MARSHALL

Annual Report and Accounts

for the 12 months ended
31 December 2023

Following the completion of the sale of the Group's shareholding in Marshall Motor Holdings plc ("MMH"), the Group's reporting date reverted to 31 December.

The 2023 figures are for a 12 month accounting period; the 9 months to 31 December 2022 are the statutory comparatives.

The Full Year 2022 figures are presented to aid users' understanding of the financial results of the Group and are the Group's unaudited proforma results from continuing operations (excluding Marshall Motor Holdings, which are discontinued operations) for the 12 months ended 31 December 2022.

Financial summary

£m	12 mths to 31 December 2023 Total	Full Year 2022 (unaudited)	9 mths to 31 December 2022 Continuing operations	9 mths to 31 December 2022 Discontinued operations	9 mths to 31 December 2022 Total
Revenue	**321.3**	368.7	292.5	389.4	681.9
Profit before tax and exceptional items	**4.1**	28.1	29.9	0.3	30.2
Statutory Profit before tax	**1.9**	27.4	28.0	61.6	89.6
Net funds	**34.9**	129.3			129.3
Return on Capital Employed ("ROCE")[1]	**(0.8)%**	9.8%			22.7%
Order book[2]	**449**	568			568
Dividend Ordinary/NVPO (pence)	**4.0p/6.0p**	4.0p/6.0p			4.0p/6.0p
Special Dividend Ordinary/NVPO[3] (pence)	**–**	76.0p			76.0p
RIDDOR[4]	**5**	6			6
CO_2 emissions[5]	**6,252**	7,194			n/a

1 The ratio of Group's earnings before interest and tax and the average capital employed. Average capital employed is calculated as the average of the opening and closing total assets less current liabilities.

2 Order book is comprised of all outstanding contracted work as at 31 December.

3 Special dividend of 76.0p awarded in 2022 following the sale of Marshall Motor Holdings Ltd.

4 RIDDOR ("Reporting of Incidents, Diseases and Dangerous Occurrences Regulations") and LTA ("Lost Time Accident") are measures of employee safety and refer to the number of instances recorded during the period.

5 Equivalent tonnes of carbon (tCO_2e) from energy use.

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Chair's statement

I feel privileged to have taken on the role of Interim Chair in March 2024 to lead Marshall through a very difficult period of change and significant financial challenge.

There is no doubt that 2023 has been a challenging year. The ending of the HIOS contract has been the subject of much attention and debate. It is clear that this contract has masked poor performance in other areas of the Group for several years. It is also clear that, post HIOS, the current size, shape and structure of the business now needs significant change, if we are to stabilise and create the base upon which to flourish in the future.

In 2023, we made a modest pre-tax, pre-exceptional profit of £4.1m. Excluding HIOS from these results, the Group reported an equivalent loss of £16.6m. The first part of 2024 has similar monthly underlying losses in the business. We are therefore having to put significant and far reaching plans in place to address the root causes.

Our first task is to reduce our overhead to a competitive level, and one that is appropriate for the new shape of the Group. In recent history our overhead had grown to support a business with both the HIOS contract and a larger Group including Motor Holdings. We are therefore undertaking a transformational business change programme, looking at all aspects of the business. This is a significant action for Marshall to undertake, and it is not taken lightly, but it is critical to the long-term viability of the business. Improving productivity and efficiency needs to become a continual process and an integral part of how we manage the business.

Cambridge East and the Property business is vital to our success in the medium and long term. This has the potential to be the source of value creation and improving returns to shareholders for decades to come. We have started well, and Marleigh continues its robust performance outperforming what is a very resilient market and shows the potential that will be Cambridge East. Key decisions over the next 12 months will drive our success in the future. How we engage with partners; how we attract funding and investment; how much risk we want to take onto our balance sheet; the manner in which we de-commission the airport – these are all as important as the process of securing planning permission. It is a tremendous asset to have over 450 mostly brownfield acres in the UK's top growth corridor market and the interest seen from prospective development partners underlines that.

There are also other areas of promising performance, our C-130 operational support performance is excellent. Our teams who work in the hangars, in the sheds and workshops, in Cambridge, in Kirkbymoorside, out around the UK and wider afield do a great job which our customers love. If we can build upon our technical know-how and our strong customer reputation, by adding excellent business winning and a competitive cost base, then many of our engineering businesses will be successful in the future.

The Board is undertaking a full analytical and strategic portfolio review of all our businesses, including our international operations. This will also help us identify where we can free up capital to stabilise our financial position. We are carrying out this work now, and I look forward to updating you as it progresses.

The business plans that we described to you at our AGM on 19 September 2023 envisaged that Marshall's profitability would improve as problems with "legacy" contracts in Land Systems were dealt with and as sales of the ex-RAF C-130 Hercules aircraft generated direct profits for Marshall and long-term contracts to refurbish and maintain the aircraft. Unfortunately, towards the end of 2023, new problems emerged on the Land Systems contracts, and the C-130 resales did not materialise as quickly as we had assumed.

You will see later in the report that, in light of the Group's financial performance through 2023 and into 2024, the Board's assessment of Going Concern includes a material uncertainty statement. Much of this stems from the uncertainty around both the timing of the sale of the UK MoD C-130 fleet and our share of the expected proceeds.

It is with great regret, therefore, that whilst we manage these challenges for the remainder of the year, the Board has decided not to recommend any final dividend in respect of 2023. We do understand how difficult this will be for many of our shareholders. Our job is to manage the company and deliver returns to our shareholders for the longer term. However, although the Group remains a Going Concern, action on a range of cash management levers must be taken now to ensure this remains the case.

Restoring our financial position is essential, and our aim is to rebuild a prudent cash position as soon as we can, by reducing working capital and collecting cash due on our contracts, as well as the sale of some less strategic assets. In the short term, we have also secured a committed £25m line of funding and a £10m uncommitted trade loan with Barclays Bank plc. The Board commits to restoring the dividend and paying an equivalent 2023 final dividend as soon as sensible to do so.

We have had a number of Board and managerial changes over the past year. Jonathan Flint retired from the Board as Chairman in March to pursue other interests. The Board wishes him well and thanks him for his contribution and service.

Kathy Jenkins has left the business after seven years as COO and then CEO. Kathy was with the Company throughout COVID, the sale of Motor Holdings and the ending of the HIOS contract. She showed immense dedication towards the Company and the employees, and we wish her all the very best for the future. We have begun our search for a new CEO, and I look forward to updating you on this appointment.

James Buxton is also leaving the Board after 10 years of service to the Company. He has helped guide Marshall's successful Marleigh development and made a significant contribution to the initial planning for the future Cambridge East development. He has been replaced by Nick Shattock who joined in October 2023 and who brings extensive development and planning expertise to the Board. David Heaford, Chief Financial Officer, joined Marshall and the Board in October 2023 from his previous position as Managing Director, Development, Landsec plc, replacing Doug Baxter who stepped down in December 2023.

At the same time, we have been strengthening our management team below Board level. Gareth Williams joined Marshall as Chief Operating Officer in November 2023 and leads all the engineering businesses. Bob Baxter joined in March 2024 to the newly created role of Chief Growth Officer to lead global strategy, business development and sales across all business lines. Finally, Deborah Freeman-Watt joined us in May 2024 as the managing director of the Property business from her role as head of mixed use development at Landsec plc.

We have some difficult decisions to take over the next few months and years, which are necessary to ensure the success of Marshall for the long term.

With a new team in place to support the business – one that is well-equipped to meet the challenges that have emerged – we will continue to work to stabilise our position and create the base upon which to flourish in the future. I look forward to updating you on our progress going forward.

Roger Hardy
Interim Chair

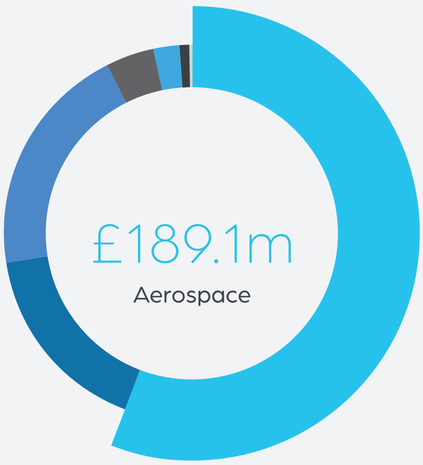
13 June 2024

Operating reviews

Marshall Aerospace

Marshall Aerospace provides agile platform support and engineering solutions to the global air defence sector with a proven track record in delivering world-class engineering solutions which meet the needs of its global customer base. The business specialises in maintenance, repair and overhaul ('MRO'), aircraft modifications and capability enhancements. Its business lines include MRO Services & Support, Aero Engineering Services and Aerostructures.

Revenue



Full year 2022 (unaudited): £252.9m

Profit/(loss) before tax

£14.9m

Full year 2022 (unaudited): £42.7m

Aerospace

Financial review

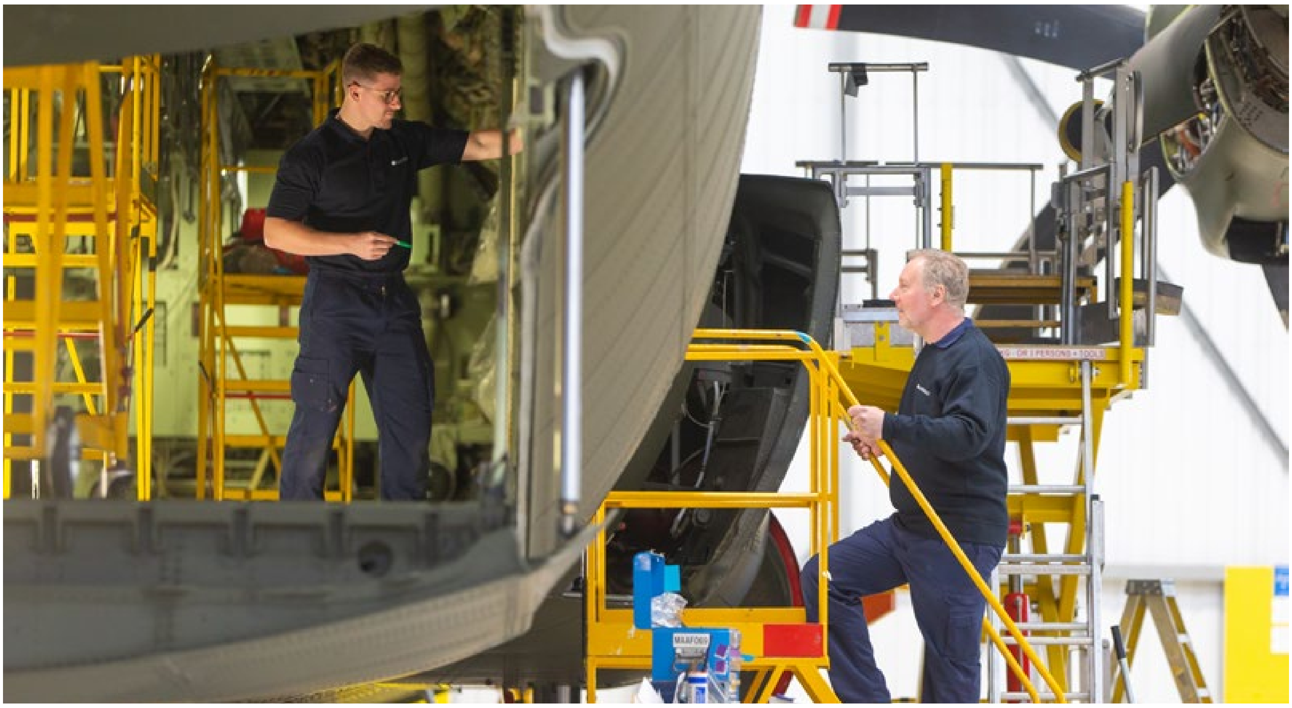
Revenues and profits both declined in Aerospace, driven largely by the termination of the HIOS C-130 and the cost base associated with the HIOS contract. Non-HIOS revenues grew as work under the contract with the US Marine Corps accelerated and the Airborne Electronic and Reconnaissance System ("AERS") maintenance programme continued.

The five-year unweighted pipeline has increased. The order book decreased, despite new work being won from customers and partners in the US and the Middle East.

Operational review

The HIOS contract was the biggest in Marshall's history, beginning in 2006 and originally forecast to run until 2030. After the UK Ministry of Defence announced the withdrawal of the C-130 aircraft from active service in 2021, the HIOS support contract terminated in June 2023. As a result, the Marshall Aerospace business is in a transitional phase as operations are reshaped and streamlined.

Hangar volumes grew throughout the year however, were relatively low, largely as a result of reduced work as the HIOS C-130 contract work wound down. Marshall was appointed principal partner, under a gain-share contract, for the UK MoD's resale of 15 of the C-130 aircraft fleet. These aircraft are being prepared for sale and are currently stored in Cambridge. During the year Aerospace hosted several inspection visits and expressions of interest for various aircraft were received. As these are government-to-government transactions, Marshall is not able to accelerate the sale process, but it is expected that sales will progress in late 2024.



In the run-up to the termination of the HIOS contract, the business worked to increase its pipeline of work with international customers and national governments. Aerospace's proven capability to turn around aircraft to industry-leading quality standards, time frames and on budget was leveraged, resulting in the award of two major Principal Maintenance Inspection ("PMI") and 18 Minor Depot Inspection ("MDI") projects for the USMC.

The business continues to build on its AERS programme for next-generation surveillance. In March, the business launched its Adaptable Role-fit Capability ("ARC") product. This innovative product allows operators of tactical transport aircraft to temporarily and rapidly convert their fleet for intelligence, surveillance and reconnaissance ("ISR") missions.

The Aerostructures business attained the prestigious Blue Supplier status from the Boeing Company. In the year the business relocated to a new, modern facility within Marshall's hangars which improved operational efficiencies. Production increased to 73 auxiliary fuel tanks for the P-8 maritime patrol aircraft.

2023 Performance

£m	12 mths to 31 December 2023	Full Year 2022 (unaudited)	9 mths to 31 December 2022
Revenue	**189.1**	252.9	203.9
HIOS	**57.3**	147.9	125.9
Non-HIOS	**131.8**	105.0	78.0
Profit/(loss) before tax and exceptional items	**16.6**	44.0	41.7
HIOS	**20.7**	43.5	44.8
Non-HIOS	**(4.1)**	0.5	(3.1)
Statutory Profit/(loss) before tax	**14.9**	42.7	40.5
HIOS	**20.3**	42.7	44.1
Non-HIOS	**(5.4)**	--	(3.6)
Order book[1]	**179**	271	271

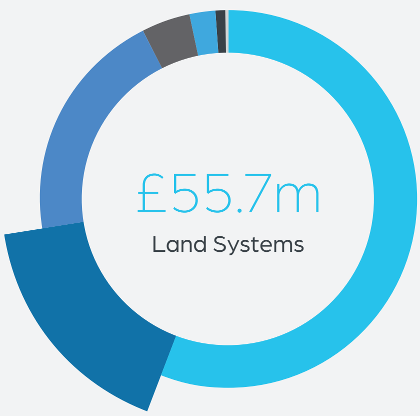
1 Unaudited and as at 31 December

Operating reviews continued

Marshall Land Systems

Based in the UK, Canada and the Netherlands, Land Systems specialises in the design and manufacture of deployable infrastructure and vehicles and mission systems, providing critical infrastructure that supports defence and security operations. The business also offers a full through-life managed support service provision to ensure that customer equipment is available in critical territories wherever and whenever needed.

Revenue



Full year 2022 (unaudited): £55.9m

Profit/(loss) before tax

£(20.5)m

Full year 2022 (unaudited): £(15.3)m

Land Systems

Financial review

Revenues were broadly stable over the 12-month period. However, the business recorded a substantial loss for the period, due to a further loss provision on a major legacy contract, significant cost overruns on a major contract and a production pause on another project to resolve a technical design issue. Progress has been made in addressing these key delivery issues, but it is anticipated that these contracts will continue to be a drag on profits. New business wins should begin to offset these lower margin contracts by 2026. Investment in the business's new facilities in Canada will provide additional capacity to service the opportunities in this market.

