow with existing brand partners in new geographic territories by reinforcing MMH's position as the second largest Honda partner in the UK.

On 20th December, 2019, MMH acquired the trade and assets of a Volvo dealership in Derby. This acquisition is part of MMH's stated strategy to grow with existing brand partners in existing territories.

The estimated combined identifiable assets and liabilities at the dates of these acquisitions are stated at their provisional fair value as set out below. The goodwill arising on acquisition is attributed to the expected synergies and benefits associated with the increased brand representation which has resulted in MMH becoming the UK's largest ŠKODA retailer.

4. Acquisitions (continued)

a) Current period (continued)

	Fair value of net assets acquired £000
Intangible assets - franchise agreements	1,985
Property, plant and equipment	907
Stock	3,886
Trade and other receivables	12
Trade and other payables	(490)
Provisions	(552)
Deferred tax liabilities	(7)
Net assets acquired	**5,741**
Goodwill	1,583
Total consideration	**7,324**
Cash paid	7,165
Acquisition costs	159
Total consideration	**7,324**

The results of the acquired ŠKODA, Honda and Volvo dealerships were consolidated into MMH's results from the relevant date of acquisition. For the period from acquisition to 31st December, 2019, the revenue and the loss before tax generated by these dealerships were immaterial in the context of MMH's revenues and profit before tax.

On 17th December, 2019 MMH acquired the trade and assets of five Volkswagen dealerships, a Volkswagen commercial franchise and body shop and one ŠKODA dealership. This acquisition is part of MMH's stated strategy to grow with existing brand partners in new geographic territories by adding further sites in excellent locations.

The estimated identifiable assets and liabilities at the date of acquisition are stated at their provisional fair value as set out below. The goodwill arising on acquisition is attributed to the expected synergies and benefits associated with the increased brand representation which has resulted in MMH becoming Volkswagen Group UK's largest partner by number of locations.

	Fair value of net assets acquired £000
Intangible assets - franchise agreements	3,051
Property, plant and equipment	6,031
Stock	12,916
Trade and other receivables	2
Trade and other payables	(1,253)
Provisions	(225)
Deferred tax liabilities	(322)
Net assets acquired	**20,200**
Goodwill	708
Total consideration	**20,908**
Cash paid	20,232
Acquisition costs	676
Total consideration	**20,908**

4. Acquisitions (continued)

a) Current period (continued)

The results of the acquired dealerships were consolidated into MMH's results from 18th December, 2019. For the period from acquisition to 31st December, 2019, the revenues and the loss before tax generated by these dealerships were immaterial in the context of MMH's revenues and profit before tax.

b) Prior period

On 22nd February, 2018 MMH acquired the remaining 1% of the share capital of the following subsidiary undertakings: Marshall of Peterborough Limited, Marshall of Ipswich Limited and Marshall of Stevenage Limited, taking MMH's shareholding in these entities up to 100%. Total consideration of these shares amounted to £50,000, the value of consideration in excess of the carrying value of the non-controlling interests acquired has been recognised as retained earnings.

5. Operating profit

		2019	2018
		£000	£000
Operating profit is after charging / (crediting):			
Depreciation	- tangible fixed assets	**17,129**	15,889
Amortisation	- positive goodwill and intangible assets	**4,127**	4,791
Impairment	- tangible fixed assets	**708**	87
	- goodwill and franchise agreements (intangibles)	**-**	13,011
Operating lease rentals	- land and buildings	**12,506**	11,063
	- plant and machinery	**558**	1,697
Net foreign exchange gain		**(88)**	(975)
Profit on transfer of land to joint venture entities		**-**	(22,621)
Loss / (profit) on disposal of property		**97**	(268)
Loss on disposal of investment property		**72**	1,228
Loss / (profit) on disposal of tangible fixed assets (excluding property)		**229**	(3)
Research and development	- current year expenditure	**2,269**	4,000
Research and development expenditure credit included in other income		**(945)**	(2,182)
Gain on revaluation of investment properties		**(581)**	(85)
Gain on revaluation of investments		**(887)**	(227)
Amounts provided against investments		**19**	171
Gain on disposal of investments		**(236)**	-
Auditor's remuneration	- audit of the financial statements of the parent company	**91**	64
	- audit of subsidiary undertakings	**671**	510
	- review of subsidiary's interim financial statements	**36**	36

6. Net finance expenses

	2019	2018
	£000	£000
(a) Finance income		
Bank interest receivable	**101**	211
Interest receivable from joint ventures	**73**	45
Other interest receivable	**23**	11
Unwind of discounting	**1,213**	968
	1,410	1,235

	2019	2018
(b) Finance cost	**£000**	£000
Bank loans and overdrafts - interest and charges	**1,279**	1,747
Interest payable to joint ventures	**482**	93
Stock financing charges and other interest	**5,961**	4,923
Interest on defined benefit scheme liabilities	**101**	182
	7,823	6,945
Net finance expenses	**6,413**	5,710

Interest payable to joint ventures relates to a Homes England infrastructure loan, which was drawn by Hill Marshall LLP to fund the construction and commissioning of the Ground Running Enclosure. The loan is secured by a fixed charge over land transferred to Hill Marshall LLP and Hill Marshall (Phase 2) LLP. The loan bears interest at 2.5% above the EC base rate.

7. Tax on profit

	2019 £000	2018 £000
a) Analysis of tax charge for the year		
UK corporation tax charge on the profit for the year	**4,218**	6,406
UK corporation tax adjustment in respect of prior years	**(919)**	(458)
Double tax relief	**(17)**	-
Overseas tax on profit for the year	**390**	288
Overseas tax adjustment in respect of prior years	**-**	(10)
Current tax charge	**3,672**	6,226
Deferred tax charge (see note 19b)	**2,983**	3,669
Total tax charge on profit	**6,655**	9,895

	2019 £000	2018 £000
b) Factors affecting the total tax charge for the year		
Profit before tax	**30,737**	40,439
Profit before tax at 19% (2018 - 19%)	**5,840**	7,683
Effects of:		
Expenses not deductible for tax purposes	**1,530**	4,293
Overseas tax losses not recognised	**12**	-
Overseas tax	**123**	222
Non taxable income	**(355)**	(5,221)
Difference in rate between corporation tax and deferred tax	**(249)**	(397)
Utilisation of brought forward losses on which no deferred tax asset recognised	**157**	88
R&D enhanced claims	**(18)**	(308)
Taxable chargeable (losses) / gains	**(67)**	3,060
Adjustments in respect of prior years	**(319)**	(1,444)
Change in recognition of deferred tax	**1**	1,919
Total	**6,655**	9,895

	2019 £000	2018 £000
c) Tax included in the Statement of Other Comprehensive Income		
Current taxation on cash flow hedges	**1,037**	(249)
Deferred tax credit on actuarial loss	**(14)**	(112)
Tax charge / (credit) included in the Statement of Other Comprehensive Income	**1,023**	(361)

d) Factors that may affect future tax charges

Future tax charges, and therefore the Group's effective tax rate, may be affected by factors such as acquisitions, disposals, restructuring and tax regime reforms.

There have been no changes to the standard rate of corporation tax announced during 2019.

The standard rate of tax applied to reported profit is 19.00% (2018 - 19.00%). Finance Act 2016 enacted a reduction in the UK corporation tax rate to 17% with effect from 1 April, 2020. These changes to UK corporation tax rates impact the closing deferred tax position for 2019. In November 2019 the Government announced plans to withdraw the reduction from 19% to 17% from 1 April 2020, but this proposal was not substantively enacted at the balance sheet date. Both the enacted change to the rate of corporation tax, and its proposed reversal, will impact the amount of future tax payments to be made by the Group.

7. Tax on profit (continued)

d) Factors that may affect future tax charges (continued)

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £684,000 (2018 - £692,000) in respect of losses arising that can be carried forward against future taxable profits in the companies in which the losses arose.

During the year ending 31st December, 2020, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £6,000. This is due to the anticipated change of deferred tax on fixed asset timing differences and utilisation of brought forward tax losses.

e) Close company

The Parent Company is a close company within the provisions of the Companies Act, 2010.

8. Earnings per share

	2019	2018
	£000	£000
Profit after taxation	**24,082**	30,544
Non-controlling interests	**(5,177)**	(2,866)
Dividends on preference shares	**(744)**	(744)
Basic earnings	**18,161**	26,934
Separately disclosed exceptional items (note 3)	**4,422**	(4,401)
- tax impact	**(128)**	2,280
- non-controlling interests impact	**(1,805)**	(4,810)
Underlying earnings attributable to owners of the parent	**20,650**	20,003
Average number of shares in issue during the year (000)	**59,082**	59,082
Basic and diluted earnings per share	**30.7p**	45.6p
Underlying earnings per share	**35.0p**	33.9p

Basic earnings per share are calculated by dividing the basic earnings for the year by the average number of Ordinary and Non-voting priority dividend ordinary NVPO shares (NVPO) 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 separately disclosed exceptional items and discontinued operations, 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.

9. Dividends

	2019	2018
Dividends on Ordinary shares:	**£000**	£000
3.00p per Ordinary share of 12.5p each paid on 5th July, 2019 (6th July, 2018 - 3.0p)	**415**	415
1.00p per Ordinary share of 12.5p each paid on 13th December, 2019 (14th December, 2018 - 1.0p)	**138**	138
	553	553
Dividends on NVPO shares:		
3.00p per NVPO share of 12.5p each paid on 5th July, 2019 (6th July, 2018 - 3.0p)	**1,358**	1,358
3.00p per NVPO share of 12.5p each paid on 13th December, 2019 (14th December, 2018 - 3.0p)	**1,358**	1,358
	2,716	2,716
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	**4,013**	4,013

10. Notes to the Consolidated Statement of Cash Flows

	2019 £000	2018 £000
a) Reconciliation of profit to net cash inflow from operating activities		
Group profit before tax	**30,737**	40,439
Loss / (profit) on disposal of tangible fixed assets	**398**	(21,665)
Profit on disposal of investments	**(236)**	(203)
Gain on investment properties at fair value through Income Statement	**(581)**	(85)
Gain on investments at fair value through Income Statement	**(887)**	(227)
Amounts provided against investments	**19**	171
Net finance charges	**6,413**	5,710
Foreign exchange movement	**6,291**	(2,334)
Depreciation of tangible fixed assets and impairment charges	**17,837**	15,976
Amortisation of intangible fixed assets and impairment charges	**4,127**	17,802
Research and expenditure credit	**(945)**	(2,182)
(Increase) / decrease in stocks	**(67,773)**	22,636
Increase in debtors	**(15,023)**	(11,426)
Decrease in provisions	**(12,638)**	(33,701)
Increase in creditors	**107,310**	23,161
Share based payment charge	**1,282**	732
Adjustment for pension funding	**(7,055)**	(3,315)
UK corporation tax paid	**(2,961)**	(6,092)
Overseas tax paid	**(390)**	(645)
Net cash inflow from operating activities	**65,925**	44,752

b) Reconciliation of net cash flow to movement in net (debt) / funds	Notes	2019 £000	2018 £000
Decrease in cash		**(1,327)**	(6,762)
Cash inflow from new loans	18	**(28,000)**	(32,354)
Repayment of loans	18	**6,781**	30,802
Increase in net debt		**(22,546)**	(8,314)
Net (debt) / funds at 1st January		**(2,397)**	5,917
Net debt at 31st December		**(24,943)**	(2,397)

c) Analysis of net debt	**At 1st January, 2019 £000**	**Cash movement £000**	**Non-cash movement £000**	**Foreign exchange £000**	**At 31st December, 2019 £000**
Cash at bank and in hand	12,900	(1,125)	-	(202)	**11,573**
Bank overdrafts	(8,991)	6,140	-	-	**(2,851)**
Short term loans	(641)	(27,359)	(641)	-	**(28,641)**
Long term loans	(5,665)	-	641	-	**(5,024)**
Net debt	(2,397)	(22,344)	-	(202)	**(24,943)**

11. Intangible fixed assets

	Franchise agreements £000	Goodwill £000	Software £000	Favourable leases £000	Total £000
Cost:					
At 1st January, 2018	72,137	64,818	1,372	172	138,499
Additions	-	-	259	-	259
Transfers	-	(1,272)	-	-	(1,272)
At 31st December, 2018	72,137	63,546	1,631	172	137,486
Additions	-	-	1,044	-	1,044
Acquisitions	5,036	2,291	-	-	7,327
Disposals	-	(185)	(82)	(172)	(439)
At 31st December, 2019	**77,173**	**65,652**	**2,593**	**-**	**145,418**
Amortisation:					
At 1st January, 2018	101	25,390	623	90	26,204
Provided during the year	57	4,382	295	57	4,791
Impairment	5,640	7,371	-	-	13,011
Disposals	-	(1,272)	-	-	(1,272)
At 31st December, 2018	5,798	35,871	918	147	42,734
Provided during the year	310	3,372	420	25	4,127
Disposals	-	(185)	(43)	(172)	(400)
At 31st December, 2019	**6,108**	**39,058**	**1,295**	**-**	**46,461**
Net book amount:					
At 31st December, 2019	**71,065**	**26,594**	**1,298**	**-**	**98,957**
Net book amount:					
At 1st January, 2019	66,339	27,675	713	25	94,752

Impairment testing

For the purpose of impairment testing, goodwill and franchise agreements acquired in a business combination are allocated to each cash generating unit (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination. CGUs are assets or groups of assets. Each asset or group of assets, to which the intangible assets are allocated, represents the lowest level within the entity at which the intangible asset is monitored for management purposes. Impairment reviews are undertaken annually, or more frequently, if events or changes in circumstances indicate a potential impairment.

11. Intangible fixed assets (continued)

Impairment testing (continued)

Motor retail CGUs
The recoverable amounts of all CGUs, excluding BMW, have been determined based on value-in-use to perpetuity calculated using a discounted cash flow approach, with a pre-tax discount rate applied to the projected, risk-adjusted, pre-tax cash flows and terminal value. Where higher, the fair value of groups of CGUs, less costs of disposal is taken as the recoverable amount. For the BMW CGU the recoverable amount is determined based on fair value less costs to sell.

The value in use of each CGU is calculated using cash flow projections for a five year period from 1st January, 2020 to 31st December, 2024. These projections are based on the MMH Board approved budget for the year ended 31st December, 2020 forming the basis of MMH's five year strategic plan. The key assumptions in the most recent annual budget on which the cash flow projections are based relate to expectations of sales volumes and margins and expectations around changes in the operating cost base. The assumptions made are based on past experience, adjusted for expected changes, and external sources of information. The cashflows include ongoing capital expenditure required to maintain MMH's dealership network, but exclude any growth capital expenditure projects to which MMH was not committed at the reporting date. The discount rate used is 8.0%.

An impairment charge of £nil (2018 - £13.0m) has been recognised in the Income Statement where the future cash flows of certain motor retail CGUs are not expected to recover the carrying value of the intangible assets relating to goodwill and franchise agreements. The impairments recorded are a consequence of the deterioration in market conditions in these CGUs, resulting in revised assumptions around future profitability and growth rates.

12. Tangible fixed assets

	Land and buildings					
	Freehold properties	Investment properties	Short leasehold	Plant and machinery	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation:						
At 1st January, 2019	183,561	10,093	20,697	158,618	19,909	392,878
Additions	6,997	-	893	13,128	24,069	45,087
Additions on acquisition	4,341	-	734	1,863	-	6,938
Disposals	(636)	-	(595)	(4,045)	-	(5,276)
Eliminated on transfer to freehold	1,600	(1,600)	-	-	-	-
Transfers	9,915	438	4,372	19,256	(33,981)	-
Revaluation	-	581	-	-	-	581
At 31st December, 2019	**205,778**	**9,512**	**26,101**	**188,820**	**9,997**	**440,208**
Depreciation:						
At 1st January, 2019	37,707	-	6,285	110,981	-	154,973
Provided during the year	3,582	-	2,146	11,401	-	17,129
Impairment provision	-	-	502	206	-	708
Eliminated on disposals	(517)	-	(184)	(3,564)	-	(4,265)
At 31st December, 2019	**40,772**	**-**	**8,749**	**119,024**	**-**	**168,545**
Net book value:						
At 31st December, 2019	**165,006**	**9,512**	**17,352**	**69,796**	**9,997**	**271,663**
Net book value:						
At 1st January, 2019	145,854	10,093	14,412	47,637	19,909	237,905

Included within freehold land and buildings are costs of £4,889,000 (2018 - £4,367,000) which relate to costs incurred on planning applications submitted and to be submitted.

12. Tangible fixed assets (continued)

Investment properties included in freehold land and buildings are stated at fair value with changes in fair value being recognised in the Income Statement. No depreciation is provided in respect of such properties in accordance with FRS 102 Chapter 16 Investment Property.

Fair value is determined by considering comparable market data such as rental yields, location, condition and nature of the property. Motor retail investment properties no longer occupied by the Group for trading purposes have been included at a directors' valuation of £3,638,000 (2018 – £2,590,000), having taken professional advice. Following a number of disposals during the year, the remaining Group freehold investment properties have been included, using the guidance of professional advisors, at a directors' valuation of £5,874,000 (2018 - £7,503,000). These properties were formally valued on an open market basis by Bidwells, Chartered Surveyors on 31st December, 2014. Each year the Group engages independent valuers to assist in determining fair value. A revaluation surplus of £581,000 (2018 – surplus £85,000) has been taken to the Income Statement.

The historical cost of the investment properties held at valuation in land and buildings is £9,476,000 (2018 - £10,598,000). There are no restrictions on the Group's ability to dispose of the investment properties or use any funds arising from the disposal. There are no contractual commitments for further development of the investment properties.

13. Investments

	Equity Investments
	£000
Cost or valuation:	
At 1st January, 2019	7,505
Additions	1,479
Disposals	(1,367)
Fair value increase	887
At 31st December, 2019	**8,504**
Provision:	
At 1st January, 2019	904
Disposals	(283)
Provided during the year	19
At 31st December, 2019	**640**
Net book value:	
At 31st December, 2019	**7,864**
Net book value:	
At 1st January, 2019	6,601

During 2017, the Group entered into two joint venture agreements with Hill Residential Limited. The Group has a 50% ownership of the joint venture vehicles, Hill Marshall LLP and Hill Marshall (Phase 2) LLP, which were created to enable Phases 1 and 2 of the Marleigh (formerly Wing) development. The loan balance with Hill Marshall LLP is disclosed in note 15, this is also the total of transactions in the period to support the development activities of both joint ventures.