The order book decreased, reflecting the run-down of several existing contracts. Contracts in Land Systems tend to be large and often unpredictable in timing.

Operational review

Technical issues and a production pause continued to challenge Land Systems' operational performance. However, product development and innovation on other projects continued, including development of the Next Generation CT Scanner ('NGCT') system in partnership with Philips Healthcare. NGCT incorporates the Philips Incisive CT Technology within Marshall's 20ft ISO expanding container, making life-saving capabilities accessible for security, defence, and humanitarian causes.

In June 2023, Marshall delivered three award-winning military CT scanners to the Australian Defence Force (ADF). Developed in partnership with Saab Australia and integrating the latest Philips Incisive CT technology, Marshall's containerised CT scanners give military surgeons vital imagery on deployed operations, allowing them to save lives by quickly and accurately diagnosing trauma for severely injured patients. A formal handover ceremony hosted at Marshall's manufacturing facility was attended by representatives from Saab, the ADF and the Department for Business and Trade.

The business also demonstrated the development of a new Power Management System with capabilities to generate, store and distribute power. Removing the need for separate power units, this product creates a greater operational resilience in hostile or remote areas.

A new production facility in Moncton, New Brunswick, Canada opened in October 2023. The facility provides additional manufacturing capacity and access to the North American market as well as offering export potential.

2023 Performance

£m	12 mths to 31 December 2023	Full Year 2022 (unaudited)	9 mths to 31 December 2022
Revenue	**55.7**	55.9	44.9
Profit/(loss) before tax and exceptional items	**(20.1)**	(15.0)	(13.1)
Statutory Profit/(loss) before tax	**(20.5)**	(15.3)	(13.4)
Order book[1]	**192**	223	223

[1] Unaudited and as at 31 December

Operating reviews continued

Marshall Fleet Solutions

Marshall Fleet Solutions has been at the forefront of the UK's temperature-controlled transport and distribution in the food and pharmaceutical sectors since 1972. With over 200 mobile service engineers, together with a national call centre in operation 24 hours a day, 365 days a year, customers have national service support. More recently, the business has offered conversions to net zero technologies, including installation of solar panels to power refrigerators and other ancillary equipment.

Revenue

Full year 2022 (unaudited): £51.6m

Profit/(loss) before tax

£(5.7)m

Full year 2022 (unaudited): £(2.4)m

Fleet Solutions

Financial review

Revenues, before acquisitions, were broadly flat in Fleet's core transport support services business, as competitive pressures in the diesel-powered chilled transport industry resulted in lower than anticipated installation volumes. Customers in the sector are strongly resistant to cost inflation-related price increases, which resulted in reduced margins in servicing fixed-price contracts. The business has been working closely with Trane Technologies, its partner and owner of Thermo King, to address these market challenges. Actions are focusing on improving the competitiveness of its go-to-market proposition and renegotiating contracts where possible at renewal to mitigate this risk.

Operational review

In response to the challenging competitive environment, Fleet Solutions implemented an extensive restructuring programme in early 2024 to improve operational efficiency and profit performance. The business's footprint has been rationalised with a reduced number of depots based around a national call centre to support its network of mobile service technicians.

Dynamics in the transport refrigeration market are shifting to more sustainable solutions that help to improve operating efficiencies, reduce running costs and achieve green energy targets. To help meet this customer demand, two FRIGOBLOCK dealers were acquired in May 2023. These businesses extend the range of products offered in the sustainable electric transport refrigeration solutions, and this has helped Fleet Solutions improve its market positioning. Since acquisition, both businesses recorded a solid performance, which contributed to Fleet's overall revenue growth.

Trials of the 100% solar-powered Titan system were successful, with encouraging interest from customers. This Marshall-developed system produces power from lightweight high power solar panels which can be fitted to new vehicles or retrofitted to existing fleets for refrigerators and other ancillary equipment.

2023 Performance

£m	12 mths to 31 December 2023	Full Year 2022 (unaudited)	9 mths to 31 December 2022
Revenue	**66.6**	51.6	39.4
Profit/(loss) before tax and exceptional items	**(5.7)**	(2.5)	(2.0)
Statutory Profit/(loss) before tax	**(5.7)**	(2.4)	(2.2)
Order book[1]	**37**	51	51

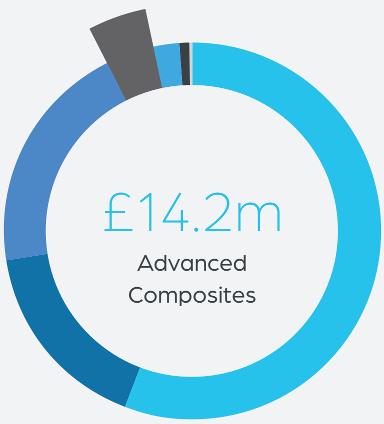
1 Unaudited and as at 31 December

Operating reviews continued

Marshall Advanced Composites

Advanced Composites produces complex composite structures that are predominantly used to manufacture vital parts on ships, submarines and aircraft. From customer-led, one-off designs to specialist low volume production runs, the business manufactures bespoke, high performance applications.

Revenue



Full year 2022 (unaudited): £10.2m

Profit/(loss) before tax

£2.0m

Full year 2022 (unaudited): £0.5m

Advanced Composites

Financial review

The business recorded another strong performance in both revenue growth and profitability. The order book increased with new customers in the defence sector, which fed into the 5-year order pipeline.

Operational review

Advanced Composites performed well and ahead of expectations. It achieved record sales, profit and orders, despite the impact of high inflation impacting supply chain, utility and staffing costs. The business benefited from continuous improvement (CI) initiatives, dedicated to enhancing operational efficiencies, improved engineering new product introduction methods as well as greater customer advocacy.

It also successfully built on its marine heritage and secured further engineering contracts for future submarine programmes alongside further contracts for next generation missiles. The business continues to invest in Future Combat Air System demonstrator, named Tempest, where good progress is being made and we maintain good relations with BAE Systems. These long-term defence programmes provide an opportunity for an invaluable steady stream of revenue and workload.

Building on the relationship with Lockheed Martin, an additional contract was secured for the manufacture of composite cockpit panels for the C-130 aircraft, where deliveries will be extended to the end of 2029. Progress on this contract remains on track, with a good record on both quality and on time delivery.

The business continues to focus on research and development with continued investment into the research of new materials and technologies, where the business was awarded a £250,000 Knowledge Transfer Programme (KTP) grant from Innovate UK in partnership with some of the UK's leading Universities to develop stealth composite materials. Further investment is being in our manufacturing and business operations where we will roll out a new ERP system, (IFS), which in time will digitise manufacturing operations leading to greater efficiencies.

The business finished 2023 in a strong position, with a healthy order book at £39.8m despite delays from some customers. With the release of new contracts in 2024 the business is set for continued growth. The business remains confident it can continue to drive profitable growth into 2024 and beyond.

2023 Performance

£m	12 mths to 31 December 2023	Full Year 2022 (unaudited)	9 mths to 31 December 2022
Revenue	**14.2**	10.2	8.2
Profit/(loss) before tax and exceptional items	**2.0**	0.5	0.6
Statutory Profit/(loss) before tax	**2.0**	0.5	0.6
Order book[1]	**40**	18	18

1 Unaudited and as at 31 December

Operating reviews continued

Marshall Group Properties

Marshall has played a key role in the Cambridge community since 1909 and its holdings include the award-winning Marleigh development and the 462 acres at Cambridge East, the site of the current Cambridge Airport and related land. Since its commencement in 2018, the Marleigh development has delivered over 300 private and affordable homes, opened a new primary school and community hall and let the commercial units including the Co-Op which opened in December 2023. In total, Phase 1 and Phase 2 comprise 968 consented units. Phase 3, subject to detailed planning, is scheduled to begin in 2025, comprising the final 423 units.

Revenue

Full year 2022 (unaudited): £7.6m

Profit/(loss) before tax

£18.8m

Full year 2022 (unaudited): £12.3m

Group Property

Financial review

Marshall Group Properties recorded another strong financial performance, reflecting the success of its joint venture partnership with Hill Group in the development of Marleigh. Marshall Group Properties manages the Marshall portfolio of buildings and land. Revenue is derived from rental recharges to the operating business lines and other tenants. Profit is attributable to third-party ventures, revaluation estimates and the Marleigh joint venture.

Operational review

The focus of the Property business is its two most significant developments: its joint venture partnership with award-winning house builder Hill Group to deliver the new 1,300-home Marleigh development in Cambridge and the promotion of the Cambridge East land which includes the current Cambridge Airport site.

Against a backdrop of extreme economic uncertainty, unit sales at Marleigh remained robust and in line with forecast, reflecting the appetite for high-quality housing in Cambridge. Despite well-documented shortages in both the supply chain and skilled workers in the construction sector, development work remained strong, with circa 300 homes occupied by the end of 2023. The Co-Op store and R3FORM Pilates studio also opened during the year, adding to the vibrant and thriving community being created at Marleigh.

The joint venture submitted detailed planning applications for Marleigh Phase 3, totalling 423 homes. This brings the total homes across all phases to 1,391.

Activity to clear the North Works to accommodate phase 3 of Marleigh continued through the year. The project to relocate the Marshall Aerospace Manufacturing Support production facility completed in June 2023.

Marshall Group Properties will work alongside the people of Cambridge to create a complementary urban quarter for the City, which will provide a broad range of architecture, homes, research and development premises, employment, education, healthcare, sports and leisure facilities. The Cambridge East project comprises the 462 acres of airport land for development. This has the potential to deliver at least 9,000 jobs and 7,000 homes. Marshall has put this land forward for development as part of the Greater Cambridge Local Plan, which is currently expected to be published in draft in 2028. Community engagement and discussions with the local authorities, Cambridge City Council and South Cambridgeshire District Council, are ongoing, with a view to working towards an outline planning application in tandem with the Local Plan process.

2023 Performance

£m	12 mths to 31 December 2023	Full Year 2022 (unaudited)	9 mths to 31 December 2022
Revenue[1]	**10.1**	7.6	7.1
Profit/(loss) before tax and exceptional items[2]	**18.7**	11.4	9.7
Statutory Profit/(loss) before tax[2]	**18.8**	12.3	9.7
Private units occupied[3]	**91**	49	47

1 Rental income and does not include revenue from the Group's joint ventures.
2 Including share of profit in joint ventures.
3 Unaudited

Operating reviews continued

Marshall Skills Academy

Marshall Skills Academy is the Group's dedicated education and training business, helping to address the sector's skills shortage by delivering apprenticeships in the civil and military aviation industry.

Financial review

The business recorded an increase in both number of apprentices and number of programmes.

Operational review

In September, the Skills Academy welcomed 67 technical and business apprentices across 12 programmes. The most recent cohort joined at the new workshop off Newmarket Road in Cambridge, which was officially opened by the UK Secretary of State for Education, Gillian Keegan.

The Skills Academy attained main provider status, and in addition to training apprentices for Marshall Aerospace and Marshall Land Systems, the business provides training for external organisations including Bombardier, Aircraft Restoration Company, Gama Aviation, Stansted Aerospace and Titan Airways.

A highlight during the year was the launch of the inaugural Marshall Skills Summit, held in April 2023, gathering senior leaders from the aerospace industry along with representatives from academia and public sector organisations. The objective of the summit was to devise a strategy to tackle the skills gap and fast-track young people into the industry. Following the success of the first Skills Summit, a second event was held in September, where progress was made towards developing a unified approach to building a pipeline for future industry talent.

In response to the rising global demand for skills in manufacturing, technology and engineering, Marshall Skills Academy expanded into the North American market, introducing four pilot programmes in Canada in September 2023. These initiatives comprised apprentice-style "Earn as you Learn" training programmes, developed in collaboration with University of New Brunswick Saint John and New Brunswick Community College. The province has secured CAD$7 million in funding towards this initiative.

2023 Performance

£m	12 mths to 31 December 2023	Full Year 2022 (unaudited)	9 mths to 31 December 2022
Revenue	**3.4**	2.7	1.9
Profit/(loss) before tax and exceptional items	**(0.4)**	(0.1)	–
Statutory Profit/(loss) before tax	**(0.4)**	(0.1)	–
Number of apprentices[1]	**67**	28	–

[1] Unaudited

Marshall Futureworx

Futureworx focuses on harnessing emerging global trends, technology and partnership opportunities to develop a new generation of products and services. Driving new technology in autonomy, hydrogen, and renewable energy.

Financial review

In its second year of operation, Futureworx performed in line with expectations. Further investment was made in the development of technology-led products and enterprise solutions, with several critical key project milestones achieved during the year.

Operational review

Futureworx's Lilypad system is an offshore wind farm inspection system using autonomous unmanned vehicles and dynamic scheduling. Successful testing was carried out on the various elements of the Lilypad system, including the drone, software and prototype. Progress was made in establishing its route to market, with a Memorandum of Understanding signed with an established offshore energy service provider.

Other products in development within the broader autonomous airborne systems portfolio include heavy-lift drones using hydroelectric/hydrogen propulsion technology. Towards the end of 2023, Marshall joined a group of UK aerospace and academic leaders to establish HyFIVE, a consortium which aims to develop a cutting-edge hydrogen fuel system and supply chain supporting zero-emission aviation in the 2030s.

2023 Performance

£m	12 mths to 31 December 2023	Full Year 2022 (unaudited)	9 mths to 31 December 2022
Revenue	**0.3**	–	–
Profit/(loss) before tax and exceptional items	**(2.0)**	(2.5)	(2.0)
Statutory Profit/(loss) before tax	**(2.0)**	(2.5)	(2.0)

Financial review

"A very challenging 12 months, with profit significantly reduced due to the early termination of the HIOS contract, combined with ongoing operational issues and higher working capital requirements reducing the overall liquidity of the Group"

David Heaford
Chief Financial Officer

The impact of items reported in the prior period, namely the cessation of HIOS and the sale of Marshall Motor Holdings plc ("MMH"), in conjunction with ongoing operational difficulties in Land Systems and Fleet Solutions, have significantly degraded revenue and profit for the period. In addition, as a consequence of operational challenges, working capital requirements materially increased in the period leading to significant negative cash flow.

These operational difficulties have continued into 2024, compounded by 2024 being the first year in which HIOS activity will have ceased entirely, together with the delayed resale of the UK C-130 fleet.

Following the completion of the sale of the Group's shareholding in MMH on 11 May 2022, the Group's reporting date has reverted to 31 December.

Financial Highlights

	12 months ended 31 December 2023			9 months ended 31 December 2022			
	Underlying £m	Exceptional items £m	Statutory £m	Underlying £m	Exceptional items £m	Discontinued operations £m	Statutory £m
Revenue	**321.3**	**–**	**321.3**	292.5	–	389.4	681.9
Operating (loss)/ profit	**(6.8)**	**(2.2)**	**(9.0)**	23.1	(1.8)	0.3	21.6
Profit on disposal of operations	**–**	**–**	**–**	–	–	62.2	62.2
Share of results of joint ventures	**6.6**	**–**	**6.6**	3.7	–	–	3.7
Net finance income	**4.3**	**–**	**4.3**	3.1	–	(1.0)	2.1
Profit before tax	**4.1**	**(2.2)**	**1.9**	29.9	(1.8)	61.5	89.6
Tax on profit	**(1.8)**	**0.5**	**(1.3)**	(5.4)	0.3	–	(5.1)
Profit for the period	**2.3**	**(1.7)**	**0.6**	24.5	(1.5)	61.5	84.5
Basic Loss per share/ Earnings per share	**2.5p**		**(0.2)p**	40.2p		65.6p	103.2p
Net debt			**34.9**				129.3

On a statutory basis the Group reported revenue of £321.3m (9 months ended 31 December 2022: £681.9m), a 52.9% decline, reflecting the cessation of the HIOS contract, together with discontinued operations following the disposal of MMH in May 2022. Profit before tax of £1.9m (9 months ended 31 December 2022: £89.6m), represents a 97.8% decline, with the prior period benefiting from the exceptional profit on disposal of MMH (£62.2m) as well as a HIOS contribution of £44.8m.

2023 has been a challenging period for the Group, with both revenue and profit significantly below prior year and the Board's expectations for the period. The Group's net funds (cash less external debt) declined from £129.3m to £34.9m as at 31 December 2023. Whilst a reduction in cash was expected due to effects of the HIOS cessation and planned capital investment the impact of weaker trading performance and additional significant working capital outflows, caused predominantly by on going contract issues, further reduced cash funds.

In light of the Group's financial performance through 2023 and into 2024, the Board's assessment of Going Concern includes a material uncertainty statement.

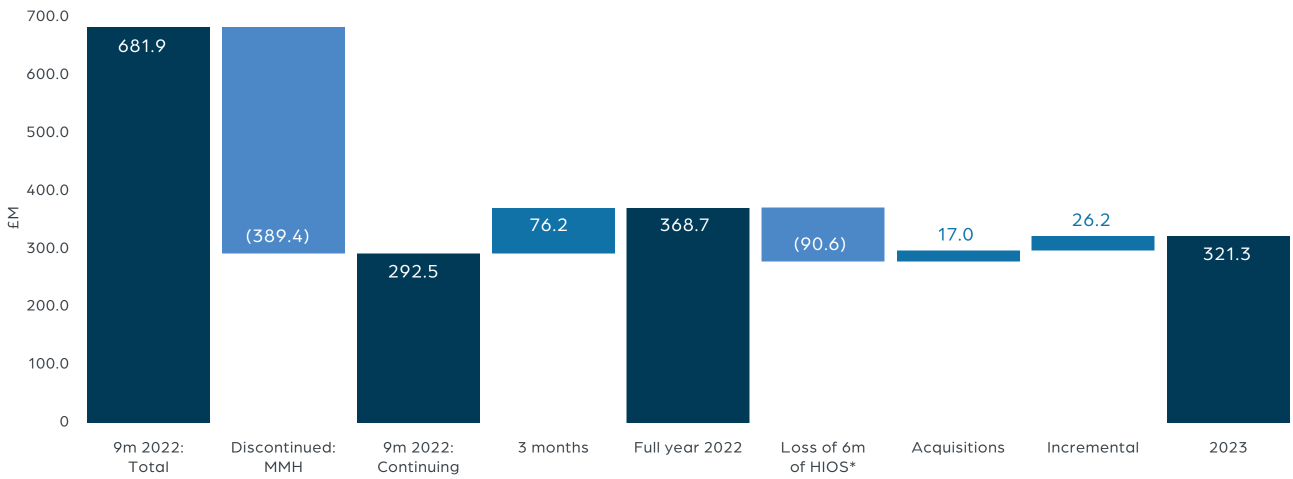
Whilst the Group remains a Going Concern, there is uncertainty around the timing associated with cash inflows expected from the resale of the UK MoD's C-130 fleet, trading performance from a portfolio of legacy long term contracts within the Land Systems business, together with inflows from planned disposals of assets within the Group. The Directors have taken further steps in 2024 to ensure liquidity, securing additional external debt facilities of £35m, whilst sales of non-core assets continue to be progressed.

2024 will be another challenging period for the Group with operational challenges continuing in Land Systems, compounded by Aerospace navigating its first period without HIOS profit contribution.

Within our financial review, the 2023 figures are for a 12 month accounting period to 31 December 2023, with the 9 months to 31 December 2022 shown as the statutory comparative. To aid users understanding of the financial results of the Group, where available, 12 month figures to December 2022 are presented. The 12 month 2022 figures are the Group's unaudited proforma results from continuing operations, these exclude MMH, which are shown as discontinued operations.

Revenue bridge

Adjusting for discontinued operations (£389.4m) and the 3 month accounting period differential (£76.2m), full year revenue declined by £47.4m or -12.9%. Allowing for the 6 month differential in HIOS trading between 2022 and 2023 (£90.6m), underlying revenue increased by £43.2m or +15.5% to £321.3m. Incremental revenue growth was £26.2m or +9.4% and acquisitions provided additional revenue of £17.0m or +6.1%.



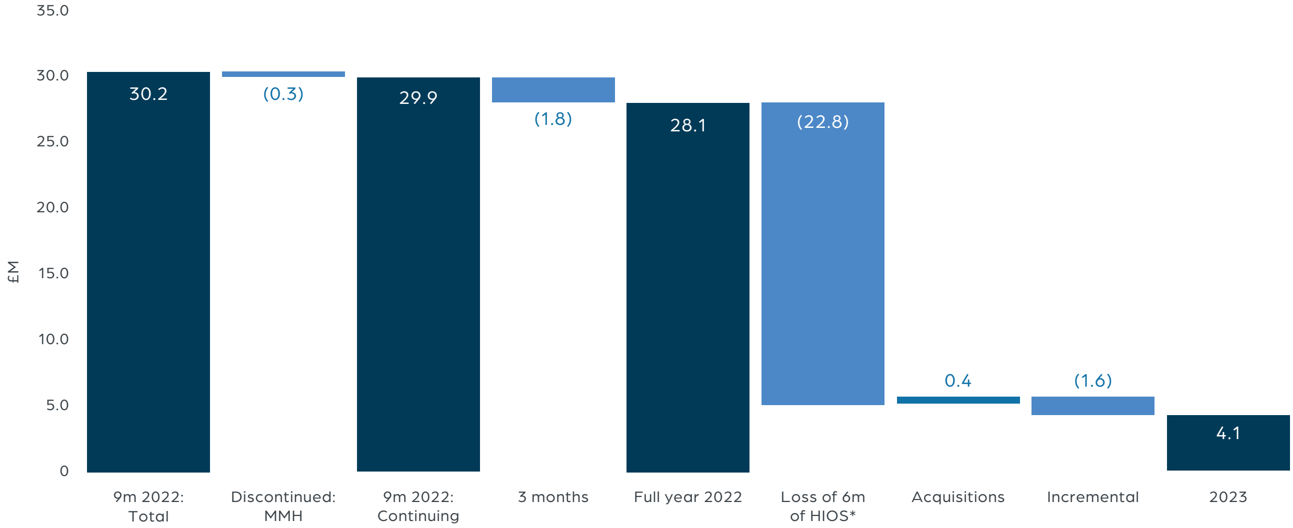
£m	9m 2022: Total	Discontinued MMH	9m 2022: Continuing	3 months	Full Year 2022	Loss of 6m of HIOS*	Acquisitions	Incremental	2023
MMH	**389.4**	(389.4)	**–**	–	**–**	–	–	–	**–**
HIOS	**125.9**	–	**125.9**	22.0	**147.9**	(90.6)	–	–	**57.3**
Rest of Group	**166.6**	–	**166.6**	54.2	**220.8**	–	17.0	26.2	**264.0**
Total	**681.9**	(389.4)	**292.5**	76.2	**368.7**	(90.6)	17.0	26.2	**321.3**

* Impact of 12 months of HIOS related revenue in 2022 compared to 6 months in 2023.

Incremental growth was predominantly in Aerospace – non HIOS revenues (+25.5%), and Advanced Composites (+39.2%) with Land Systems, Group Properties and Fleet Solutions (excluding the positive effect of its acquisitions), all performing at similar levels to the prior period on a full year 2022 basis. For Aerospace, away from the C-130 platform, the three-year maintenance contract to provide support to the Global 6000 Special Missions aircraft in the Middle East continued to perform well, and Aerostructures delivered another strong performance. Acquisitions made in the period were in our Fleet business, reflecting the addition of the two main FRIGOBLOCK refrigeration distributors in the UK market.

Profit before exceptional items and tax bridge

Adjusting for discontinued operations (–£0.3m) and the 3 month accounting period differential (–£1.8m), profit decreased by –£24.0m or –85.4%. Allowing for the 6 month differential in HIOS trading between 2022 and 2023 profits declined by –£1.2m or 22.6%, with the final HIOS profit (£20.7m) recognised in H1 2023.



£m	9m 2022: Total	Discontinued MMH	9m 2022: Continuing	3 months	Full Year 2022	Loss of 6m of HIOS*	Acquisitions	Incremental	2023
MMH	**0.3**	(0.3)	**–**	–	**–**	–	–	–	**–**
HIOS	**44.8**	–	**44.8**	(1.3)	**43.5**	(22.8)	–	–	**20.7**
Rest of Group	**(14.9)**	–	**(14.9)**	(0.5)	**(15.4)**	–	0.4	(1.6)	**(16.6)**
Total	**30.2**	(0.3)	**29.9**	(1.8)	**28.1**	(22.8)	0.4	(1.6)	**4.1**

* Impact of 12 months of HIOS related profit in 2022 compared to 6 months in 2023.

Excluding HIOS, the Group recorded a loss of £16.6m (Full year 2022: loss of £15.4m).

An analysis of the profit before exceptional items and taxation by segment is shown below:

Profit/(loss) before separately disclosed exceptional items and taxation	12 mths to 31 December 2023 £m	Full Year 2022 (unaudited) £m	9 mths to 31 December 2022 £m
Aerospace – HIOS	20.7	**43.5**	44.8
Aerospace – non-HIOS	(4.1)	**0.5**	(3.1)
Land Systems	(20.1)	**(15.0)**	(13.1)
Group Properties (including share of profit in joint ventures)	18.7	**11.4**	9.7
Fleet Solutions	(5.7)	**(2.5)**	(2.0)
Advanced Composites	2.0	**0.5**	0.6
Skills Academy	(0.4)	**(0.1)**	–
Futureworx	(2.0)	**(2.5)**	(2.0)
Motor retail (sold during the prior period)	–	**–**	0.3
Unallocated central costs	(5.0)	**(7.7)**	(5.0)
Profit/(loss) before separately disclosed exceptional items and taxation	4.1	**28.1**	30.2

Marshall Aerospace generated profit from the HIOS contract of £20.7m (2022 full year: £43.5m) and a loss of £4.1m from non-HIOS operations (2022 full year: profit £0.5m) with the non-HIOS segment bearing the full overhead cost of the business for H2 2023. Whilst activity across the hangars increased through the year, most notably via our ongoing work with the US Marine Corps, overall volumes fell short of expectations. Restructuring the cost base of Marshall Aerospace began in 2023 and will continue into 2024 to ensure the operating model and overheads are appropriate for ongoing activities. Encouragingly the volume of work in our hangars has continued to increase in 2024.

The financial performance of Land Systems continued to be adversely impacted by legacy contracts and a production pause to resolve a technical design issue. As a result, Land Systems recorded a substantial loss for the period of £20.1m (2022 full year loss: £15.0m), a combined loss of £35.1m for the two calendar years. A new leadership team has been appointed and the business is making progress to address the underlying issues, however, operational challenges have continued into 2024.

Marshall Group Properties performed strongly with profit before exceptional items of £18.7m (2022 full year: £11.4m) aided by the Group's share of joint venture profit of £6.6m (2022 full year: £4.5m) and property revaluations of £7.7m (2022 full year: £3.0m). This reflected the continuing success of Marleigh together with an uplift in the value of investment properties associated with the Cambridge East development.

Advanced Composites had another strong performance and improved on the 2022 full year underlying profit by £1.5m. The business saw growth in both its submarine and next generation missile programmes and continues to build a strong order book, promising a steady stream of revenue for the future.

Marshall Fleet Solutions was impacted by aggressive price competition in the market, which together with inflationary pressures, led to lower operating margins and resulted in a loss for the business of £5.7m (2022 full year loss: £2.5m). Our pricing continues to be adjusted through close partnership with our key suppliers and a major restructuring has commenced within the business. We hope to see the benefits of these activities in 2024.

The Group incurred costs in relation to Futureworx, creating technology and enterprise solutions for emerging global trends, and Skills Academy of £2.4m (2022 full year: £2.6m).

During the period the Group was notified of a revised rates assessment for some of its properties. The Group will seek to challenge this assessment, however based on advice received, a provision of £2.8m has been established for this matter.

Exceptional items

Separately disclosed exceptional items, an expense of £2.2m (9 months ended 31 December 2022: £59.4m profit), represent items that the Group considers to be non-routine or which warrant separate disclosure to aid an understanding of the underlying business. For continuing operations, the main items in this period were restructuring costs of £2.3m (9 months to 31 December 2022: £1.8m) and are associated with a new organisation design and capability refresh being embedded into the business. In the 9 months ended 31 December 2022 separately disclosed exceptional items relating to discontinued operations were a net profit of £61.2m (profit on the disposal of MMH's £62.2m less intangible asset amortisation of £1.0m).

Financial review continued

Interest and tax

The Group recorded net financial income for the period of £4.3m (9 months to 31 December 2022: £2.1m). In 2022, proceeds from the disposal of MMH were used to repay the Group's borrowings, pay a special dividend with the remaining funds placed on short-term deposit to generate income for the Group. Bank interest income and interest receivable on short-term deposits were £3.2m (9 months to 31 December 2022: £2.0m). Interest receivable from joint ventures was £0.7m (9 months to 31 December 2022: £0.6m) driven by the Group's Marleigh development.

The Group has a current corporation tax charge for the period of £0.9m (9 months to 31 December 2022: £2.1m) including local corporation tax arising on our overseas operations. Corporation tax arising on our UK operations in 2023 is expected to be covered by R&D tax credits. The decrease from December 2022 is driven largely by the Group's profits and enhanced R&D claims submitted.

The effective tax rate ('ETR' – the total tax charge divided by the Group's profit before tax) has increased significantly to 68.4% (December 2022: 5.7%). The increase in the ETR is due to expenses not deductible for tax purposes of £5.0m (December 2022: £8.7m which have increased the ETR in 2023 by 60.8%), largely consisting of depreciation on fixed assets not qualifying for tax capital allowances, having a disproportionate effect on the ETR given the lower pre-tax profits in the period and a relative decline in non-taxable income.

Deferred tax assets arising from historic losses have been recognised where the Directors consider that profits will be made in the foreseeable future, ensuring full recovery. The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% with effect from 1 April 2023 with the uplift to this rate recognised in prior periods.

Dividend

Preference dividends amounting to £744,000 were paid to preference shareholders during the period.

Two interim dividends were paid during the period, one in respect of 2022 and one in respect of 2023. Cumulatively these equate to 4.0p per Ordinary share and 6.0p per non-voting priority Ordinary ('NVPO') share. The Board is not recommending any additional dividend in respect of the 12 months ended December 2023. No additional Special Ordinary dividend (December: 76.0p to both Ordinary and NVPO shareholders) was paid in the period.

Earnings per share

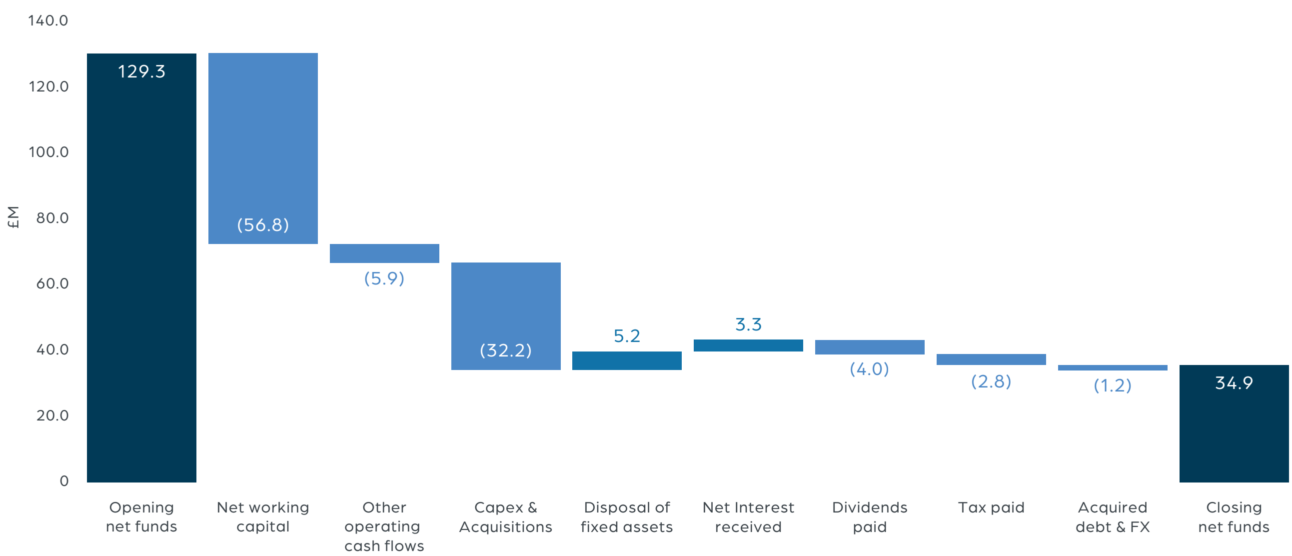
Earnings per share, on a statutory basis, was a loss per share of (0.2p) (December 2022: 103.2p). Adjusting for separately disclosed exceptional items, as set out in note 7, and for the disposal of MMH, earnings before exceptional items from continuing operations were 2.5p (December 2022: 40.2p).