14. Stocks

	2019	2018
	£000	£000
Raw materials, components and consumables	**10,225**	8,632
Work in progress	**7,600**	10,632
Finished goods and goods for resale	**472,784**	386,770
	490,609	406,034

14. Stocks (continued)

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.

As at 31st December, 2019 £443,749,000 (2018 – £370,823,000) of finished goods are held under vehicle funding agreements (see note 16).

Stocks recognised as an expense in the year were £2,141m (2018 – £2,097m). The difference between purchase price and production cost of stocks and their replacement cost is not considered material by the directors.

15. Debtors

	2019	2018
	£000	£000
Amounts falling due within one year		
Trade debtors	**96,338**	75,650
Amounts recoverable on long term contracts	**14,767**	19,472
Derivative financial instruments	**4,233**	-
Corporation tax recoverable	**987**	363
Other taxes recoverable	**160**	755
Other debtors	**39,048**	42,764
Prepayments and accrued income	**17,101**	15,982
Deferred tax asset (note 19b)	**-**	3,284
	172,634	158,270
Amounts falling due after more than one year		
Amounts owed by joint ventures	**30,026**	28,330
	202,660	186,600

Amounts owed by joint ventures comprise £27,602,000 (2018 - £26,389,000) representing 50% of the fair value of land transferred to Hill Marshall LLP (“LLP1”) and Hill Marshall (Phase 2) LLP (“LLP2”), the cost value of the remaining 50% of land transferred to LLP1 and LLP2 and £2,424,000 (2018 - £1,941,000) comprising costs settled by the company on behalf of the LLPs.

The land value balance transferred to LLP1 will attract interest at a rate of 4.75% as land payments are received by the joint venture entity. The loan of £1,673,000 (2018 - £1,350,000) to cover the costs incurred on behalf of LLP1 attracts interest at a rate of 4.75%. The loan of £751,000 (2018 - £591,000) to cover the costs incurred on behalf of LLP2 is currently interest free until the joint venture for Phase 2 is finalised.

16. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Loans and overdrafts	**31,492**	9,632
Payments received on account	**66,064**	49,373
Trade creditors	**129,681**	97,771
Vehicle funding agreements	**443,749**	370,823
Derivative financial instruments	**-**	1,184
Other taxation and social security costs	**12,058**	12,302
Other creditors	**9,835**	4,818
Accruals and deferred income	**49,794**	73,721
	742,673	619,624

16. Creditors: amounts falling due within one year (continued)

The Group finances the purchase of new and used vehicle inventories using vehicle funding agreements provided by various lenders, including the captive finance companies associated with brand partners. These financial agreements generally have a maturity of 90 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date.

Consistent with industry practice, amounts due to finance companies in respect of vehicle funding are included within trade payables and disclosed under vehicle financing arrangements. Related cash flows are reporting within cash flows from operating activities within the Consolidated Statement of Cash Flows.

Vehicle funding agreements are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock finance charges. Related cash flows are reported within cash flows from operating activities within the Consolidated Statement of Cash Flows.

17. Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Loans and mortgages	**5,024**	5,665
Amounts owed to joint ventures	**16,093**	7,706
Accruals and deferred income	**8,981**	5,967
	30,098	19,338

Included within accruals and deferred income are costs of £2,260,000 (2018 - £1,409,000) relating to long-term employee benefits.

Amounts owed to joint ventures relates to Homes England infrastructure loan drawn by Hill Marshall LLP, which funded the construction and commissioning of the Ground Running Enclosure.

18. Loans and borrowings

	2019	2018
	£000	£000
Amounts falling due:		
Within one year	**31,492**	9,632
Between one and five years	**2,565**	2,566
More than five years	**2,459**	3,099
	36,516	15,297
Less: included in creditors: amounts falling due within one year	**(31,492)**	(9,632)
Amounts falling due after more than one year	**5,024**	5,665

	2019	2018
	£000	£000
Loans and overdrafts	**30,851**	8,991
Mortgages	**5,665**	6,306
	36,516	15,297

	2019	2018
	£000	£000
Analysis of changes in loans and borrowings during the year:		
At 1st January	**15,297**	13,745
New loans and overdrafts	**28,000**	32,354
Loans and overdrafts repaid	**(6,781)**	(30,802)
At 31st December	**36,516**	15,297

18. Loans and borrowings (continued)

Mortgages comprise amounts borrowed from commercial financial institutions and are secured by fixed charges over specified property assets of certain subsidiaries.

Bank loans and overdrafts comprise amounts borrowed from commercial banks. The overdrafts are repayable on demand.

The Group (excluding MMH) has a multi-option facility amounting to £75,000,000 of which £5,851,000 (2018 - £8,991,000) was utilised at the year end. Subject to bank approval, the revolving credit facility has an option to be extended by a further £15,000,000. These facilities are available for general corporate purposes including acquisitions or working capital requirements. Interest is chargeable on the amounts drawn under the facilities at between 1.0% and 2.0% above LIBOR. The facility contains financial covenants for leverage, with a maximum 3:1 ratio and the ratio of adjusted EBITDA to net finance charges shall not be less than 4:1. The facilities are unsecured but contain cross guarantees granted by certain members of the Group, excluding MMH. The facility is available until March 2022.

Marshall Motor Holdings plc has access to additional banking facilities amounting to £120,000,000 represented by a revolving credit facility of £95,000,000, of which £25,000,000 (2018 - £nil) was utilised at the year end and an overdraft facility of £25,000,000, of which £nil (2018 - £nil) was utilised at the year end. These facilities are available for general corporate purposes including acquisitions or working capital requirements. Both facilities are held in cash pooling arrangements and balances have been offset in the consolidated statement of the financial position. The facility contains financial covenants for leverage, with a maximum 3:1 ratio and the ratio of adjusted EBITDA to adjusted finance charges shall not be less 1.75:1. The facilities are unsecured but contain cross guarantees granted by certain members of the MMH Group. The facility is available until June 2021.

19. Provision for liabilities

	2019	2018
	£000	£000
Closed sites	**310**	99
Dilapidations, onerous leases and contracts	**5,853**	17,367
Redundancy	**119**	1,054
Warranty	**661**	688
Other	**1,771**	1,368
	8,714	20,576
Deferred tax (see note 19b)	**18,403**	17,352
	27,117	37,928

(a) Provisions excluding deferred tax

	Closed sites	Dilapidations onerous leases and contracts	Redundancy	Warranty	Other	Total
	£000	£000	£000	£000	£000	£000
At 1st January, 2019	99	17,367	1,054	688	1,368	20,576
Transfer from accruals	-	478	-	-	-	478
On acquisitions	-	687	-	-	90	777
Arising during the year	357	1,809	119	319	313	2,917
Amounts utilised	(137)	(11,792)	(1,054)	(241)	-	(13,224)
Amounts released	(9)	(2,696)	-	(105)	-	(2,810)
At 31st December, 2019	**310**	**5,853**	**119**	**661**	**1,771**	**8,714**

Closed sites

The Group manages its portfolio carefully and either closes or sells sites which no longer fit with the Group's strategy. When sites are closed, or sold, provisions are made for any residual costs or commitments. The Group expects the provision to be fully utilised by 31st December, 2020.

Dilapidations, onerous leases and contracts

The Group operates from several leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases. Where property commitments exist at sites which are closed or closing the Group provides for the unavoidable cost of those leases post closure. The Group expect the majority of this provision to be fully utilised by 31st December, 2020.

The loss provision relates to management's best estimate of the foreseeable loss on major contracts. The provision is expected to be utilised over the next year.

19. Provision for liabilities (continued)

Redundancy provision
A redundancy provision has been recognised in relation to costs expected to be incurred in the completion of a restructuring exercise. It is expected these costs will be incurred during 2020.

Warranty provision
A provision is recognised for expected warranty claims on products sold. It is expected that the warranty costs will be incurred by 31st December, 2020.

Other
Other provisions include a total amount of £1,167,000 (2018 - £1,115,000) in respect of the Group's estimated financial exposure under open insurance claims and for the potential output VAT payable arising from uncertain VAT treatment of specific vehicle purchases. It is expected these open positions will be concluded in the forthcoming year.