Financial position

Net debt/cash flow

The Group closed the period with total net funds of £34.9m (December 2022: £129.3m) a decrease of £94.4m or 73.0%.

Net funds bridge



Opening funds benefited from the receipt in 2022 of MMH sales proceeds (£199.0m) and the HIOS early termination payment, partially offset by the special dividend payment of £44.9m in 2022.

Working capital and capital expenditure investment accounted for 94.3% of the Group's £94.4m net cash outflow in the period. Working capital outflows in Aerospace were £48.6m, driven by the unwinding of advance payments on HIOS and due to work on the RAF C-130 fleet as they are prepared for sale. The legacy contract issues in Land Systems have also had a material impact on working capital, with an increase of £20.8m in cash outflows, with a technical issue causing a production line stop in the period. Cash continues to be a key focus and the Group is taking steps to generate cash through the disposal of non-core assets. To provide further liquidity, additional banking facilities of £35m have been secured in 2024, supporting the business as it transitions away from HIOS and through existing operational difficulties.

Working capital and capital investment by primary business line:

£m	Aerospace	Land Systems	Fleet Solutions	Advanced Composites	Property	Group	Total
Changes in working capital							
(Increase) / decrease in stocks	(2.0)	(11.2)	1.1	(0.1)	–	0.5	**(11.7)**
(Increase) / decrease in debtors	(15.0)	(11.6)	(4.7)	(1.7)	9.3	5.9	**(17.8)**
(Decrease) in provisions	(1.8)	(0.8)	–	–	2.5	–	**(0.1)**
(Decrease) / increase in creditors	(29.8)	2.8	(0.1)	1.6	(2.1)	0.4	**(27.2)**
Net working capital (outflow) / inflow	**(48.6)**	**(20.8)**	**(3.7)**	**(0.2)**	**9.7**	**6.8**	**(56.8)**
Capital expenditure							
Payments to acquire tangible fixed assets	(3.9)	(4.9)	(0.6)	(0.7)	(7.9)	(0.9)	**(18.9)**
Payments to acquire intangible fixed assets	(0.6)	(1.6)	(2.3)	(0.3)	–	(1.8)	**(6.6)**
Sub-Total	**(4.5)**	**(6.5)**	**(2.9)**	**(1.0)**	**(7.9)**	**(2.7)**	**(25.5)**
Acquisition of businesses (net of cash acquired)	–	–	(3.9)	–	–	–	**(3.9)**
Payments to acquire fixed asset investments	–	–	–	–	–	(2.8)	**(2.8)**
Capital expenditure outflow	**(4.5)**	**(6.5)**	**(6.8)**	**(1.0)**	**(7.9)**	**(5.5)**	**(32.2)**

Capital expenditure on tangible and intangible assets totalled £25.5m (9 months to 31 December 2022: £20.2m). Tangible fixed asset investment was £18.9m (9 months to 31 December 2022: £16.5m), with investment in new production capacity in Canada (£4.0m) and preparatory works for Marshall Group Properties' developments (£7.9m). Additions to intangible fixed assets totalled £6.6m (9 months to 31 December 2022: £3.6m) and were predominantly: further implementation in the Group's ERP system, IFS (£2.9m), product development in Futureworx (£1.8m) and product standardisation in Land Systems (£1.5m).

The Group invested £3.9m in the acquisition of new businesses (9 months to 31 December 2022: £nil). Fixed asset investment additions of £2.8m (9 months to 31 December 2022: £nil), relate to financial assets acquired from the Group's defined benefit pension scheme as part of the prior year buy-in activity.

Financing

Having repaid and cancelled debt facilities in 2022 the Group started the year with net funds. As at 31 December 2023, the Group's external debt of £0.6m was comprised of £0.3m of vehicle finance leases in the businesses acquired in the year and an overdraft of £0.3m.

Additional external debt facilities of £35m have been secured in 2024 comprising a £25m revolving credit facility ('RCF') repayable in two years and a £10m trade loan facility repayable on demand.

Intangible assets

Goodwill relates to the acquisitions made in the period by Fleet Solutions (£2.0m) and is amortised over 10 years. Other intangible assets consist of software intangible assets of £15.4m (December 2022: £14.7m) which largely relate to the new ERP system; capitalised development costs £2.0m (December 2022: £0.5m) and assets under construction of £2.0m (December 2022: £nil). Total amortisation during the period was £2.5m (9 months to 31 December 2022: £3.0m).

Financial review continued

Joint ventures

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

Sales activity in these joint ventures were in line with expectations with 91 unit sales achieved in the 12 month period (9 months to 31 December 2022: 47 units). During the period, the second phase of the development commenced with the Group's share of the net profit within the joint venture increasing to £6.6m (9 months to 31 December 2022: £3.7m).

Pensions

The Group's defined benefit pension scheme, the 'Plan', as calculated under FRS 102, had a deficit of £1.7m (December 2022: £2.3m), a gain of £0.6m. The expected liabilities increased by £1.0m, while scheme assets increased by £1.5m due to investment performance and the purchase of a buy-in policy with Aviva on the 24 November 2022. Under this arrangement, an annuity was purchased to provide a return to match the liabilities of the Plan. As a result, the inherent risk and volatility of the Plan has been significantly reduced. The Plan was closed to future accrual of benefits during 2018.

A funding valuation used both by the Trustees and the Group, as at 31 December 2019, indicated an actuarial deficit of £5.0m. To address the deficit, the Group agreed to make annual cash contributions through to 2023 of £1.2m. The contributions of £1.2m due to be paid in December 2022 and December 2023 were permitted to be deferred and would only be paid at the request of the Trustees. The December 2022 contribution was paid in full. With the agreement of the Trustees, contributions of £596,000 were paid during 2023.

Treasury operations

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

Key performance indicators

The individual businesses use a number of Key Performance Indicators ('KPIs'), both financial and non-financial, to measure and monitor performance. The diversity of the Group's businesses means that few are applicable for every company. There are a small number of specific KPIs, against which individual or Group performance can be monitored such as revenue, profit before tax and exceptional items, net cash/debt, ROCE, order book and RIDDOR. These are set out in the Financial summary on the inside front cover.

Tax policy

The Tax Governance Framework, Strategy and Policy governs the Group's management of its tax affairs. This Policy is fully aligned with the Group's wider commercial, reputational and business practices, and is consistent with the Group's values and commitment to good corporate responsibility.

A summary of the underlying principles of the Group's Tax Strategy includes:

- managing the Group's tax affairs responsibly and transparently;
- not using contrived or artificial structures to reduce tax liabilities;
- taking advantage of the reliefs and incentives that exist, but respecting the intention, as well as the letter of the law at all times in conformity with the Group's values;
- being committed to conducting its affairs in a way that strives to achieve a low-risk tax rating with HMRC (and other tax authorities as relevant);
- considering tax in all significant business developments or acquisitions so as to fully assess any potential tax consequences of actions in advance and thereby reduce risk;
- seeking proportionate external advice, where required, from reputable professional firms; and
- employing skilled in-house resources so the Group can adhere to these principles without exception.

David Heaford
Chief Financial Officer

13 June 2024

Risk management

The Group takes a proactive approach to risk management, with the expectation that, by identifying risks early, the likelihood and impact of those risks can be reduced or mitigated, and appropriate actions put in place to manage them effectively.

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 Group is willing to bear risks that correlate with the risk appetite levels set for each risk category.

The Board has identified ten principal risks that are intrinsic to its consideration of appetite for risk aligned to the published Group strategy:

- Liquidity
- Winning work
- Contract performance & delivery
- Sale of the C-130 Hercules aircraft
- Geopolitical
- Property development
- Cyber attack
- Business interruption
- Product failure
- Health & safety

Risk framework

The aim of the risk management framework is to ensure a consistent approach to managing risks across the Group through an established framework, structure and process. Risks, their relative likelihood and their impact scores are reviewed and scored by each risk owner. The risk management framework is also periodically refreshed to respond to changes in the Group's commercial operating context. As with any system of internal control, risk management policies and processes are designed to mitigate and manage the risk of failure to achieve business objectives. The risk framework can only provide reasonable, not absolute, assurance against material misstatement or loss.

The responsibility for risk identification, assessment, mitigation and reporting lies with the management of each of its businesses. Routine review, monitoring and reporting by the business units enables the Board to ensure its risk appetite remains appropriate and that the businesses act consistently within it. The Group provides all employees with the necessary tools to support all of its operating companies in their effective management of risk. Employees are encouraged to be aware of their relevant risks and are shown how everyone can contribute to the process, identifying risks as early as possible and understanding how to deal with them effectively.

Accountability

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

The Executive Risk Management Committee ("ERMC") has the responsibility for the oversight of the maintenance of the Group'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
- Monitoring and reviewing the effectiveness of the risk management system.

The ERMC is charged with the responsibility of reviewing and monitoring key risks, which are identified, assessed, reviewed and reported separately by the businesses. These risks are consolidated and form the ten principal strategic risks detailed on pages 23 to 26. To support the businesses, the ERMC assists in establishing, maintaining and reviewing procedures at a management and operational level to identify, monitor and mitigate operational risk.

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

Risk management continued

Governance

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

- Business interruption
- Cyber attack
- Regulatory breach (airworthiness element)
- Property development experience
- Relocation of the Cambridge Airport site

The Board also undertook a deep dive into succession planning and organisational capability as part of its two-day strategy and business planning meeting.

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

- Orders to Cash and Procure to Pay financial processes in the Aerospace Division.
- Key Financial Processes in the Canadian business
- Quarterly Internal Control Sign Off process that supports the Senior Accounting Officer (SAO) certification as part of HMRC requirements

Reporting

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

The Board is satisfied that the risk management and assurance activity undertaken through the period conforms to the three lines of defence model and is sufficient for it to confirm that it has carried out an assessment of the principal risks facing the Group during the period, 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. These new and emerging risks are identified through regular horizon scanning.

The risks listed do not comprise all those faced by the Group and the order does not denote priority. Additional risks and uncertainties not presently known to the Group may also have an adverse effect on the business.

More detail on the risk activity can be found in the Audit and Risk Committee report on pages 47 to 49.

Risk assurance activity during the period

Risk assurance activity during the period included the following:

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

Geopolitical risk, especially in Europe and the Middle East which impacted supply chain globally, continue to be monitored by the Board.

The Cambridge East property project will be a significant development on a national scale with substantial risk and reward over the next few decades. Each step is carefully managed, with the risks and options reviewed at Board level.

Bribery and corruption risk continued to be monitored by the Executive Ethics Committee with no issues requiring escalation to the Committee.

Principal risks and uncertainties

Key

HU Highly unlikely	P Possible	VL Very likely	M Minor	S Severe	▼ Decreasing
U Unlikely	L Likely	I Insignificant	MA Major	▲ Increasing	▶ No change

1 Liquidity

Likelihood L | Impact S | Risk movement ▲

Responsibility: Chief Financial Officer

Risk description

Increased working capital requirements or poor cash flow could limit or restrict operations. This risk has increased after a period of good working capital following the sale of Marshall Motor Holdings.

Severe plausible scenario

The 15 C-130 aircraft are not sold during the expected time period as this is a government-to-government transaction outside of the Group's control.

Mitigation

The Group has entered into a gain share agreement with the UK MoD with the Group receiving a share of the sale proceeds of the 15 C-130 aircraft kept at the Marshall site. Sale is anticipated in Q4 2024 but could be delayed into 2025. Working capital requirements will unwind following the sale.

The Directors have taken further steps in 2024 to ensure liquidity, securing additional external debt facilities of £35m, whilst sales of non-core assets continue to be progressed.

Context

The early termination of the Group's largest and most historic contract for the HIOS C-130 aircraft combined with geopolitical tensions requiring the aircraft to be kept in flight ready condition contributed to lower cash flow and higher working capital requirements to maintain the fleet to UK MoD standards.

2 Contract performance/ delivery

Likelihood P | Impact S | Risk movement ▲

Responsibility: Chief Operating Officer

Risk description

Significant delay and cost escalation in the Group's long-term production and engineering projects, resulting in significant losses being recorded and unbudgeted cash requirements.

Severe plausible scenario

Contractual obligations could require the Group to continue with loss-making contracts.

Mitigation

The Group operates a standardised approach to contract management, tailored to the risk and complexity of individual projects. Each significant project is subject to formal contract status reviews. These include the use of internal and, where relevant, external expertise to review the status of a project, its performance against cost and schedule, remaining risks and tasks to completion. Projects of significant size or a higher degree of risk are subject to monthly executive oversight.

Context

The Group has experienced challenges in some long term contracts in Marshall Land Systems and Marshall Fleet Solutions as outlined in the relevant sections.

3 Winning work

Likelihood P | Impact S | Risk movement ▲

Responsibility: Chief Operating Officer, Chief Growth Officer, Business unit directors

Risk description

The failure to win sufficient work or winning of contracts that are incorrectly priced and/or the Group doesn't have the capability of delivering to cost.

Severe plausible scenario

The Group is uncompetitive in winning new contracts or lacks the expertise to secure contracts.

Mitigation

The Group has strong customer relationships and has acquired highly specialist and sought after skills in the aerospace industry. New product offerings in the transport industry, such as electrification and solar power sources in the transport industry, attract new customers.

Context

The UK MoD HIOS contract was the largest and longest in the Group's aerospace business. New contracts are required to fill this revenue gap over time.

4 Geopolitical

Likelihood P Impact M Risk movement ▶

Responsibility: Interim Chair

Risk description

Global events create political and economic uncertainty, for example, Ukraine war and Gaza Strip conflict, which in turn, can put significant pressure on government spending in the UK and overseas. National elections in some of our core markets, UK, USA and Canada could adversely impact the business. Governments are also increasingly considering supply chain resilience and the onshoring of capabilities for national security reasons.

Severe plausible scenario

While the ongoing conflicts in Europe and the Middle East will increase defence spending in the UK and around the world, it is likely that defence budget priorities will be re-shaped and some existing programmes delayed. As countries look to protect their national interests (security and supply chain), there will likely be an increased focus on bringing work 'in-country' to build national capability and flexibility to act. Supply chains will likely be disrupted as a result.

Mitigation

The Group has been building its international customer base in its Aerospace and Land Systems businesses to reduce its reliance on the UK market by leveraging Marshall's reputation as an established independent supplier with proven expertise and specialist engineering skills.

Context

The rising geopolitical tensions across the globe have caused many countries to prioritise modernisation of their military aircraft and land vehicles. This presents a good opportunity for Marshall to expand its customer base in its core markets of the UK, North America, Europe and the Middle East. However, the Group operates complex supply chains that expose the Group to supply disruptions due to geopolitical tensions, trade disputes, and natural disasters.

5 Sale of C-130 Hercules Aircraft

Likelihood P Impact S Risk movement ▶

Responsibility: Chief Growth Officer

Risk description

The Group does not sell the 15 C-130 aircrafts on a timely basis for the anticipated value in accordance with the Group's business plans.