(b) Deferred tax
The deferred tax liability / (asset) provided in the financial statements compromises as follows:

	2019	2018
	£000	£000
Accelerated capital allowances	**575**	206
Tax losses carried forward	**(2,816)**	(2,896)
Rolled over gains and investment properties	**4,599**	2,920
Deferred tax on defined benefit pension scheme	**(507)**	(1,676)
Deferred tax on unremitted earnings	**306**	279
Deferred tax arising on business combinations	**17,037**	16,937
Other timing differences	**(791)**	(1,702)
	18,403	14,068

	2019	2018
Shown as:	**£000**	£000
Deferred tax asset	**-**	(3,284)
Deferred tax liability	**18,403**	17,352
	18,403	14,068

The movement in the deferred tax liability / (asset) during the year comprises as follows:	**2019**	2018
	£000	£000
At 1st January	14,068	10,751
Charge to the Income Statement for the year	2,983	3,669
Acquisitions during the year	329	-
Disposals during the year	-	9
Deferred taxation in Other Comprehensive Income	1,023	(361)
At 31st December	**18,403**	14,068

19. Provision for liabilities (continued)

The deferred tax charge in the Income Statement for the year comprises as follows:

	2019	2018
	£000	£000
Origination and reversal of timing differences	**2,383**	4,645
Adjustments in respect of prior years	**600**	(976)
	2,983	3,669

The unrecognised deferred tax asset comprises as follows:

	2019	2018
	£000	£000
Trading losses	**684**	692

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

20. Share capital

	Allotted, called up and fully paid			
	2019	2018	**2019**	2018
	No. '000	No. '000	**£000**	£000
Ordinary shares of 12.5p each	**13,811**	13,811	**1,727**	1,727
Non-voting priority dividend ordinary NVPO shares of 12.5p each	**45,271**	45,271	**5,658**	5,658
8% irredeemable A preference shares £1 each	**4,800**	4,800	**4,800**	4,800
10% irredeemable B preference shares of £1 each	**3,600**	3,600	**3,600**	3,600
	67,482	67,482	**15,785**	15,785

	Ordinary shares at 12.5p each		**NVPO shares at 12.5p each**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
At 1st January	**1,727**	1,743	**5,658**	5,642
Ordinary shares converted to NVPO shares	**-**	(16)	**-**	16
At 31st December	**1,727**	1,727	**5,658**	5,658

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

NVPO shares rank pari passu with Ordinary shares except for the following:

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

(ii) holders of NVPO shares have no right to attend or vote at an AGM.

20. Share capital (continued)

Rights of preference shares

(i) holders of preference shares are entitled, in priority to any discretionary dividend payable on the Ordinary shares and the NVPO shares, to non-cumulative preference dividends of 8p per share in respect of the A preference shares and 10p per share in respect of the B preference shares.

(ii) on a return of capital on a winding up the preference shares carry the right to repayment of capital at par; this right is in priority to the rights of Ordinary and NVPO shareholders.

(iii) holders of preference shares have no right to attend or vote at an AGM.

During 2019, no Ordinary shares were converted into NVPO shares (2018 – 128,983).

21. Reserves

Capital redemption reserve
On 2nd October, 1991, pursuant to a special resolution, Marshall of Cambridge (Holdings) Limited purchased 130,000 Ordinary shares of £1 each, representing 1.8% of the issued share capital of the Company at that date, for a consideration of £455,000. The purchased shares were then cancelled in accordance with Section 160(4) Companies Act 1985.

Cash flow hedge reserve
This reserve is used to record changes in the fair value of financial instruments designated as cash flow hedges.

22. Non-controlling interests

	2019	2018
	£000	£000
At 1st January	**69,174**	68,196
Non-controlling interests profit after taxation	**5,177**	2,866
Equity dividends paid by Marshall Motor Holdings plc to third parties	**(2,567)**	(1,758)
Further change in parent company's interest in the net assets of Marshall Motor Holdings plc following issue of share options	**(253)**	(130)
At 31st December	**71,531**	69,174

The Group's interest in the net assets of Marshall Motor Holdings plc on 31st December, 2019 was 62.80% (2018 – 62.80%).

23. Contingent liabilities

Guarantees to third parties, granted by subsidiary undertakings, amounted to £800,000 (2018 - £800,000). Performance guarantees granted by subsidiary undertakings amounted to £7,916,000 (2018 - £10,108,000). The Group (excluding MMH) has access to a £75,000,000 banking facility (note 18) which is secured by cross guarantees granted by certain members of the Group, excluding MMH. Marshall Motor Holdings plc has access to additional banking facilities which are secured by cross guarantees between certain members of the MMH Group.

On 13th February, 2019, two employees of a subsidiary company were injured while carrying out their duties. This incident is currently subject to a Health and Safety Executive investigation, for which the duration and outcome is currently unknown. Whilst no indication or notification of liability against the subsidiary company has been received to date, should the subsidiary company be found liable as a result of the authority investigations, it is possible the subsidiary company will be subject to a fine. It is not practicable at this stage to determine the scale of the fine (if any).

24. Capital commitments

	2019	**2018**
	£000	£000
Authorised by the Board and contracted but not provided for	**9,362**	9,975

At 31st December, 2019 the board of Marshall Motor Holdings plc had capital commitments totalling £10,000,000 (2018 - £20,800,000) relating to ongoing construction projects.

25. Other financial commitments

Operating leases - Group as lessor

The Group has entered non-cancellable operating leases, as lessor, on several of its properties included in investment property. The terms of these leases vary.

Future minimum lease payments receivable for property under non-cancellable operating leases are as set out below.

	2019	2018
	£000	£000
Within 1 year	**599**	466
Between 1 and 5 years	**1,215**	1,675
After 5 years	**1,948**	3,123
	3,762	5,264

Operating leases - Group as lessee

The Group leases several properties, equipment and vehicles under operating leases. The future aggregate minimum payments under these non-cancellable leases are set out below.

	Land and buildings		**Other**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Within 1 year	**14,256**	10,117	**813**	354
Between 1 and 5 years	**45,853**	31,813	**602**	228
After 5 years	**46,305**	46,559	**-**	-
	106,414	88,489	**1,415**	582

26. Financial instruments

	2019	2018
	£000	£000
Financial assets at fair value through the Consolidated Income Statement		
Equity investments	**7,864**	6,601
Financial liabilities measured at fair value through the Consolidated Income Statement		
Forward foreign exchange contracts	**4,233**	(1,184)
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	**(36,516)**	(15,297)
Trade creditors	**(129,681)**	(97,771)
Vehicle funding agreements	**(443,749)**	(370,823)

The Group purchases forward foreign exchange contracts to hedge currency exposure on firm future commitments. The fair values of the assets and liabilities are determined by using quoted prices.

27. Staff costs and directors' emoluments

	2019 £000	2018 £000
(a) Group staff costs		
Wages and salaries	**216,626**	202,510
Social security costs	**24,290**	22,307
Other pension costs (see note 29)	**8,618**	6,394
Share based payment charge	**1,282**	732
	250,816	231,943

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

The average monthly number of employees of the Group during the year was:

	2019 No.	2018 No.
Aerospace and defence	**1,688**	1,687
Motor retail	**3,887**	3,749
Property and head office	**39**	37
Fleet solutions	**338**	324
	5,952	5,797

		2019 £000	2018 £000
(b) Directors' remuneration			
Emoluments	- continuing	**2,359**	2,102
	- leavers	**-**	33
Long term incentive payments	- continuing	**839**	771
		3,198	2,906

There were no contributing members of either the defined benefit or defined contribution pension schemes.

	2019 £000	2018 £000
Remuneration of highest paid director:		
Emoluments	**1,060**	1,006
Long term incentive payments	**483**	439
	1,543	1,445

The directors of the Parent Company are the Group's key management personnel defined by FRS 102.

(c) Share based payments

Marshall Motor Holdings plc (MMH), one of the Group's subsidiaries operates an equity-settled share option scheme ("the Performance Share Plan") for certain senior managers and executive directors of MMH. As at 31st December, 2019, five share grants have been awarded under the scheme being (a) IPO Performance Awards (vesting in two tranches), (b) 2016 Performance Awards, (c) 2017 Performance Awards, (d) 2018 Performance Awards and (e) 2019 Awards.

Awards are made annually to eligible employees at the discretion of the MMH Remuneration Committee; employees receive shares at the end of the performance period, subject to the achievement of the specified underlying basic earnings per share ("EPS") performance conditions. Performance conditions are designed to incentivise senior managers and executive directors to maximise long-term shareholder returns. Each option grant under the scheme is disclosed separately below.

27. Staff costs and directors' emoluments (continued)

The total share-based payment charge recognised during the year ended 31st December, 2019 was £1,282,000 (2018: £732,000). This is split as £152,000 (2018 - £203,000) in accruals and deferred income and £1,130,000 (2018 - £529,000) in retained earnings.

If an option remains unexercised after a period of ten years from the date of grant, the option expires. The weighted average remaining contractual life of options outstanding as at 31st December, 2019 is 8.7 years (2018: 8.1 years).

The fair value of share options is determined by reference to the market value of MMH's shares at the date of grant. No valuation model is required to calculate the fair value of awards on the basis that the employees receiving the awards are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards. The weighted average fair value of options outstanding as at 31st December, 2019 is £1.56 (2018: £1.68). The fair value of options granted during the year was £1.43 (2018: £1.59). The fair value of equity settled share options granted was based on market value on 28th November, 2019 when the share options were granted.

Options are forfeited if the employee leaves MMH before the options vest.

All options issued are nil cost options and all awards have an exercise price of £nil.

The share option scheme is in place to encourage option holders to take appropriate and timely action to maximise the long-term financial performance and success of MMH. As a result, in accordance with the discretion afforded to them under MMH's remuneration policy, the MMH Remuneration Committee regularly reviews any impact of MMH restructurings and reorganisations on incentive outcomes to ensure that performance conditions are not distorted by action taken to optimise business performance for the long-term benefit of the MMH. The MMH Remuneration Committee exercised this discretion during the year.

In June 2019, the 2016 Performance Awards became exercisable. On 23rd and 31st December, 2019, all option holders exercised these options. As such, 164,427 Ordinary shares of 64p were issued to satisfy the exercise of the options. On exercise, the MMH Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holder's tax liability arising on exercise in cash rather than being cash settled. The total value of cash settled transactions to be paid in 2020 is £517,000.

In April 2019, the second tranche of the IPO Performance Awards became exercisable. On 2nd April, 2019, all option holders exercised these options. As such, 306,795 Ordinary shares of 64p were issued to satisfy the exercise of options. On exercise, the MMH Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £708.000 (2018 - £968,000).

As at 31st December, 2019 outstanding share options were as follows:

Award

	Award date	No of shares over which options are outstanding	Exercise price	Date from which exercisable	Expiry date
2017 Performance Award	29 Sep 2017	611,373	Nil	29 Sep 2020	29 Sep 2027
2018 Performance Awards	11 Apr 2018	680,249	Nil	11 Apr 2021	11 Apr 2028
2019 Awards	28 Nov 2019	710,682	Nil	28 Nov 2022	28 Nov 2029

IPO Performance Awards

The IPO Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment. The options vest for achieving growth in EPS from 2014 to 2017; 25% vest for achieving growth of CPI plus 4% per annum increasing to 100% vesting for achieving growth of CPI plus 10% per annum. These options vest in two equal tranches and 50% become exercisable on the third anniversary of the date on which MMH's shares were admitted to trading on the Alternative Investment Market of the London Stock Exchange and the remaining 50% become exercisable on the fourth anniversary.

27. Staff costs and directors' emoluments (continued)

IPO Performance Awards (continued)

IPO Performance Awards	**2019 No.**	**2019 WAEP**	2018 No.	2018 WAEP
Outstanding as at 1st January	**578,856**	**-**	1,208,056	-
Forfeited during the year	**-**	**-**	(50,341)	-
Exercised	**(578,856)**	**-**	(578,859)	-
Outstanding at 31st December	**-**	**-**	578,856	-
Exercisable at 31st December	**-**	**-**	-	-

2016 Performance Awards

The 2016 Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment. The options vest for achieving growth in EPS from 2015 to 2018; 25% vest for achieving growth of CPI plus 3% per annum increasing to 100% vesting for achieving growth of CPI plus 8% per annum. These options all become exercisable on the third anniversary of the grant date. The 2016 Performance Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

2016 Performance Awards	**2019 No.**	**2019 WAEP**	2018 No.	2018 WAEP
Outstanding as at 1st January	**493,575**	**-**	538,835	-
Forfeited during the year	**(127,838)**	**-**	(45,260)	-
Exercised	**(365,737)**			
Outstanding at 31st December	**-**	**-**	493,575	-
Exercisable at 31st December	**-**	**-**	-	-

2017 Performance Awards

The 2017 Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment. The options vest for achieving growth in underlying, basic EPS from 2017 to 2019; 25% vest for achieving growth of CPI plus 1% per annum and the percentage of options which vests increases on a straight-line basis up to 100% vesting for achieving growth of CPI plus 5% per annum. These options all become exercisable on the third anniversary of the grant date. The 2017 Performance Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

2017 Performance Awards	**2019 No.**	**2019 WAEP**	2018 No.	2018 WAEP
Outstanding as at 1st January	**619,763**	**-**	806,141	-
Forfeited during the year	**(8,390)**	**-**	(186,378)	-
Outstanding at 31st December	**611,373**	**-**	619,763	-
Exercisable at 31st December	**-**	**-**	-	-

27. Staff costs and directors' emoluments (continued)

2018 Performance Awards

The 2018 Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment. The options vest for achieving growth in underlying, basic EPS from 2017 to 2020; 25% vest for achieving growth of 1.3% per annum and the percentage of options which vests increases on a straight-line basis up to 100% vesting for achieving growth of 6% per annum. These options all become exercisable on the third anniversary of the grant date. The 2018 Performance Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

	2019	**2019**	2018	2018
2018 Performance Awards	**No.**	**WAEP**	No.	WAEP
Outstanding as at 1st January	**731,054**	**-**	-	-
Granted during the year	**-**	**-**	930,966	-
Forfeited during the year	**(50,805)**	**-**	(199,912)	-
Outstanding at 31st December	**680,249**	**-**	731,054	-
Exercisable at 31st December	**-**	**-**	**-**	-

2019 Awards

The 2019 Awards are subject to the service condition of continuous employment. These options all become exercisable on the third anniversary of the grant date. The 2019 Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

	2019	**2019**	2018	2018
2019 Awards	**No.**	**WAEP**	No.	WAEP
Outstanding as at 1st January	**-**	**-**	-	-
Granted during the year	**710,682**	**-**	-	-
Outstanding at 31st December	**710,682**	**-**	-	-
Exercisable at 31st December	**-**	**-**	**-**	-

28. Related parties

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered, and trading balances outstanding at the year end were as follows:

	Sales to related party	**Purchases from related party**	**Amounts due from / (to) related party**
	£000	**£000**	**£000**
Entities over which the group has significant influence			
2019	**(14)**	**86**	**(39)**
2018	275	1,975	10

The above transactions are with Marshall Motor Holdings plc and its subsidiaries.

The Group has a 50% ownership in each of the joint venture vehicles, Hill Marshall LLP ("LLP1") and Hill Marshall (Phase 2) LLP ("LLP2"), which were created to enable Phase 1 and 2 of the Marleigh (formerly Wing) development. The amounts receivable in the table below include amounts receivable from the transfer of land to LLP1 and LLP2, discounted as long-term debt as described in Note 15 resulting in a receivable of £30,026,000 (2018 - £28,330,000).

28. Related parties (continued)

The following table shows the aggregate transcations with related parties carried out during the year:

	Sales to / (purchases from) £000	Net interest received / (paid) £000	Amounts receivable £000	Amounts payable £000
2019				
Hill Marshall LLP	-	(408)	18,161	(16,093)
Hill Marshall (Phase 2) LLP	-	-	11,865	-
Equiniti Group plc	(7)	-	-	(7)
2018				
Hill Marshall LLP	-	(45)	17,115	(7,706)
Hill Marshall (Phase 2) LLP	-	-	11,215	-
Equiniti Group plc	-	-	-	-

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with these entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Group and Parent Company have not benefited from any guarantees for any related party receivables or payables. During the year ended 31st December, 2019, the Group and Parent Company have not made any provision for doubtful debts relating to amounts owed by related parties (2018 - £nil).

P Yea is Chairman of Equiniti Group plc which acts as registrar to the Company. P Yea is excluded from participation in all discussions relating to the appointment of Equiniti. Details of the transactions during the year and balances outstanding at the year end are shown above.

29. Pensions and other retirement benefit costs

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

The scheme which has elements of both defined benefit and defined contribution is known as the Marshall Group Executive Pension Plan (the "Plan"). The total pension cost for the Group for the year in respect of all defined contribution schemes in the UK was £8,267,000 (2018 - £6,473,000). A further £306,000 (2018 - £276,000) was paid into defined contribution schemes overseas. The total defined benefit charge for the Group in respect of the Plan was £146,000 (2018 – credit of £173,000) under FRS 102 Chapter 28 of which £45,000 (2018 – credit of £355,000) has been charged to operating profit and £101,000 (2018 - £182,000) has been charged to other finance expense.

The Plan was assessed by a qualified independent actuary from Buck Consultants, as at 31st December, 2016 using the projected unit method and indicated a funding deficit of £8,059,000. To address the past service deficit, the Parent Company and the Trustees agreed that the Parent Company will remove the deficit over a period of seven years, by 31st December 2023. Annual instalments of £750,000, £1,250,000, £1,500,000 and then four instalments of £1,750,000 commenced in 2017. The deficit contributions include allowance for the future service contribution rate to be changed with effect from 1st January 2018.

The valuation of the defined benefit section of the Plan under FRS102 Chapter 28 has been based on the actuarial valuation, updated by the actuary from Buck Consultants in order to assess the assets and the liabilities of the scheme as at 31st December, 2019. The assets and liabilities shown exclude those relating to defined contribution pensions.

29. Pensions and other retirement benefit costs (continued)

The major assumptions used by the actuary were:	2019 %	2018 %
Discount rate	**1.99**	2.85
Retail price inflation rate	**3.24**	3.36
Rate of revaluation in deferment	**2.34**	2.36
Pension increase rate:		
- pre 1993 discretionary increases	**-**	2.70
- price inflation, capped at 5.0%	**3.24**	3.36
- as above, but for those pensions subject to 3.0% floor	**3.26**	3.38
- as above, but for those pensions subject to 2.7% floor	**3.24**	3.36
- as above, but for those pensions subject to 8.5% cap	**3.24**	3.36

	2019 Years	2018 Years
Life expectancy at 65		
- for male aged 65	**23.40**	23.60
- for female aged 65	**25.60**	25.80
- for male aged 45	**25.10**	25.30
- for female aged 45	**27.10**	27.30

The post retirement longevity assumption uses 83% of S2PMA / 78% of S2PFA base tables, with CMI 2018 table with A=0.5 and 1.5% (2018 – 1.5%) per annum and 1.25% (2018 – 1.25%) per annum long term improvement trend for males and females respectively (rebased to 2008). The disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date.