Severe but plausible scenarios

Geopolitical challenges result in severe delays in completing the sale transaction or the UK Government decides to retain the aircraft or the United States Congress does not give its approval for the sale. Customers obtain C-130 aircraft from other sources or the UK MoD finds an alternative to the sale.

Mitigation

The Group continues to work closely with the UK MoD and interested customers to facilitate the sale, as well as undertaking work to upgrade and overhaul some of the aircraft.

Context

The sale of the 15 C-130 aircraft are part of the gain share agreement between Marshall and the UK MoD following the early termination of the HIOS contract in 2023. The anticipated sale forms a material part of the Group's future revenue and profit forecasts. The aircraft are currently stored on site at Cambridge Airport.

6 Property Development

Likelihood P Impact MA Risk movement ▶

Responsibility: Managing Director, Group Properties

Risk description

The strategic decision to relocate the Aerospace business is critical to the successful development of Cambridge East. Any delays in the planning application will have an adverse impact. The performance of joint venture partners is also critical to ensure a successful outcome financially, logistically and reputationally.

Severe but plausible scenarios

The Local Plan expected to be published by Cambridge City Council and South Cambridgeshire District Council is further delayed. Cambridge East is not included in the Local Plan and denied planning permission due to Local Authorities' concerns that vacant possession is delayed. Local Authorities therefore opt for other housing development partners, locking Marshall out of development until publication of the next 10- year local plan.

Mitigation

Marshall's property team has worked closely with Local Authorities for several years on the award-winning Marleigh development. They continue to consult and engage with stakeholders on Cambridge East which offers an attractive development opportunity with a large land parcel under one landowner. The property team is focusing on successfully securing planning permission.

Context

Cambridge East is one of the largest brownfield development opportunities in the UK. It is strategically crucial to both Marshall and the Local Authorities.

7 Cyber Attack

Likelihood P Impact MA Risk movement ▶

Responsibility: Chief Operating Officer

Risk description

Operational disruption, commercial penalties and reputational damage associated with a successful cyber attack or breach of the Marshall IT infrastructure and Business Systems, or other sensitive information. Marshall may be perceived to be an easier target. This is especially relevant as Marshall maybe seen as an easy way into customers' defence capabilities.

Severe but plausible scenarios

The key scenarios include operational business impact caused by malicious interference and disruption to the Marshall business information systems or IT infrastructure. Loss of sensitive customer data, including engineering design data, compromising national security and resulting in the inability to tender for, or potentially sustain, secure, lucrative government contracts. Further scenarios include employee data loss (i.e. GDPR data breach), as well as operational costs associated with remediation activities necessary in the event of a significant, complex or sustained breach.

Mitigation

Marshall uses independent experts to assess its IT security risks, and in 2022 retained Accenture to conduct a cybersecurity breach assessment across the Aerospace and Defence elements of the Group, including Marshall Aerospace Canada Inc. The Marshall network was judged to have met their stringent requirements and later achieved its Cyber Essentials Plus accreditation.

Significant investment has gone into Marshall's IT infrastructure with the IFR ERP system rolled out across the business during 2022-2023.

The Marshall IT department continues to engage successfully with customer audits, MoD accreditors, and the National Cyber Security Centre ('NCSC') to enhance its cyber defences, detection, and response to existing and new threats.

Context

The threat environment is continually evolving. Defence companies are at a higher risk of being targeted by sophisticated, well-resourced, capable nation state threat actors, as well as smaller criminal, financially motivated groups, which many SME and large enterprises continue to suffer from.

8 Business Interruption

Likelihood U Impact MA Risk movement ▶

Responsibility: Interim Chair, Chief Financial Officer

Risk description

In the event of disruption to part or all of the business, business activity will need to be restored as safely and as quickly as possible; e.g. the loss of the airfield operational capability.

Severe but plausible scenarios

Serious incident (accident, terrorist, etc) resulting in the closure of the airport.

Unplanned distribution to the IT systems and services needed to support the business.

Loss of use of business-critical buildings or utilities through storm damage, fire, explosion, vehicle or aircraft impact.

Mitigation

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

Context

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

9 Product Failure

Likelihood U Impact MA Risk movement ▶

Responsibility: Chief Operating Officer

Risk description

Marshall Aerospace operates in a highly regulated environment which is continually evolving against a backdrop of increased safety culture and the development of appropriate safety behaviour.

Severe but plausible scenarios

Inadequate quality control procedures could could fail to detect deterioration in an aircraft's structural integrity.

Mitigation

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

Context

The regulatory environment is continually evolving against a backdrop of increased safety culture and the development of appropriate safety behaviour. As Marshall moves into new product applications, safety in performance is crucial.

10 Health and Safety

Likelihood P Impact M Risk movement ▶

Responsibility: Interim Chair, Chief Operating Officer

Risk description

Due to the variety, complexity and hazards associated with the Group's operations, there is a risk of an unplanned and uncontrolled event occurring on any of the sites, resulting in serious injury or fatality to employees, contractors, visitors, members of the public or other third parties.

Severe but plausible scenarios

Accidents or injury to anyone on the Group's sites could result in regulatory enforcement action, criminal prosecution of the Company and/or individuals, reputational damage and financial compensation claims.

Mitigation

The Group's success is underpinned by its people, and it takes the health, safety and wellbeing of its people seriously. A comprehensive training programme tailored to each function area is centrally led at Group level, and RIDDOR* and LTA* incidents are regularly reported by the CEO to the Board. The Group also operates Cambridge Airport and is therefore subject to UK Civil Aviation Authority's regulations and safety requirements.

Context

The Group recognises that its operations, products, services and advice have the potential to impact employees, contractors, visitors, customers, and others in the community. Success hinges on the attitudes and behaviours of people in the organisation in creating a safety culture.

* RIDDOR is the law that requires employers, and other people in charge of work premises, to report and keep records of work-related accidents which cause deaths, certain serious injuries, diagnosed cases of certain industrial diseases; and certain 'dangerous occurrences' (incidents with the potential to cause harm).

Sustainability at Marshall

Key milestone achieved in 2023 – 13% reduction in energy use

Throughout 2023 the Group made strong progress against its stated sustainability targets and commitments. The audited Streamlined Energy and Carbon Reporting (SECR) data, as set out in full on page 30, shows a 13% reduction in equivalent tonnes of carbon from our energy use during the year and a 35% reduction over the last four years.

Key milestone achieved in 2023 – certification of ISO14001 across all major businesses

ISO14001 is a universally recognised gold standard for environmental management. Land Systems has been accredited for some years and work started in 2022 for the other key trading businesses to achieve the same. In Fleet Solutions, external certification audits began in March 2023, and were concluded in July 2023 with ISO14001 accreditation awarded. Aerospace followed suit, achieving ISO14001 accreditation in December 2023. This was a significant achievement for the businesses, considering the number of environmental processes and permits under their control, the number of employees, and the size and extent of any potential impact upon the environment from operations. This means that all three of the main trading subsidiaries are now certified in line with the commitment made to shareholders.

Ambition 2030

In early 2022 the Group unveiled its Ambition 2030 sustainability framework designed to adapt to business developments and other external influences to ensure the Group is resilient, healthy and sustainable beyond 2030. One of the key Ambition 2030 target is to have net zero carbon emissions from Marshall's own operations by 2030.

Facilitating the transition towards a low-carbon future demands continuous commitment and ambitious action to implement low-carbon upgrades across the Marshall portfolio of premises, operations and products.

Whilst our most recent data shows a 13% reduction in tonnes of carbon from our energy use when compared with 2022, and a year on year downward trend since 2020, we are not yet on track to meet our net zero target by 2030. This is because the Board does not believe it to be the best use of shareholder funds to invest in projects where the payback period exceeds the estimated remaining life of the airport at Cambridge.

The proposed new build activity as part of the development of Cambridge East will provide significant opportunities to decarbonise and become climate resilient. Furthermore, sustainable solutions across Group products and services, such as transitioning some product range towards electrification, and in-depth sustainability evaluation of the wider value chain, will prepare us for the forthcoming inclusion of Scope 3 business activity under SECR.

To show the progress over the last four years, the table below shows the associated greenhouse gas emissions in equivalent tonnes of carbon from the Group's operations for each 12 month period from 2020 to 2023.

Equivalent tonnes of carbon (tCO_2e)	12 months to 31 December 2020	12 months to 31 December 2021	12 months to 31 December 2022	12 months to 31 December 2023	2023/2022 percentage change	4 year percentage change
Scope 1	}	7,247	7,158	6,225		
Scope 2		32	36	27		
Total (tCO_2e)	**9,650**	**7,279**	**7,194**	**6,252**	**13% reduction**	**35% reduction**

Sustainability at Marshall continued

Ambition 2030 is focused on three key areas, each with set objectives. Progress against these is measured and reviewed at each Sustainability Committee meeting. The Sustainability Committee report is set out on page 57.

Climate resilience

Further enhance our efforts to become climate resilient by 2030, with reduced emissions and effective climate change risk management.

Priority areas

- Energy management
- Climate adaption

Key objectives and KPIs

- Reducing emissions across our operations
- Increasing resilience to the physical impacts of climate change at key operating sites and across the value chain
- 100% renewable energy by 2030
- Net zero carbon emissions within Marshall operations by 2030, with an interim target of 25% reduction by 2025
- Zero land at risk of flooding without mitigation by 2030
- 13% emission reduction in 2023
- 99% renewable power for all UK operations

Healthy environment

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

Priority areas

- Energy management
- Waste management
- Water management
- Ecology and biodiversity

Key objectives and KPIs

- Preventing pollution to air, water and land
- Minimising the use of natural resources
- Minimising the production of waste and achieving zero general and recyclable waste to landfill by 2030
- Enhancing local biodiversity
- Engaging local communities
- 100% compliance with all environmental permits
- 9.5% reduction in water consumption in 2023

Sustainable products and services

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

Priority areas

- Sustainable design
- Customer commitments
- Sustainable supply chain

Key objectives and KPIs

- 100% of suppliers aligned with sustainability requirements
- Meet 100% of customer sustainability commitments
- Sustainable supply chain

Ambition 2030 in action in 2023

- The energy efficient refurbishment of Hangar 11 was completed for the Manufacturing Support relocation to South Works. A suite of smart energy meters were installed in zoned work areas to monitor and understand better energy consumption and target reductions where possible.
- Additional electric vehicle 7kW fast-chargers were installed at the Cambridge and Slingsby Advanced Composites sites to provide more facilities for employees and encourage the use of electric vehicles.
- As part of the journey towards electrification within Aerospace, the stores team trialled the EffiBOT autonomous delivery robots and new electric vans have been introduced for on-site facilities team operations and stores tooling delivery to the hangars.
- A planning application has been approved to install a 460kw solar array on-site at Slingsby Advanced Composites.
- A new departmental fuel card system has been introduced for Aerospace business travel mileage which automatically calculates and provides visibility of each journey's carbon footprint.
- One of the Ambition 2030 internal communications programmes in conjunction with #netzeroweek looked at energy efficiencies and reduction opportunities in the workplace and was used to help remind employees of our collective responsibility.

- ISO14001 Environmental Management System ('EMS') certification was achieved for Fleet Solutions in July 2023 and for Aerospace in December 2023.
- Fleet Solutions collaborated with CollectCo on their initiative to repurpose unwanted office furniture to divert from landfill.
- One of the Ambition 2030 internal communications programmes in conjunction with #recycleweek during October 2023, with the theme "The Big Recycling Hunt" focused on "missed capture". These are items that can be recycled but are commonly missed. All business units were involved with this initiative and progressed the Group's commitment to have zero general waste to landfill by 2030.
- Group Properties continued to engage with local communities as part of the Cambridge East development to understand requirements for the local area to ensure the protection of a healthy environment.

- Land Systems' deployable shelter product carbon profiling project moved to phase 2 of the embedded CO_2 footprint reduction, removing carbon emissions from the production process.
- Futureworx progressed development of the autonomous Lilypad uncrewed aerial vehicle ('UAV') product for real-time monitoring of offshore wind farms.
- The dedicated Hazardous Materials Group continued to monitor and implement developments on emerging legislation on product eco-design requirements and the potential impact on Marshall products.
- A Group-wide project with Vendigital continued to identify supply chain sustainability evaluation opportunities.
- Fleet Solutions extended its electric product offer with its new FRIGOBLOCK range products.
- Fleet Solutions continued to roll out its Titan 100% solar powered refrigerated trailer system, which was the winner of the 'Innovators of the Year – Transport' award at the Cold Chain Federation Sustainability 2023 Awards.
- Land Systems moved towards electrification with its new solar power product option for its shelter systems.

Streamlined Energy and Carbon Reporting (SECR)

We monitor our carbon footprint throughout the year and report on our UK energy use and the associated greenhouse gas emissions annually. Our methodology is in line with the Greenhouse Gas Protocol and our disclosure is in accordance with the SECR reporting requirements.

- **Scope 1** consumption and emissions relate to the direct consumption of natural gas used in Marshall offices and buildings, and fuels utilised for business owned or controlled transportation operations, such as company vehicle fleets.
- **Scope 2** consumption and emissions relate to indirect emissions resulting from the consumption of purchased electricity in day-to-day business operations. Marshall procures Renewable Energy Guarantees of Origin ("REGO"), the Government approved scheme, for 99% of its electricity supplies. This allows for the proportion of electricity purchased via REGO to be discounted from its total greenhouse gas (CO_2e) reporting.

Under the Energy Savings Opportunity Scheme ('ESOS'), the Group produces a summary report of all available energy efficiency improvements on a four-year cycle. The ESOS Phase 3 audit will conclude during the second half of 2024, with results reported to the Environment Agency.

Results

The table shows the energy consumption and associated greenhouse gas emissions of the Group's operations during the 12-month reporting period from 1 January 2023 to 31 December 2023 as required under the SECR regulations. It excludes the emissions from overseas operations which are outside the scope of the UK reporting requirements.

Greenhouse gas emissions

Consumption (kWh)	Year to 31 December 2023	Year to 31 December 2022
Scope 1 – use of natural gas, transport, LPG, kerosene and gas	32,409,170	38,690,931
Scope 2 – use of electricity (before REGO)	12,835,208	14,076,536
Total (kWh)	**45,244,378**	**52,767,467**

Equivalent tonnes of carbon

Emissions (tCO_2e)	Year to 31 December 2023	Year to 31 December 2022
Scope 1 – use of natural gas, transport, LPG, kerosene and gas	6,225	7,158
Scope 2 – use of electricity (after REGO)[1]	27	36
Total (tCO_2e)	**6,252**	**7,194**

Intensity metric

Tonnes of CO_2 per £m revenue	20.30	21.89

1 Electricity purchased via REGO would account for 2,631 tonnes of CO_2e in 2023

Section 172 statement

Under Section 172(1) of the Companies Act 2006 ("the Act"), the Board is required to act in a way that the directors consider, in all good faith, is most likely to promote the success of the Company. This is success for our shareholders, but also for our other stakeholders, which include our people, customers, suppliers and communities.

The Board ensures that all decisions are taken to drive long-term growth and prosperity, while recognising the requirement to understand and take into account the needs of the Company's shareholders and other stakeholders to whom it is accountable, as well as the environment in which it operates.

The Board considers the Company's purpose and values together with its strategic priorities, and its robust governance framework when making decisions. As is normal for large companies, we delegate authority for day-to-day management of the Company and other subsidiaries in the Group to the executive directors and the Executive Committee. Marshall of Cambridge Aerospace Ltd, Marshall Land Systems Ltd and Marshall Thermo King Ltd, being large subsidiaries as defined in the Act, also provide Section 172 statements in their own report and accounts.

Principal decisions

For details of how the Board operates please see the Governance section on pages 38 to 61. The key Board activities section on pages 47 to 48 details some of the matters discussed during the year. Principal decisions are those that are strategic, commercially material, and impact the Group's stakeholders. The principal Board decisions made during the period and how the Board considered stakeholders views, are set out below.

Dividend policy

The Board is very aware that the dividend is an important source of income to many family shareholders, whilst also recognising that the performance of the business is not yet as expected and that opportunities to raise additional capital are limited. After careful consideration, while the Board believes that a stable dividend policy of a consistent pay out each year is appropriate for the Group, it does not recommend a final dividend in respect of 2023 while the Board's assessment of Going Concern includes a material uncertainty statement (refer to note 1a. of the financial statements for further information).