Amounts recognised in the Balance Sheet are determined as follows:

	2019 £000	2018 £000
Fair value of plan assets at the end of year	**49,455**	39,385
Present value of defined benefit obligations at end of year	**(52,440)**	(49,245)
Deficit in the scheme as at 31st December	**(2,985)**	(9,860)
Related deferred tax asset	**507**	1,676
Net defined benefit obligation	**(2,478)**	(8,184)
Reconciliation of defined benefit obligations:		
Present value of obligations at start of year	**49,245**	51,097
Current employer service cost	**-**	37
Liabilities extinguished on curtailments	**-**	(476)
Interest cost	**1,378**	1,255
Contributions by plan participants	**-**	2
Actuarial losses / (gains)	**3,651**	(876)
Benefits paid	**(1,834)**	(1,794)
Present value of obligations at end of year	**52,440**	49,245

29. Pensions and other retirement benefit costs (continued)

	2019	2018
	£000	£000
Reconciliation of fair value of assets:		
Fair value plan assets at start of year	**39,385**	38,764
Interest income on plan assets	**1,277**	1,073
Return on plan assets in excess of interest income	**3,572**	(1,536)
Contributions by the employer	**7,100**	2,960
Contributions by plan participants	**-**	2
Benefits paid	**(1,834)**	(1,794)
Administration expenses	**(45)**	(84)
Fair value of assets at end of year	**49,455**	39,385

	2019	2018
	£000	£000
Analysis of amount charged against profit		
Current employer service cost	**-**	37
Liabilities extinguished on curtailments	**-**	(476)
Administration expenses	**45**	84
Net interest on net defined benefit liability	**101**	182
Total expense / (income) recognised in the Income Statement	**146**	(173)

	2019	2018
	£000	£000
Analysis of amount (charged) / credited against other comprehensive income:		
Remeasurement loss recognised on defined benefit pension scheme	**(79)**	(660)
Deferred tax credit relating to defined benefit pension scheme	**14**	112
	(65)	(548)

	Value	**2019**	Value	2018
	£000	**% Total**	£000	% Total
Breakdown of value of plan assets				
UK equities	**5,814**	**11.76%**	5,088	12.92%
Overseas equities	**17,839**	**36.08%**	14,553	36.96%
Property	**7,068**	**14.29%**	7,170	18.20%
Liability driven investment	**-**	**0.00%**	3,539	8.99%
Insight Broad Opportunities Fund	**6,834**	**13.82%**	6,070	15.41%
Index linked gilts	**3,208**	**6.49%**	-	0.00%
Corporate bonds	**3,759**	**7.60%**	-	0.00%
Private corporate debt	**1,591**	**3.22%**	-	0.00%
Cash and net current assets / (liabilities)	**1,463**	**2.94%**	1,069	2.71%
Insured pensions	**1,879**	**3.80%**	1,896	4.81%
Total fair value of plan assets	**49,455**	**100.00%**	39,385	100.00%

29. Pensions and other retirement benefit costs (continued)

The five year history of experience adjustments is as follows:	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Experience adjustments on scheme assets	**3,572**	(1,536)	2,829	2,472	646
Experience adjustments on scheme liabilities	**50**	(1,470)	432	1,356	(1,077)
Changes in assumption	**(3,701)**	2,346	2,501	(9,104)	1,632
Total recognised in other comprehensive income	**(79)**	(660)	5,762	(5,276)	1,201
Fair value of scheme assets	**49,455**	39,385	38,764	36,975	34,546
Present value of scheme liabilities	**(52,440)**	(49,245)	(51,097)	(54,485)	(46,062)
Deficit in the scheme	**(2,985)**	(9,860)	(12,333)	(17,510)	(11,516)

Through the defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility - the Plan assets holds 80 per cent growth assets and these will not provide a match to the movement in the discount rate. Consequently the difference in the values of the assets and liabilities may be quite volatile.

Inflation risk - the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

Life expectancy - increases in life expectancy will increase Plan liabilities, the inflation linkage of the benefits results in a higher sensitivity to increases in life expectancy.

Marshall Motor Holdings plc defined benefit pension scheme obligations

On 31st December, 2018, Marshall Motor Holdings plc (MMH) and its subsidiaries ceased to be participating employers in the Marshall Group Executive Pension Plan (Plan) as a result of it no longer employing any active members of the defined contribution section of the Plan. Accordingly, on 31st December, 2018, a debt was triggered under Section 75 of the Pension Act 1995 on MMH (“Employer Debt”).

On 7th February, 2019 the Plan’s actuary issued a certificate for the purposes of Regulation 5(18) and Regulation 6(8) of the Occupational Pension Schemes (Employer Debt) Regulations 2005 confirming that the Employer Debt at 31st December, 2018 was £5,541,000.

On 25th February, 2019 Marshall Motor Holdings plc paid the Employer Debt to the Trustees of the Plan and entered into a Deed of De-Adherance with the Trustees and Marshall of Cambridge (Holdings) Limited confirming the discharge of the relevant employers from the trusts of the Plan and from any other obligations in relation to the Plan with effect from that date.

30. Post balance sheet events

COVID 19

The Group's operational response to COVID-19 is set out on pages 22 to 23. As the circumstances of the pandemic did not exist in the UK as at the balance sheet date, the implications of COVID-19 for the financial statements represent a non-adjusting post balance sheet event. The impact of the virus on the financial performance and position of the Group will be material and could include the following:

Impairment of non-current assets – There is a heightened risk of impairment of non-current assets as a result of the impact of the COVID-19 pandemic. It is not possible, however, to estimate the impact upon the carrying value of non-current assets at this time given the uncertain duration and impact of the virus which are described on pages 22 to 23.

Pension deficit - It is too early to assess the impact of COVID-19 upon the Group's long-term life expectancy assumptions, but the fair value of plan assets is expected to be volatile in the short term due to uncertain market conditions.

Deferred tax asset recognition - Deferred tax assets can only be recognised to the extent it is probable there will be future taxable profits. Subsequent to the balance sheet date, the Group has reviewed the current impact of COVID-19 on those future taxable profits and concluded that deferred tax assets can continue to be recognised in full.

Equity Investments - Given the nature of investments held in unlisted companies within the Martlet and MarQuity portfolios, it is possible that some investments held by the Group will be impaired and some companies in the early stage of their company life cycle may not continue to trade as a result of the impact of the COVID-19 pandemic.

Recoverability of development costs - Property costs capitalised to date in connection with the development of the airport and associated land are still considered to be recoverable on the basis that, whilst COVID-19 is likely to have delayed property planning and construction processes, the directors do not expect a long-term impact upon the property market within Cambridge and consider development projects to remain viable.

Financial Statements

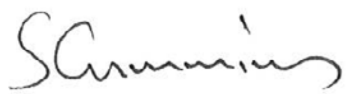
Company Balance Sheet

As at 31st December, 2019

	Notes	£000	£000
Fixed assets			
Tangible fixed assets	7	**140**	112
Investments	8	**52,680**	51,416
Total fixed assets		**52,820**	51,528
Current assets			
Debtors	9	**30,557**	24,378
Cash at bank and in hand		**3,278**	1,057
		33,835	25,435
Creditors: amounts falling due within one year	11	**(26,955)**	(24,604)
Net current assets		**6,880**	831
Total assets less current liabilities		**59,700**	52,359
Creditors: amounts falling due after more than one year	12	**(2,260)**	(1,409)
Net assets before pension liability		**57,440**	50,950
Pension liability	13	**(2,985)**	(9,860)
Net assets		**54,455**	41,090
Capital and reserves			
Called up share capital	14	**15,785**	15,785
Share premium		**611**	611
Capital redemption reserve	15	**130**	130
Profit and loss account		**37,929**	24,564
Shareholders' funds and total capital employed		**54,455**	41,090

The profit for the financial year dealt with in the financial statements of the Parent Company was £17,442,000 (2018 - loss £7,053,000).

The Company financial statements were approved by the board of directors and authorised for issue on 23rd April, 2020. They were signed on its behalf by:



S V Cummins

Director

Financial Statements

Company Statement of Changes in Equity

for the year ended 31st December, 2019

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1st January, 2018	15,785	611	130	36,178	52,704
Loss for the financial year	-	-	-	(7,053)	(7,053)
Other comprehensive expense	-	-	-	(548)	(548)
Total comprehensive expense for the year	-	-	-	(7,601)	(7,601)
Equity dividends paid (note 5)	-	-	-	(4,013)	(4,013)
At 31st December, 2018	15,785	611	130	24,564	41,090
Profit for the financial year	-	-	-	17,442	17,442
Other comprehensive expense	-	-	-	(64)	(64)
Total comprehensive income for the year	-	-	-	17,378	17,378
Equity dividends paid (note 5)	-	-	-	(4,013)	(4,013)
At 31st December, 2019	**15,785**	**611**	**130**	**37,929**	**54,455**

Notes to the Company Financial Statements

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

The Company's financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as it applies to the financial statements of the Company for the year ended 31st December, 2019.

2. Basis of preparation
The financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the board of directors on 23rd April, 2020. The financial statements have been prepared in accordance with applicable accounting standards. They have been prepared in sterling which is the functional currency of the Company and are rounded to the nearest £'000.

The Company is part of the consolidated financial statements of Marshall of Cambridge (Holdings) Limited.

Going concern
Treasury arrangements
The Company operates and participates in the Marshall of Cambridge (Holdings) Limited group's treasury arrangements. Under this arrangement, it has access to and shares banking arrangements and facilities with subsidiary undertakings.

The directors, having considered the Company's forecast cash flows for the foreseeable future have no reason to believe that a significant uncertainty exists that may cast doubt about the ability of the Marshall of Cambridge (Holdings) Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing their report and financial statements.

COVID-19
The directors have assessed the potential impact of the COVID-19 pandemic, further details are disclosed on note 1 of the consolidated financial statements.

Exemptions adopted
FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

a) The Company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

b) The requirements of Section 4, Statement of Financial Position paragraph 4.12(a)(iv);

c) The requirements of Section 7, Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);

d) The requirements of Section 11, paragraphs 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A;

e) The requirements of Section 26, Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and

f) The requirements of Section 33, Related Party Disclosures paragraph 33.7.

Company profit
As permitted under section 408 of the Companies Act 2006, the Company have elected to neither present a Company Income Statement nor a Company Statement of Comprehensive Income. The profit for the financial year dealt with in the financial statements of the Parent Company was £17,442,000 (2018 - loss £7,053,000).

3. Accounting policies
Except where disclosed otherwise in this note, the accounting policies adopted in the preparation of the Company financial statements are consistent with those applied when preparing the consolidated financial statements. Details of the policies are disclosed on pages 89 to 95.

Investments
In the Parent Company financial statements investments in subsidiaries, are valued at cost less impairment except in the few cases where the following conditions exist:

a) the items traded in the market are homogeneous;
b) willing buyers and sellers can normally be found at any time for the whole investment; and
c) prices are available to the public.

Foreign currencies
Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

4. Auditor remuneration
The auditor's remuneration for audit services was £11,000 (2018 - £8,000).The Company also paid £80,000 (2018 - £56,000) for the audit of the consolidated financial statements of the Group.

5. Equity dividends

	2019	2018
Dividends on Ordinary shares:	**£000**	£000
3.00p per Ordinary share of 12.5p each paid on 5th July, 2019 (6th July, 2018 - 3.0p)	**415**	415
1.00p per Ordinary share of 12.5p each paid on 13th December, 2019 (14th December, 2018 - 1.0p)	**138**	138
	553	553
Dividends on NVPO shares:		
3.00p per NVPO share of 12.5p each paid on 5th July, 2019 (6th July, 2018 - 3.0p)	**1,358**	1,358
3.00p per NVPO share of 12.5p each paid on 13th December, 2019 (14th December, 2018 - 3.0p)	**1,358**	1,358
	2,716	2,716
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	**4,013**	4,013

6. Staff costs and directors' emoluments

	2019	2018
	£000	£000
(a) Staff costs		
Wages and salaries	**8,172**	6,968
Social security costs	**1,197**	921
Other pension costs / (credit)	**189**	(433)
	9,558	7,456

Included within the 2018 pension costs was a credit relating to the curtailment of benefits within the defined benefit scheme. The average number of employees during the year was 39 (2018 – 37).

(b) Directors' emoluments
Details of the directors' emoluments are set out in note 27 of the consolidated financial statements.

7. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost:			
At 1st January, 2019	472	187	659
Additions	73	-	73
Disposals	-	(121)	(121)
At 31st December, 2019	**545**	**66**	**611**
Depreciation:			
At 1st January, 2019	375	172	547
Provided during the year	36	9	45
Disposals	-	(121)	(121)
At 31st December, 2019	**411**	**60**	**471**
Net book value:			
At 31st December, 2019	**134**	**6**	**140**
Net book value:			
At 1st January, 2019	97	15	112

8. Investments

	Subsidiary undertakings £000	Equity Investments £000	Total £000
Cost or valuation:			
At 1st January, 2019	56,049	7,505	63,554
Additions	14,001	1,479	15,480
Disposals	(24,000)	(1,367)	(25,367)
Fair value increase	-	887	887
At 31st December, 2019	**46,050**	**8,504**	**54,554**
Provision:			
At 1st January, 2019	11,234	904	12,138
Provided during the year	-	19	19
Disposals	(10,000)	(283)	(10,283)
At 31st December, 2019	**1,234**	**640**	**1,874**
Net book value:			
At 31st December, 2019	**44,816**	**7,864**	**52,680**
Net book value:			
At 1st January, 2019	44,815	6,601	51,416

On 5th February, 2019, a group reorganisation was undertaken involving the Company and three of its wholly owned subsidiaries, Marshall ADG Limited, Marshall of Cambridge Aerospace Limited and Marshall Land Systems Limited.

The Company exchanged its entire shareholding in Marshall of Cambridge Aerospace Limited for 12,000,000 Ordinary £1 shares in Marshall ADG Limited.

The Company exchanged its entire shareholding in Marshall Land Systems Limited for 2,000,000 Ordinary £1 shares in Marshall ADG Limited.

As a result of this reorganisation, the Company immediately recognised an investment in Marshall ADG Limited of £14,001,000 and correspondingly de-recognised its investments in Marshall of Cambridge Aerospace Limited and Marshall Land Systems Limited.

The Company's direct investments in subsidiary undertakings at 31st December, 2019 were as follows:

Subsidiary undertaking	Proportion held	Nominal value (£)	Number of ordinary shares	Principal activity	Cost £000
Marshall ADG Limited	100%	1.00	14,001,000	Holding company	14,001
MGPH Limited	100%	1.00	500,000	Property holding	1,734
Marshall Motor Holdings plc	63%	0.64	50,390,625	Motor retail	30,268
Marshall Fleet Solutions Limited	100%	1.00	12,000	Holding company	20
The Cambridge Aero Club Limited	100%	1.00	5,000	Flying instruction & aircraft charter	17
Marshall Group Properties Limited	100%	1.00	10,000	Farming and property holding	10
Marshall of Cambridge (Engineering) Limited	100%	1.00	100	Dormant	-
					46,050

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The registered office for the subsidiaries listed above is Airport House, The Airport, Cambridge, CB5 8RY.

8. Investments (continued)

Other subsidiary undertakings are detailed below:

Name of Undertaking	Country of incorporation	Registered office
Aeroacademy Limited	England and Wales	Cambridge**
Aeropeople Limited	England and Wales	Cambridge**
Marshall of Cambridge Aerospace Limited	England and Wales	Cambridge**
Marshall Middle East Limited	England and Wales	Cambridge**
Slingsby Holdings Limited	England and Wales	Cambridge**
Marshall Land Systems Limited	England and Wales	Cambridge**
Marshall Aerospace Canada, Inc.	Canada	30470 Approach Drive, Abbortsfor, BC V2T 6HS, Canada
Marshall Aerospace Netherlands B.V.	Netherlands	Haagse Schouwweg BM, 2332KG Leiden, Netherlands
Aeropeople GmbH	Germany	Herriotstr, 60528 Frankfurt am Main, Germany
Aeropeople Srl	Italy	Via Della Liberazione 32, 31100, Treviso TV
Marshall Specialist Vehicles Limited	England and Wales	Cambridge**
Slingsby Advanced Composites Limited	England and Wales	Cambridge**
Marshall Tail Lift Limited	England and Wales	Cambridge**
Marshall Thermo King Limited	England and Wales	Cambridge**
Marshall Norway AS	Norway	Hangarveien 21, 3241 Sandefjord, Norway
Marshall of Cambridge (Airport Properties) Limited	England and Wales	Cambridge**
CMG 2007 Limited*	England and Wales	Cambridge**
Marshall Commercial Vehicles Limited	England and Wales	Cambridge**
Marshall Motor Group Limited	England and Wales	Cambridge**
Marshall North West Limited	England and Wales	Cambridge**
Marshall of Cambridge (Garage Properties) Limited	England and Wales	Cambridge**
Marshall of Ipswich Limited*	England and Wales	Cambridge**
Marshall of Peterborough Limited*	England and Wales	Cambridge**
Marshall of Scunthorpe Limited*	England and Wales	Cambridge**
Marshall of Stevenage Limited*	England and Wales	Cambridge**
S.G. Smith Holdings Limited	England and Wales	Cambridge**
Silver Street Automotive Limited	England and Wales	Cambridge**
Audi South West Limited	England and Wales	Cambridge**
Tim Brinton Cars Limited*	England and Wales	Cambridge**
Exeter Trade Parts Specialists LLP*	England and Wales	Cambridge**
Ridgeway Garages (Newbury) Limited	England and Wales	Cambridge**
Hanjo Russell Limited	England and Wales	Cambridge**
Astle Limited*	England and Wales	Cambridge**
Crystal Motor Group Limited*	England and Wales	Cambridge**
S.G. Smith Trade Parts Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Beckenham Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Crown Point Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Croydon Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Sydenham Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Forest Hill Limited*	England and Wales	Cambridge**
Prep-Point Limited*	England and Wales	Cambridge**
S.G. Smith Automotive Limited*	England and Wales	Cambridge**
Pentagon Limited	England and Wales	Cambridge**
Pentagon South West Limited	England and Wales	Cambridge**
Ridgeway TPS Limited	England and Wales	Cambridge**
Ridgeway Bavarian Limited	England and Wales	Cambridge**
Wood in Hampshire Limited	England and Wales	Cambridge**
Wood of Salisbury Limited	England and Wales	Cambridge**

* Subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the year ended 31st December, 2019.