Dividend in the year

When making the decision on the level of ordinary dividend to recommend, while recognising the importance of it to its shareholders, the Board also considered other factors such as liquidity, the ability to borrow and the growth needs of the Group, and other stakeholders such as our banks and customers. With all this in mind, the Board approved the payment of a second interim dividend of 3p on both NVPO and Ordinary shares paid in July 2023 in respect of the 9 months ended 31 December 2022, and an interim dividend paid in November 2023 of 1p per Ordinary share and 3p per NVPO share in respect of the year ended 31 December 2023.

International expansion

Following the end of the HIOS contract and the reshaping of the Company to include more international business, the Board considered the expansion plans for North America, both for Aerospace in the USA and Land Systems in Canada. This consideration took into account our workforce, our international customers and strategic industrial partners. A sub-committee of the Board approved the Power Team bid to the Canadian government.

The Board also received and considered the plans to support Aerospace's growth strategy in North America, the world's largest market for the C-130 aircraft. In doing so they considered all the key stakeholders and approved the construction of a single hangar comprising six bays for aircraft maintenance, repair and overhaul and one additional paint bay, at Piedmont Triad International Airport, Greensboro, North Carolina.

Unlocking value and driving profitable growth

In line with its previous commitments to ensure timely vacant possession of the remainder of the Marleigh site, the Board considered a number of relocation sites that would best serve the employees and customers of Land Systems.

Having considered its sustainability commitments and the needs of its customers, the Board approved the acquisition of two FRIGOBLOCK dealers by Fleet Solutions to drive long term value and increase opportunities in the sector.

Stakeholder engagement

The Section 172 statement sets out who the Board consider to be its key stakeholders and provides a summary of the engagement that takes place at an operational or Group level.

Shareholders

Why we engage

It is important that the business maintains its strong links with the Marshall family and that all of our different shareholders groups understand the business performance, the decisions that are being taken and the Board's long-term vision for the Group.

How we engage

Having completed the disposal of MMH, we have now been able to re-establish regular reporting time lines. We have now introduced new trading updates for quarter one and quarter three to supplement the interim and full-year financial results.

We continue to give all shareholders exclusive access to a news portal, which is updated on a regular basis, providing insight into what is happening across all of Marshall, as well as providing ease of access to all shareholder documentation and share price information.

In addition, we continue to provide shareholders with the opportunity to attend in-person business updates hosted by the Board, and hold regular meetings with our material shareholders and shareholder representatives to provide a vehicle for two-way dialogue ensuring that shareholder views are reflected in the Board's decision making.

We believe that, with the introduction of these measures, along with the recent appointment of a dedicated Head of Investor Relations supported by Hudson Sandler, we have established a programme of engagement and disclosure commensurate with that of FTSE 250 public company norms.

Employees

Why we engage

As we continue to grow our geographical footprint it is important that our employees align behind our shared purpose, have access to the information they need to do their jobs well and understand and embrace the changes or improvements that we need to make. At the same time we have to listen and respond to their concerns and, importantly, have a vehicle to capture their suggestions and ideas.

How we engage

All employees, no matter which part of the business they work in attend regular face to face briefings with their managers and leaders to ensure they understand the priorities for their area of the business and how they will help to achieve them.

Recognising the diversity of our workforce, Group messages are shared across a variety of channels including BEAM (the company intranet), digital screens, newsletters, posters, and Town Hall events.

All employees are invited to attend quarterly CEO roadshows, monthly listening breakfasts and all new starters participate in an induction event, hosted by a member of the Executive Committee to help them orientate with the wider Marshall business.

At the same time, an ongoing programme of 'Visible Leadership' ensures that the Executive Committee spends time active on the shop floor to help them understand and, where practical, address any recurring issues or concerns. They also ensure that the Board understands the potential impact of their decision making on Marshall employees.

In addition to our regular cadence of communication meetings with Trade Union representatives, the Chief People Officer also chairs a group-wide Employee Forum which brings people together from across the business for consultation and discussion, relevant topics from these meetings are used to shape decision making and are fed into the Group Board where relevant.

Customers

Why we engage

We understand that, developing long term strategic partnerships with key customers across all areas of our business, gives us the opportunity to differentiate ourselves from our competitors. These are, where possible, aligned to our growth objectives. This enables Marshall to maintain, and capitalise on, its unique position as one of the last remaining independent mid-tier companies in the aerospace and defence sector.

How we engage

In order to ensure that our customer relationships, civil and military, are embedded and enduring, we work hard to foster relationships at every level. Where appropriate, our CEO holds relationships with key political/military personnel and industry counterparts, attending regular 'Board to Board' meetings to drive strategic collaboration with similar touch points through the levels below to ensure relationships exist at all levels.

Relevant leaders and subject matter experts participate in key UK and international trade show events, with relevant Board members in attendance to meet with senior political, military and industry leaders to ensure the Board has a first-hand understanding and influence on the geopolitical/industrial landscape.

Community

Why we engage

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

How we engage

We are involved with, and support, numerous initiatives in partnership with our local communities with particular emphasis on education and enablement.

Our STEM outreach programme continues to spark curiosity in young people from pre-school to post-graduate, and we hope many of them will go on to enjoy long and successful careers in engineering. The Marshall Community Fund and David Gregory Marshall (DGM) Trust continue to make donations to charities or good causes nominated by either local community members or our own employees. We have also introduced a paid volunteering scheme, which has enjoyed a strong take-up across all areas of the business, enabling our employees to give back to the communities in which we operate.

In Cambridge we continue to work alongside the community charity Abbey People, recognising the work it does to tackle inequality in the city by helping to improve the lives and wellbeing of Abbey residents.

We continue to host monthly 'drop-in' sessions for local councillors, who meet with members of the Marshall Group Communications and External Affairs team for a general update and opportunity to share any questions or concerns they might be hearing from the people they represent.

Outputs from these sessions are communicated back to the Board. We will use the input from these community communication events to help shape our engagement and consultation approach for Cambridge East. We will also ensure that any feedback from the local community is factored into development of new facilities as we expand our operations, both in the UK and overseas, to ensure we continue to be a good neighbour.

Suppliers

Why we engage

A diverse, robust and trusted supply chain is vital to ensure business continuity, cost competitiveness, quality, innovation, sustainability and value across all areas of Marshall. Our strategic partners play an increasingly important role in our continued success. Examples that demonstrate the value of working hand in hand with like-minded organisations that deliver complementary expertise, are our successful joint venture partnership at Marleigh with house builder Hill Group and our long-term relationship with Thermo King Europe ('TKE').

How we engage

We spend quality time visiting existing and potential new suppliers in person and continue to host and attend regular supplier forums and events.

We use trade shows as an opportunity for relevant Board members to engage directly with key strategic partners/suppliers, both in the UK and overseas, as well as expanding our network through active memberships of trade associations and governing bodies.

Outside of these events, we maintain an ongoing dialogue and encourage collaboration, enabling us to harness the specialist expertise within our supply base to drive innovation and help to solve complex problems – the Futureworx Lilypad collaboration with Sees.ai and ISS Aerospace being a prime example.

BY ORDER OF THE BOARD

Sarah Moynihan
Group Company Secretary

13 June 2024

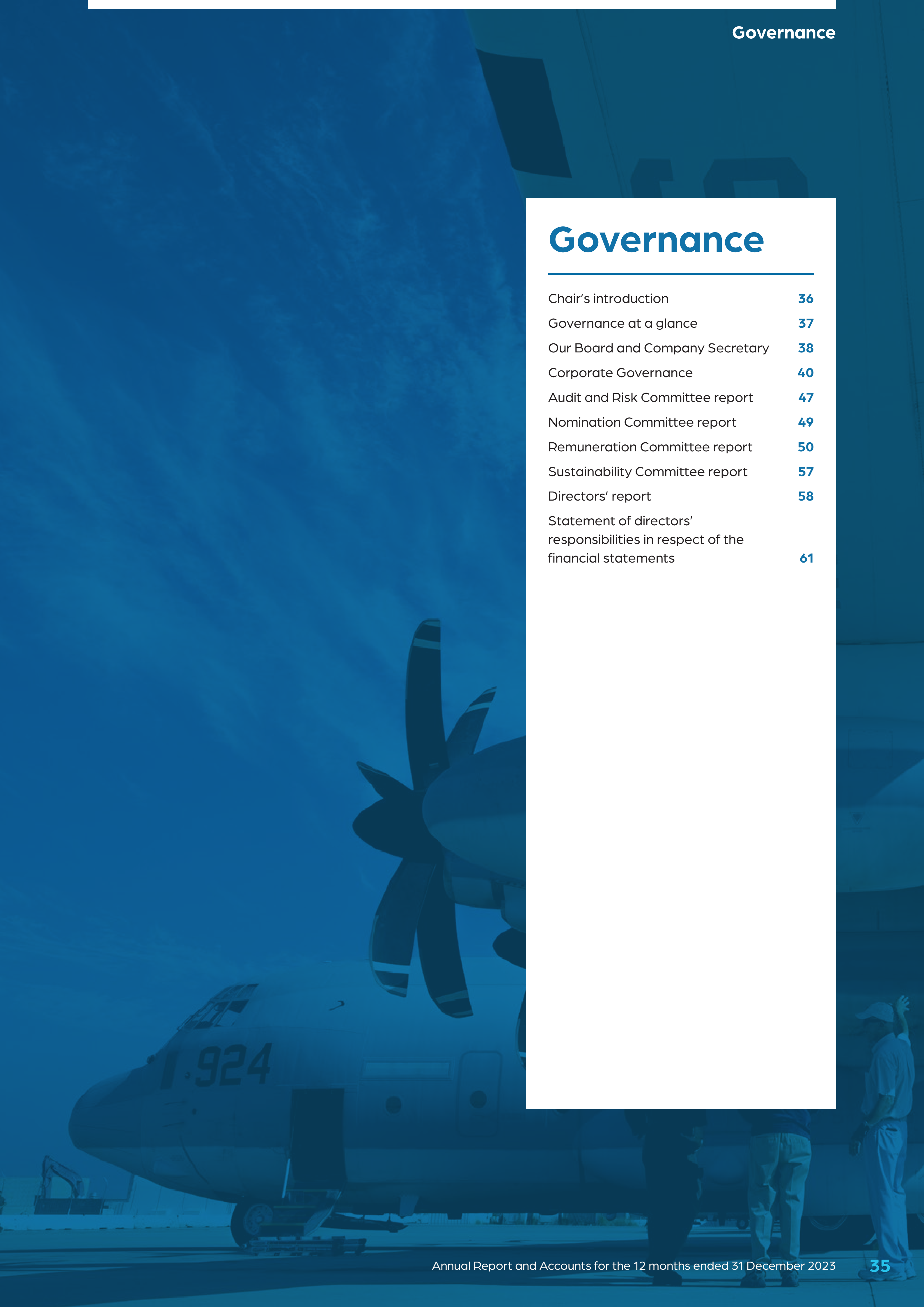
Case Study

The Group has a focus on developing Cambridge East. At 462 acres (187 ha), Cambridge East (the 'Site') is one of the most significant brownfield development opportunities in Europe.

Marshall (working with planning consultants Quod) has been positively promoting the Site through the planning system for a number of years , with the Cambridge East Area Action Plan (adopted in 2008), safeguarding the land for development. Committee papers published in January 2023 reaffirm the Council's intention to allocate Cambridge East for comprehensive redevelopment.

The current draft Local Plan (Preferred Options) identifies the Site for the development of 9,000 jobs (c. 1.5m sq ft of commercial space) and 7,000 homes. Marshall considers that further capacity testing has demonstrated potential for the Site to accommodate higher density than this, which is currently being promoted through the Local Plan adoption process.

All of the Site is safeguarded for long term development in the current Development Plan, with the exception of a green corridor that runs through the Site, which remains within the green belt. This will contribute towards the landscape amenity for the development, linking the city to the countryside.



Governance

Chair's introduction

Chair's introduction

As the interim Chair of the Board, I am pleased to introduce this report, which describes the activities the Board has undertaken during the 12 month period in support of our purpose and our strategy, along with the Group's governance arrangements.

The Group's purpose is to develop and deliver long term value for customers, communities, people and the planet. Despite a continued challenging business environment, the overarching strategic objective of the Group remains: to preserve and enhance shareholder value over the long term.

As a Board, we are committed to good corporate governance and recognise it as the foundation of delivering on our purpose and meeting the needs and high expectations of our stakeholders.

The Board has applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles") published by the Financial Reporting Council ('FRC') in December 2018 as our framework for effective corporate governance. Our approach to these principles is set out on pages 42 to 44 and we signpost key related information throughout our report.

2023 was the first year of a five-year turnaround plan, following the end of HIOS. As the year progressed, additional challenges for our engineering and fleet businesses required some difficult decisions to be made.

The Board's priorities during the year included:

- Transition and turnaround in the engineering and fleet businesses
- Repositioning as an international business
- Liquidity and financing
- Unlocking value and driving profitable growth
- Shareholder communications and information provision
- Dividend policy

The principal decisions under s172 of the Companies Act 2006 are set out on page 31 and matters considered by the Board are expanded in more detail under these headings in the key Board activities summary on pages 45 to 46.

There have been a number of changes to the Board recently with the appointment of David Heaford as CFO and Nick Shattock as an independent non-executive director In October 2023. Post the year end, Jonathan Flint left the Board on 20 March and Kathy Jenkins on 31 May 2024. After 10 years on the Board, James Buxton will step down at the end of June 2024.

The following pages provide information on the composition of the Board and its governance structure and processes, together with the key Board activities during the year and reports from each of its Committees.

We will continue through 2024 to review and challenge how we can continue to improve our corporate governance and ensure that the Board has the right set of skills and experience to guide the Group through its challenges and help capitalise on its opportunities.

Roger Hardy
Interim Chair

13 June 2024

Governance at a glance

Our governance model

Board of directors

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

Read more on pages 38 to 39

The Board is supported by its Committees and its Company Secretary. The Committees operate within well-defined and maintained terms of reference.

Certain matters are reserved for the Board including strategy; structure and capital; financial reporting and controls; internal controls and risk management; authorisation and approval levels; Board membership; delegation of authority and policy development; corporate governance matters; acquisitions, disposals, projects and contracts; Section 172 decisions; and dividend policy.

Audit and Risk Committee

Responsible for overseeing the Company's systems for internal financial control, risk management and financial reporting

Read more on **page 47**

Nomination Committee

Responsible for ensuring that the composition of the Board is appropriate for the future success of the business

Read more on **page 49**

Remuneration Committee

Responsible for a competitive and motivating remuneration policy for senior executives

Read more on **page 50**

Sustainability Committee

Responsible for overseeing the execution of the Group's Ambition 2030 sustainability strategy

Read more on **page 57**

Executive Committee

The Executive Committee ('ExCo') is our internal leadership team responsible for day-to-day execution of our strategy and operational management of our business lines. The effective working relationship between the Board and ExCo facilitates support and challenge.

Our Board and Company Secretary

Roger Hardy

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Interim Chair (appointed March 2024)

Appointed: August 2022

Roger is an engineer with extensive leadership experience in the defence industry across all three services: Air Force, Army and Navy. His executive career was predominantly with Babcock International in a number of senior roles including Chief Executive of the Aviation and Defence and Security divisions. He brings to the Board a focus on stakeholder engagement, programme and project delivery, international business winning, strong operational performance, safety and team building. Roger also chairs another family business John Heathcoat & Company.

Julie Baddeley

N (R) (S)

Senior Independent Director

Appointed: December 2016

Julie has significant remuneration committee experience and an independent focus on leadership, change management, governance and talent. She is Chair of Chapter Zero, where she leads a series of initiatives to help chairs and non-executive directors recognise the challenge of climate change to their businesses, and sees delivering a zero-carbon economy as the biggest challenge for business in her lifetime. She is a director of FTSE 250 automotive supplier TI Fluid Systems plc, which is leading the transition to electric vehicles, and a By-Fellow at Hughes Hall, University of Cambridge. She was previously senior independent director of Greggs plc and Yorkshire Building Society, and Chair of global recruitment company Harvey Nash.