** The registered office for these companies is Airport House, The Airport, Cambridge, CB5 8RY.

All of the above subsidiaries are included in the consolidated financial statements.

9. Debtors

	2019	2018
	£000	£000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**28,377**	21,336
Other debtors	**-**	77
Prepayments and accrued income	**840**	462
Deferred tax asset (note 10)	**1,340**	2,503
	30,557	24,378

Where an amount owed by subsidiary undertakings relates to the group treasury arrangement, interest is charged at the Bank of England base rate plus 0.25%.

10. Deferred tax asset

The movement in the deferred tax asset during the year was:

	2019	2018
	£000	£000
At 1st January	**2,503**	3,011
Credit to the Income Statement for the year	**(1,163)**	(620)
Deferred taxation in Other Comprehensive Income	**-**	112
At 31st December	**1,340**	2,503

The deferred tax credit in the Income Statement for the year comprises as follows:

	2019	2018
	£000	£000
Origination and reversal of timing differences	**(1,358)**	(620)
Adjustments in respect of prior years	**195**	-
	(1,163)	(620)

The deferred tax asset provided in the financial statements comprises as follows:

	2019	2018
	£000	£000
Accelerated capital allowances	**32**	40
Defined benefit pension scheme	**507**	1,677
Other timing differences	**801**	786
	1,340	2,503

The unrecognised deferred tax asset comprises as follows:

	2019	2018
	£000	£000
Trading losses	**376**	692

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

11. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Loans and overdrafts	**5,272**	9,016
Trade creditors	**194**	130
Amounts owed to subsidiary undertakings	**13,857**	7,276
Other taxation and social security costs	**187**	32
Accruals and deferred income	**7,445**	8,150
	26,955	24,604

Where an amount owed to subsidiary undertakings relates to the group treasury arrangement, interest is charged at the Bank of England base rate plus 0.1%.

12. Creditors: amounts falling due after one than one year

	2019	2018
	£000	£000
Accruals and deferred income	**2,260**	1,409

Accruals and deferred income relate to long-term employee benefits.

13. Pensions

Details of the company pension schemes are disclosed in note 29 of the consolidated financial statements.

14. Share capital

	Allotted, called up and fully paid			
	2019	2018	2019	2018
	No. '000	No. '000	£000	£000
Ordinary shares of 12.5p each	**13,811**	13,811	**1,727**	1,727
Non-voting priority dividend ordinary NVPO shares of 12.5p each	**45,271**	45,271	**5,658**	5,658
8% irredeemable A preference shares £1 each	**4,800**	4,800	**4,800**	4,800
10% irredeemable B preference shares of £1 each	**3,600**	3,600	**3,600**	3,600
	67,482	67,482	**15,785**	15,785

	Ordinary shares at 12.5p each		NVPO shares at 12.5p each	
	2019	2018	2019	2018
	£000	£000	£000	£000
At 1st January	**1,727**	1,743	**5,658**	5,642
Ordinary shares converted to NVPO shares	**-**	(16)	**-**	16
At 31st December	**1,727**	1,727	**5,658**	5,658

14. Share capital (continued)

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

NVPO shares rank pari passu with Ordinary shares except for the following:

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

(ii) holders of NVPO shares have no right to attend or vote at an AGM.

Rights of preference shares

(i) holders of preference shares are entitled, in priority to any discretionary dividend payable on the Ordinary shares and the NVPO shares, to non-cumulative preference dividends of 8p per share in respect of the A preference shares and 10p per share in respect of the B preference shares.

(ii) on a return of capital on a winding up the preference shares carry the right to repayment of capital at par; this right is in priority to the rights of Ordinary and NVPO shareholders.

(iii) holders of preference shares have no right to attend or vote at an AGM.

During 2019, holders of nil Ordinary shares converted them into NVPO shares (2018 – 128,983).

15. Capital redemption reserve

On 2nd October, 1991 pursuant to a special resolution, Marshall of Cambridge (Holdings) Limited purchased 130,000 Ordinary shares of £1 each, representing 1.8% of the issued share capital of the Company at that date, for a consideration of £455,000. The purchased shares were then cancelled in accordance with Section 106(4) Companies Act 1985.

16. Contingent liabilities

The Company issued letters of support to some of its subsidiaries for the year ended 31st December, 2019. These subsidiaries have contingent liabilities included in their accounts which are summarised in note 23 of the consolidated financial statements.

17. Post balance sheet events

The Company holds 50,390,000 shares in Marshall Motor Holdings plc. At 31st December, 2019 the market value of these shares was 156.5p. At 30th March, 2020 the market value of these shares was 95p.

COVID-19

The onset of the COVID-19 pandemic during March 2020 has been classified as a non-adjusting event for accounting purposes. It is clear, however, that the impact on the financial statements in 2020 will be material. Further details of the Group's response to the pandemic are described in note 30 of the consolidated financial statements.

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Recent Financial History

	2015	2016	2017	2018	**2019**
	£000	£000	£000	£000	**£000**
Revenue	1,585,732	2,259,884	2,603,602	2,483,942	**2,637,961**
Operating profit / (loss)	25,326	(2,532)	39,035	46,149	**37,150**
Net finance expenses	(3,095)	(7,291)	(8,858)	(5,710)	**(6,413)**
Profit / (loss) before tax	22,231	(9,823)	30,177	40,439	**30,737**
Shown as:					
Underlying profit before tax	25,949	26,199	28,143	36,038	**35,159**
Separately disclosed exceptional items	(3,718)	(36,022)	2,034	4,401	**(4,422)**
Taxation	(6,863)	(842)	94	(9,895)	**(6,655)**
Profit / (loss) after tax	15,368	(10,665)	30,271	30,544	**24,082**
Non-controlling interests	(1,542)	(5,896)	(17,044)	(2,866)	**(5,177)**
Profit / (loss) for the financial year	13,826	(16,561)	13,227	27,678	**18,905**
Dividends per ordinary share paid and proposed for the year	4.00p	4.00p	4.00p	4.00p	**1.00p**
Dividends per NVPO share paid and proposed for the year	6.00p	6.00p	6.00p	6.00p	**3.00p**
Dividend cover for ordinary and NVPO shares	4.1	(5.3)	3.8	8.7	**12.1**
Underlying earnings per share	25.1p	37.1p	31.4p	33.9p	**35.0p**
Net funds / (debt)	1,721	(122,154)	5,917	(2,397)	**(24,943)**
Movement in net funds / (debt)	(10,203)	(123,875)	128,071	(8,314)	**(22,546)**
Capital expenditure, acquisitions, investment and disposals (net)	75,851	168,864	(1,050)	40,509	**45,633**
Shareholders' funds	178,052	155,485	167,385	188,868	**208,922**
Return on capital employed - shareholders' funds	11.8%	(8.7%)	8.1%	21.9%	**21.8%**

Shareholder Information

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

Registration details
Registered in England and Wales
Company Number 2051460

Group Company Secretary
Sarah Moynihan

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. Printed copies can be requested by writing to the Company Secretary at the registered office or direct by email to the enquiry email address.

Share dealing
Non-voting priority ordinary shares (NVPOs) and A and B preference shares can be bought and sold using our exclusive arrangement with James Sharp & Co, an independent stockbroker which can be contacted at the address below:

James Sharp & Co
The Exchange, 5 Bank Street, Bury, Lancashire BL9 0DN
Tel 0161 764 4043 Fax 0161 764 1628
www.jamessharp.co.uk

Shareholder queries
The Company's share register is maintained by Equiniti, which is primarily responsible for updating the share register, issuing new share certificates, and for dividend payments. Equiniti offer a Shareview service for shareholders to manage their shareholding online. More details on how to contact Equiniti and use this service can be found on the Group website.

Dividend history

	Amount per share			
	Ordinary shares	NVPO shares	A preference shares	B preference shares
Payment date:				
13th December, 2019	1.00p	3.00p	-	-
15th October, 2019	-	-	4.00p	5.00p
5th July, 2019	3.00p	3.00p	-	-
15th April, 2019	-	-	4.00p	5.00p
Year ended 31st December, 2019	4.00p	6.00p	8.00p	10.00p
Payment date:				
14th December, 2018	1.00p	3.00p	-	-
15th October, 2018	-	-	4.00p	5.00p
6th July, 2018	3.00p	3.00p	-	-
13th April, 2018	-	-	4.00p	5.00p
Year ended 31st December, 2018	4.00p	6.00p	8.00p	10.00p

Marshall

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