James Buxton DL FRICS

N S

Non-Executive Director

Appointed: April 2014

With over 45 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 is a trustee for a number of landowning families as well as Chairman of Pigeon where he leads the Land Promotion team, having spent most of his career at Bidwells, including ten years as Senior Partner. James is a Chartered Surveyor and a Fellow of RICS. He was appointed a Deputy Lieutenant of Cambridgeshire in 2006. James will step down from the Board at the end of June 2024, having served 10 years.

John Crompton

A N R S

Non-Executive Vice Chair

Appointed: March 2023

John is a Trustee of the Marshall family settlements. In March 2023 he joined the Board as a shareholder-appointed non-executive director, and he was appointed Vice Chair in September 2023. John is an investment banker and spent most of his career at Morgan Stanley in London, New York and Hong Kong, and more recently held senior positions in HSBC's investment banking business and as independent non-executive chair of Wyelands Bank. He began his career at HM Treasury, and returned to the Treasury during the financial crisis, where he was responsible for managing the government's shareholdings in Lloyds Banking Group and RBS. He has extensive corporate finance experience across a wide range of industries. He is currently a non-executive director ICE Benchmark Administration.

Key

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- S Sustainability Committee
- ( ) Committee Chair

David Heaford ACA

Chief Financial Officer

Appointed: October 2023

David is a seasoned executive with over two decades of experience working in strategy, finance and general management roles across the real estate and technology sectors. David began his career with KPMG and after qualifying as a Chartered Accountant worked with Hewlett Packard and Cisco Systems throughout EMEA in a variety of strategy and finance roles. Before joining Marshall, David worked with Landsec plc, one of the UK's largest real estate businesses, initially as a divisional finance director before joining the executive committee as managing director for development, heading their multi-billion-pound mixed-use development pipeline. David brings financial acumen and strategy execution experience, together with in-depth knowledge of delivering long term capital-intensive projects.

Justin Read

(A) N R S

Independent Non-Executive Director

Appointed: October 2021

Justin brings significant financial and executive management experience from his career working in a number of different industry sectors and across multiple jurisdictions. These include building materials/construction, property, and corporate finance. Justin is the senior independent director of FTSE 250 company Grainger plc, as well as a non-executive director of FTSE 250 company Ibstock plc and Affinity Water Limited, and chairs the audit committee at all three. Key past roles include group finance director at both Segro plc and Speedy Hire plc, as well as head of corporate development and managing director of Continental Europe at Hanson plc.

Nick Shattock

A N R S

Independent Non-Executive Director

Appointed: October 2023

Nick is an experienced real estate leader as well as a former real estate law partner in a City law firm. Among numerous other property development projects, as a director of Quintain plc, he led the development of two of London's three largest regenerations – Wembley and Greenwich Peninsula – over a 12-year period, through acquisition, planning and development, culminating in planning consents of 22 million ft^2, including 16,500 homes and several million ft^2 of commercial over 250 acres. He is a director of MHCLG's 15,000 home Ebbsfleet Development Corporation. He was previously a director of the Defence Infrastructure Organisation (2018-22).

Sarah Moynihan FCA CRAeS

A N R S

Group Company Secretary[1]

Appointed: May 2012

Sarah qualified as a Chartered Accountant with EY, specialising in mergers and acquisitions. She joined the Group as financial controller and was appointed Company Secretary in 2012. She provides regulatory, legal, governance and compliance advice to the Board and its Committees, as well as advising and supporting shareholders. She is responsible for the co-ordination and implementation of the Group's sustainability and ESG strategies, chairs the Pension Governance Committee and is a trustee of the Group's pension scheme. She is also an independent Trustee of the Royal Aeronautical Society and chairs its Finance Committee.

1 Not a Board member.

Corporate Governance

Key roles and responsibilities

Chair

Roger Hardy leads the Board and promotes a culture of openness and constructive debate; sets the agenda for the Board meetings together with the Group Company Secretary and oversees effective communication with shareholders.

Senior Independent Director

Julie Baddeley acts as a sounding board for the Chair and an intermediary for other Directors; is responsible for holding annual meetings with the non-executive directors, without the Chair present, to appraise his performance; and acts as the Chair's deputy in his absence.

Non-Executive Directors

James Buxton, John Crompton, Justin Read and Nick Shattock bring independent judgment on key issues affecting the Group and its business operations, including strategy, performance, resources and standards of conduct; and provide constructive challenges to management. Justin and Nick are considered to be independent non-executive directors.

Designated Employee Engagement Non-Executive Director

Roger Hardy has taken on the responsibility for understanding the views of the workforce and identifying any areas of concern, communicating these views to the Board, and ensuring that the Board considers the workforce in its decisions.

Chief Executive Officer

Until her departure on 31 May 2024, Kathy Jenkins was responsible for the leadership and day-to-day management of the Group, with a scope covering strategy, contact bids, operations, finance, regulation, commercial, shareholder relations, government relations and global opportunities. Roger Hardy has taken on this role while a new Chief Executive Officer is sought.

Chief Financial Officer

David Heaford is responsible for the financial performance, capital allocation and financing of the Group and supporting the Chief Executive Officer in developing and implementing strategy.

Group Company Secretary

Sarah Moynihan is responsible for ensuring compliance with Board procedures, relevant rules and regulations; that directors are supplied with sufficient information to help them discharge their duties; and acts as the day-to-day contact for shareholders.

The Board met formally nine times during 2023, as well as strategy away days, supported by regular reports and briefings from leadership across the Group. Information about the attendance of all our Board and Committee Members is set out within the table below.

	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Number of meetings held	9	5	2	5	3
Current Directors					
Roger Hardy	9/9	5/5	2/2	5/5	3/3
Julie Baddeley	9/9		2/2	5/5	3/3
James Buxton	9/9		2/2		3/3
John Crompton	8/8	4/4	2/2	4/4	2/2
David Heaford[1]	2/2				
Justin Read	9/9	5/5	2/2	5/5	2/2
Nick Shattock	2/2			1/1	
Former Directors					
Kathy Jenkins[2]	9/9				
Jonathan Flint[3]	9/9		2/2		3/3
Doug Baxter	9/9				

1 As CFO, David Heaford is invited to attend the meetings of the Audit and Risk Committee but is not a member of the Committee.

2 As CEO throughout 2023, Kathy Jenkins was invited to attend meetings of the Audit and Risk Committee, Remuneration Committee and Sustainability Committee, but was not a member of those Committees.

3 As Chair throughout 2023, Jonathan Flint was invited to attend meetings of the Audit and Risk Committee, Remuneration Committee and Sustainability Committee, but was not a member of those Committees. He was Chair of the Nomination Committee throughout the year.

Board Committees

Committee	Key Responsibilities
Audit and Risk Committee Chair: **Justin Read** Responsible for overseeing the Company's systems for internal financial control, risk management and financial reporting	• Reviewing the effectiveness of the Group's internal controls • Reviewing the effectiveness of the Group's risk management systems • Overseeing the rolling cycle of deep dives into the identified principal risks • Reviewing whistleblowing arrangements • Reviewing the effectiveness of the internal audit function • Overseeing the Treasury Committee • Recommending the appointment of the external auditor • Reviewing the external and internal audit plans • Monitoring the integrity of the interim and annual financial statements • Challenging the accounting policies and methodology, and the clarity of disclosure in the period end and interim reports • Reviewing going concern • Recommending the annual and interim reports to the Board for approval
Nomination Committee Chair: **Julie Baddeley for permanent Chair recruitment; Roger Hardy for other appointments** Responsible for ensuring that the composition of the Board is appropriate for the future success of the business	• Overseeing the development of a diverse succession pipeline (across the immediate, medium and long term) • Considering the strategic skills and experience required on the Board in the future • Maintaining a skills matrix for the Board and its Committees • Regularly evaluating the composition of the Board through the balance of skills, knowledge, experience and diversity • Maintaining the strategic framework for Board succession and replacement • Leading the process for the appointment and reappointment of both executive and non-executive directors
Remuneration Committee Chair: **Julie Baddeley** Responsible for a competitive and motivating remuneration policy for senior executives, taking into account business performance, external market conditions and the ability to deliver the Group's strategic ambitions	• Determining and agreeing with the Board the framework for the remuneration of the Chair, Chief Executive Officer, Chief Financial Officer, Group Company Secretary and other members of executive management it is designated to consider • Based on benchmarks and performance, determining the total individual remuneration package of each executive director and specified senior executives including bonuses, incentive payments and any other elements of remuneration • Reviewing the ongoing appropriateness, relevance and efficiency of remuneration policy and practice • Reviewing the design of performance-related pay schemes and Long-Term Incentive Plans • Reviewing and approving the total annual payments made under such schemes • Considering employee views, as appropriate, when making remuneration decisions • Reviewing employee policies and practices, including those that have an impact on talent, diversity, engagement and culture and conducting workforce engagement measures through formal and informal challenges • Reporting to the Board the workforce's view, priorities and whether or not the current policies and practices in place support the Group's strategy, purpose values and culture
Sustainability Committee Chair: **Julie Baddeley** Responsible for overseeing the execution of the Group's Ambition 2030 sustainability strategy	• Reviewing the sustainability risks and opportunities for the business • Setting strategies and agreeing a management approach • Reviewing the performance and progress against plans, goals and targets • Driving leadership and best practices regarding sustainability • Reviewing the plans put in place by management to mitigate risk and capitalise on opportunities

Corporate Governance continued

The Board has applied the Wates Corporate Governance Principles for Large Private Companies ("Wates Principles") published by the Financial Reporting Council ('FRC') in December 2018, as our framework for effective corporate governance.

Wates Principles

Principle 1
Purpose and Leadership

Associated activity

The Board is responsible for the long-term strategy, direction and performance of the Group. It recognises the importance of promoting the Marshall purpose, values and strategy, all of which are vital to creating, maintaining and enhancing a culture and focus that drives long-term sustainable success.

The Board oversees the operating model and ensures that the strategy is clearly articulated and implemented throughout the business.

The Board promotes the Marshall purpose and values in a variety of ways, including engagement with Marshall colleagues and implementation of clear policies and associated training.

The Board is committed to a supportive 'speak-up' culture, helping to ensure that any concerns can be effectively raised and properly addressed.

The Board is responsible for the approval of the Group's Code of Business Ethics. This applies to all operating companies and employees within the Group, and helps them to act and operate appropriately within the confines of legislation and the Group's ethical code of conduct.

Complementing the Code of Business Ethics, there is a suite of Group-led policies that support this engagement, including ethics, anti-bribery, whistle-blowing, slavery and human trafficking, and diversity, inclusion, equality and human rights. More detail can be found on these policies on the Group's website.

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

Principle 2
Board Composition

Associated activity

At the date of this report, the Board comprises the Interim Chair, three independent and two non-independent non-executive directors, and the Chief Financial Officer, and is supported by its Company Secretary and formal Committees. The non-executive directors provide oversight, objectivity, and challenge, contributing to overall board effectiveness.

→ Read more about **The Board and its Committees** on **pages 38 to 41**

The Board is committed to maintaining a balance in terms of diversity, skills and experience through evaluation, performance monitoring and succession planning. While the Board considers its overall size and composition to be appropriate, it does acknowledge that increased diversity in the areas of gender balance may further enhance its effectiveness. The Board therefore aims to give this aspect of its composition further consideration.

The Board provides a comprehensive induction programme for new executive and non-executive directors and opportunities for ongoing professional development.

Directors are regularly briefed on relevant legal, regulatory and governance matters. All directors have access to the Group Company Secretary and independent professional advice in relation to their duties (at the Company's expense).

The Board carries out regular internal and external evaluations of its effectiveness, with the next external evaluation planned for the last quarter of 2024.

"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."

Wates Principles

Principle 3

Directors' Responsibilities

Associated activity

During 2023, the Board maintained a separation of the Chair and CEO roles, promoting good governance through the clear division of responsibilities, accountabilities, and oversight at the most senior level.

Read more about **The Board** on **pages 38 to 39**

All directors are familiar with, and have access to, the Marshall governance framework including its policies, procedures, and terms of reference. The Board also annually reviews the terms of reference of its formal Committees. Directors are fully conversant with their duties and responsibilities both on a collective and individual level, whether derived from law, regulation, or the Group's own standards. Responsibilities toward shareholders are underpinned by clear and comprehensive Board Terms of Reference.

Read more about our **Key roles and responsibilities** on **page 40**

To ensure effective monitoring and informed decision-making, the Board receives accurate, regular, and timely information about the performance of the Group, including financial, strategic and operational performance metrics, as well as stakeholder feedback from shareholders, employees and customers.

Objective decision making is supported by processes to identify and manage any potential conflict of interest. shareholder consent for certain major transactions or changes in ownership of major assets. All directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and re-election, thereafter, by rotation.

"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."

Principle 4

Opportunity and Risk

Associated activity

The Board has implemented clear policies and processes to support the identification and management of opportunity and risk in line with its purpose, strategy and values.

Read more about **Our Risks** on **pages 23 to 26**

Risks and opportunities are managed within the parameters of the Group Risk Policy and Risk Appetite Statement.

Opportunities are identified through strategic business planning, focusing in particular during 2023 on building strategic partnerships, broader international presence and transformation of the business post HIOS.

The Board delegates responsibility for reviewing and monitoring the Group's principal strategic risks and internal controls to the Audit and Risk Committee. A detailed review of the Group risk register is carried out by the Executive Risk Management Committee with the most significant risks reviewed directly by the Board.

Read the **Audit and Risk Committee report** on **pages 47 to 49**

"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."

Wates Principles

Principle 5
Remuneration

Associated activity

The Group's Remuneration Policy is overseen by the Remuneration Committee, with clear objectives to incentivise management to align with the long-term success of the Group's strategic goals and business plans. The Committee has clearly defined terms of reference.

The policy prioritises the attraction, motivation, and retention of high-calibre executives, who possess a proven track record of success in high performing businesses. It also emphasises behaviours that align with the Group's values and the consistent delivery of strategic objectives in line with the interests of shareholders.

→ Read the **Remuneration Committee report** on **pages 50 to 56**

"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."

Principle 6
Stakeholder Relationships and Engagement

Associated activity

The Board recognises the vital importance of effective engagement with stakeholders to the delivery of the Group's purpose, noting that the key pillars: customers, people, planet and communities reflect its main stakeholder groups and interests.

The Board ensures meaningful engagement with stakeholders using a range of methods and channels. Feedback is incorporated into Board and Committee decision-making processes.

Comprehensive guidance is provided to directors and management regarding the application and fulfilment of their Section 172 duties when making collective decisions that could influence the Group.

→ Read more about **Stakeholder Engagement** on **pages 32 to 34**

The Board maintains a comprehensive understanding of the views of its shareholders through its governance structure whereby the Chair, the CEO, the CFO and the Company Secretary met with the major shareholder group 12 times in 2023 to brief them on strategy, budgets and forecasts, orders and new contracts, as well as issues arising from underlying legacy contracts and supply chain problems.

The whole Board met with the wider shareholder group in May and in September. The Chair of the Remuneration Committee also met privately with the major shareholder group.

→ Read more about **S172 and Principal Decisions** on **page 31**

"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."

Key Board activities

2023 was the first year of a five-year turnaround plan, following the end of HIOS, the Group's biggest contract and source of revenue and profit. As the year progressed, additional challenges for our engineering and fleet businesses required some difficult decisions to be made.

The Board's priorities and key decisions made during the year included:

Board Priority	Key Decisions
Transition and turnaround	The Aerospace post-HIOS business has many opportunities but was constrained by business winning capability so additional senior resource was brought into the Group, with a new COO and Chief Growth Officer joining the Group in late 2023. As the sales and destination of the retired RAF C-130 fleet is a political decision for UK Government, and therefore not in our control, a restructure of the business has begun to address the challenge of a less predictable future workload. Lessons learned from Land Systems' performance in 2022 were rolled into the forward planning for new contracts, including product development and standardisation, delivering significant production unit cost savings. However, despite producing high quality products for satisfied customers, rising material prices, supply chain interruption, increased labour and mobilisation costs, customer change requirements, and technical issues led to further losses arising in Land Systems' key legacy projects in 2023. A restructuring programme was therefore instigated to remove further overhead cost. A full independent review of Fleet Solutions was initiated as the business was under significant competitive price pressure in its traditional markets, despite improving the service offering. A slower than predicted emerging renewable market compounded the impact. The recovery plan has reduced the property portfolio and number of call centres as well as cutting stock investment, working capital and headcount. Further improvements are expected from leaner processes, IT improvements and additional infrastructure changes, along with the integration of the acquired FRIGOBLOCK franchise dealers.
Repositioning as an international business	After a period of significant planning and forward mobilisation, the Board approved the bid submitted by Land Systems to the Canadian government for its Logistics Vehicle Modernization (LVM) project, as part of the Power Team, led by General Dynamics Land Systems – Canada. The Power Team was selected by the Canadian government at the end of 2023. The Power Team will provide the replacement for the Canadian Armed Forces' existing fleet of logistics vehicles, which can be used to transfer resources, personnel and military assets during domestic and international operations and training exercises. Following two years of a strategic partnership with the US Marine Corps and on-time delivery of all aircraft maintained in the Cambridge hangars, the Board approved the establishment of a new aircraft maintenance and engineering facility at Piedmont Triad International Airport, Greensboro, North Carolina, to be operated by local subsidiary Marshall USA.
Liquidity and financing	Following receipt of the proceeds of the sale of Marshall Motor Holdings, the Board made the decision in 2022 to repay the debt facilities and pay a special dividend of 76.0p to all equity shareholders. However, in 2023, the early termination of the HIOS contract combined with geopolitical tensions requiring the aircraft to be kept in flight ready condition contributed to lower cash flow and higher working capital requirements. This has been exacerbated by the 15 C-130 aircraft remaining unsold nearly a year later, as the Group had entered into a gain share agreement with the UK MoD on these sales, the timing of which is out of our control as they will be government to government, together with worsened trading performance from a portfolio of legacy long term contracts within the Land Systems business, and uncertain timing of inflows from planned disposals of assets within the Group. The Directors have taken further steps in 2024 to ensure liquidity, securing additional external debt facilities of £35m, whilst sales of non-core assets continue to be progressed.

Corporate Governance continued

Board Priority	Key Decisions
Unlocking value and driving profitable growth	Throughout the period, the Board continued to progress its plans for Cambridge East. This included starting to develop strategic relationships with potential master developer partners, working with local planners on the various stages needed to take the airport land forward in the Local Plan. Having successfully worked with Hill Group on the first two phases of Marleigh, the Board approved the continuation of the strategic partnership by awarding them the joint venture to deliver Phase 3. In addition, the Board approved the relocation of the Land Systems business as part of its contractual commitment to deliver vacant possession of the remainder of the North Works for the Marleigh development. The Board approved the acquisition of two FRIGOBLOCK franchise dealers by Fleet Solutions. The acquisition, which should drive long term value and increase opportunity in the sector, also supported the Group's broader Ambition 2030 programme which focuses on developing sustainable products and services to help customers meet their climate action targets.
Shareholder communications and information provision	At the start of 2023, the Board introduced a governance structure to formalise arrangements on shareholder communication and information sharing. This included: • 12 meetings with major shareholders, who received briefings on the business plan, the budget, the order book and trading performance, subject to non-disclosure and non-trading agreements for commercially sensitive information • The appointment of one of the trustees of the family settlements, John Crompton, to the Board • The Company funding an independent review of the decision making process and options for Cambridge East • The public release of off-quarter trading updates, as well as interim and annual accounts, timed to coincide with the quarterly share auctions of NVPO shares on the Asset Match FCA regulated online trading platform • Two business update presentations in 2023 to all shareholders. At the start of 2024, the Board appointed a full-time Head of Investor Relations to manage and improve delivery of the additional information requirements.
Dividend Policy	As a private limited Company, access to external capital is limited. Therefore, when making a decision on the level of ordinary dividend to recommend, while recognising the importance of a dividend to its shareholders, the Board has to take a number of factors into account. These include liquidity of funds, stability of earnings, strengthening of the balance sheet, past dividend rates, debt obligations, ability to borrow and the growth needs of the Group. During the year, the Board approved the payment of a second interim dividend of 3.0p on both NVPO and Ordinary shares paid in July 2023 in respect of the 9 months ended 31 December 2022, and an interim dividend paid in November 2023 of 1.0p per Ordinary share and 3.0p per NVPO share in respect of the 12 month period ended 31 December 2023. The Board considered the continuation of the current policy of maintaining a consistent pay out each year and approved it as the most appropriate policy for the Group. However, the Board does not recommend a final dividend in respect of 2023 while its assessment of Going Concern includes a material uncertainty statement (refer to note 1a. of the financial statements for further information).

Audit and Risk Committee report

I am pleased to present the Audit and Risk Committee Report for the 12 month period ended 31 December 2023. The Committee's overarching responsibility is to provide independent challenge and oversight of the Company's internal financial control and risk management systems, and its financial reporting, as well as engaging with the internal and external auditors. An annual plan of topics and key issues is approved at the start of each year. Membership and attendance is set out on page 40 and the Committee's key responsibilities are set out on page 41.

The Committee held five scheduled meetings during the year, with members of senior management attending as and when appropriate. An update was provided to the Board on key issues discussed during each of the Committee's meetings. In addition, the Committee held regular private sessions with the Chief Financial Officer, the Chief Executive Officer, the internal audit team and the external audit team to ensure that any concerns could be raised outside formal meetings.

Key Committee activities

Internal control

The Committee conducted regular reviews of the overall effectiveness of the internal financial control framework. This encompassed the internal control framework documentation, including the management structure, delegation of authority, financial governance (monthly business reviews, management accounts, quarterly forecasts and annual budgets), risk management and policies. The Committee also reviewed the progress against the improvement plan approved last year to ensure continuous monitoring, feedback and corrective action as required, as well as monitoring progress of the implementation of recommended actions from internal audit reports. The internal auditor carried out spot checks of some of the key financial control processes and targeted internal controls in its 2023 internal audit plan. Overall, the Committee is able to confirm that the Group's system of internal financial control provides reasonable, but not absolute, assurance, and is designed to mitigate and manage risk to an acceptable level, rather than eliminate it, and to address key business and financial risks.

Risk management framework

The Group's risk management process is set out on pages 21 to 26. The Board has delegated responsibility for reviewing the effectiveness of the Group's risk management systems to the Committee. Any matters of particular concern are escalated to the Board. The internal audit function carried out a review of the risk management framework at the end of 2022, with the recommended actions implemented in early 2023.

Principal risks rolling deep dive programme

The Group's principal risks are set out on pages 23 to 26. The programme of rolling deep dives is used to ensure each principal risk undergoes sufficient scrutiny. Each deep dive is presented by the relevant risk owner and includes a review of actions taken and planned, together with mitigations. During the year deep dives on health and safety; loss of radar service provision; airborne conflict or collision; aircraft airworthiness; property development; relocation of the aerospace business; ensuring vacant possession of the North Works; the geopolitical environment and the evolution of Aerospace post HIOS were presented to the Committee. The Committee also looked at the contract status review process.

Internal audit

The Board has an ongoing commitment to operating an internal audit function to provide relevant, timely and independent assurance on the Group's activities. Recognising the benefits of access to a broad range of skills and experience, as well as a fully flexible resource, the Committee continues to outsource the function to Grant Thornton UK LLP. Their work is risk focused, and the areas of audit focus are determined by the Committee based on a combination of risk assessments, discussions held with senior management, and requests received from the Committee or senior management. The Committee approved the annual plan of internal audits to be undertaken and received progress reports at each meeting. Internal audits carried out in 2023 concentrated on various financial and operational internal controls. The Committee met privately with the internal audit team and with executive management without the internal audit team present to ascertain that the function continued to provide value.

Treasury Committee

The Board has a treasury management policy, which sets out the policies and strategies that the Group follows to manage its cash resources, minimise financial and operational risks, and establish and manage relationships with financial institutions. During the year, the Treasury Committee reported to the Committee on banking relationships, hedging contracts, foreign currency management and covenant compliance.

External auditor and audit plan

PwC LLP were appointed auditor of the Group with effect from 14 December 2022, following the late resignation of the previous auditor. PwC LLP's first audit was of the 9 months to 31 December 2022, with the fieldwork starting later than planned. This, coupled with the time taken to receive audited information from the new owners of

Marshall Motor Holdings, led to the 2022 accounts being issued much later than originally anticipated.

However, although the audit had been more complex than predicted, the level of understanding has meant a more timely start to the 2023 audit fieldwork and a return to the more usual timetable. In addition, the Committee was satisfied with the relationship established between the PwC LLP audit team and the finance team, as well as the reports received, including the audit planning report, a number of updates on progress and a review of the final audit findings. The Committee was also satisfied that the materiality applied by PwC LLP was appropriate and that they had identified the key risks on which to focus.

Financial reporting

A key priority of the Committee was to review and recommend approval of the interim and preliminary results, the off-quarter trading updates, and the Annual Report. This included a review of the financial resilience and assumptions used to support the associated going concern statement. The Committee also challenged the critical accounting judgements recommended by management.

The key judgement areas considered by the Committee for 2023, and how these were addressed, were:

Going concern

The Committee reviewed the assumptions and disclosures made in reaching the going concern conclusion, including forecast operating cash flows, forecast capital expenditure, the overall Group liquidity position, and reviewed the output of the scenario testing performed. These included severe but plausible downside scenarios and the mitigating actions available to the Group , including but not limited to the disposal of assets and the inherent risks associated with these mitigating actions.

The Committee concluded that it was appropriate to prepare the financial statements on a going concern basis, albeit with a material uncertainty since these mitigating actions are not fully within the control of the Directors and have not been committed to as at the date of approval of these financial statements. Were the Group not to be able to successfully enact these mitigations or uncommitted debt facilities were to be withdrawn, the Group may need additional external funding to retain liquidity and in the event of a breach of covenants it would need to obtain waivers from its lenders.

HIOS price adjustment

The Committee took external advice on the accounting and disclosure of the commercially sensitive price adjustment on the HIOS contract. This resulted in the adjustment being taken over the length of the remaining contract to 30 June 2023 and not being treated as exceptional. To ensure consistency for shareholders, the Aerospace revenue and profits has been split between HIOS and non-HIOS using the same methodology as at the December 2022 period end.

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. Where required, key individuals from the business attended meetings to provide a deeper understanding. The Committee's review included the judgement to defer profit on a significant contract until such time as the associated revenue could be reliably estimated.

Recoverability of capitalised costs

The Committee reviewed the development and related relocation planning costs capitalised into freehold land and buildings assets. These are included at the point that a development plan is determined to be financially viable and that it is probable the economic benefits associated with the proposed development will flow to the entity. The Committee also reviewed the capitalised research and development costs of our own products that were considered recoverable by the businesses. The costs would be amortised over five years once in production, each product having been judged on their individual useful economic life. The Committee was satisfied with the nature and amounts capitalised and the recoverability of these balances.

Useful economic life of assets

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

Revaluation of investment properties

A number of investment properties were externally revalued upwards, reflecting their physical location next to the airport land and potentially Cambridge East, and, in some cases, fast approaching vacant possession. These included the Newmarket Park & Ride land, as well as the BP petrol station, Ice Rink and some of the external motor dealership buildings. The airport land was still in operational use as an airfield by the Group and was therefore not an investment property.

Exceptional items

Items that are one-off or material to the reader's understanding of the financial statements are presented as exceptional. The Committee reviewed the basis for the multi-year restructuring costs being treated as separately disclosed exceptional items.

Recommendation of the Report and Accounts for Board approval

Following the relevant meeting, the Committee, unanimously, recommended the Report and Accounts to the Board for approval.

Focus for 2024

During 2024, the Committee has continued to focus on driving further improvements in internal controls and has included a number of internal control related areas in its 2024 internal audit programme. The Committee is also committed to ensuring an increase in the frequency and timeliness of shareholder reporting, including further work to provide appropriate disclosure of the Group's performance and prospects.

I met with the material shareholders in May 2024 to discuss the role of the Committee and the issues it reviews and I look forward to continuing this relationship.

Justin Read
Audit and Risk Committee Chair

13 June 2024

Nomination Committee report

I am pleased to present the Nomination Committee Report for the 12 month period ended 31 December 2023. The Committee's purpose is to ensure that the composition of the Board is appropriate for the future success of the business, with the right balance of skills, experience, independence and diversity. Membership and attendance is set out on page 40 and the Committee's key responsibilities are set out on page 41.

Key Committee activities

During the summer of 2023, Julie Baddeley, as Senior Independent Director, led the process for conducting a search for a new Chief Financial Officer. An external executive search consulting firm was engaged to help identify potential candidates. Potential candidates were considered on the basis of their skills and experience. Following a rigorous process of interviews with various members of the Nomination Committee, the Board approved in September 2023 the appointment of David Heaford as CFO. David is a Chartered Accountant and a seasoned executive with over two decades of experience working in strategy, finance and general management roles across the real estate and technology sectors. Following a unanimous approval, David was appointed to the Board with effect from 1 October 2023.

The Committee also carried out an exercise to determine any gaps in experience or balance on the Board. As James Buxton had indicated his decision to retire from the Board, having served nine years, it was agreed to appoint an additional independent non-executive director with extensive large scale property development experience. A number of external candidates were long listed, short listed and interviewed, with the Committee recommending the appointment of Nick Shattock. Nick is an experienced real estate leader as well as a former real estate law partner in a City law firm and has led some significant property development projects. Following unanimous approval, Nick was appointed to the Board with effect from 1 October 2023.

In January 2024, Jonathan Flint announced his decision to retire from the Board and as Chair. Following consultation with all the major shareholders, I was appointed as interim Chair with effect from 18 March 2024. The Committee has also begun the search for a new Chief Executive Officer and I look forward to updating shareholders on this appointment in due course.

Roger Hardy
Interim Chair

13 June 2024

Remuneration Committee report

I am pleased to present the Remuneration Committee report for the 12 month period ended 31 December 2023. The Committee's overarching responsibility is for a competitive and motivating remuneration policy for senior executives, taking into account business performance, external market conditions and the ability to deliver the Group's strategic ambitions.

Membership and attendance is set out on page 40, and the Committee's key responsibilities are set out on page 41. The Committee held five scheduled meetings during the year, with members of senior management attending as and when appropriate.

Summary of variable pay

No financial performance bonus payments were payable for 2023 as the Group results for the year did not meet the threshold. The only bonus payments triggered related to the achievement of personal objectives.

No LTIP payment was payable for the 2021 – 2023 LTIP as the Group results for the three year period did not meet the threshold.

Key activities in the year

The key matters considered during the period are set out below:

Remuneration for the period under review

- Decisions on directors' remuneration in the year were taken within the framework of the Terms of Reference.
- The Committee believes that the outcomes of the annual bonus for 2023 accurately reflect the performance of the Company over this period.
- No discretion has been exercised by the Committee to override the formulaic outcomes of the 2023 annual bonus.

Base salaries

- In the first quarter of 2023, the Committee agreed to apply base salary increases of 4% to annual salaries to the Executive employees effective 1 April 2023. These increases were below the pay review settlement agreed for the wider workforce.

2023 bonus scheme

- The bonus scheme for 2023 was adjusted to incorporate a Group Order Intake target. As a result of the introduction of the Order Intake target, the personal element of the bonus has been reduced from previous years.
- The on-target and maximum bonus available for the Chief Executive Officer for the 12-month period of 2023 is 50.64% and 100% of salary respectively and is allocated as follows:

Element of bonus	On Target percentage of salary	Maximum (stretch) percentage of salary
Group profit before exceptional items	16.88%	49.36%
Group net cashflow excluding land receipts, exceptional items and dividends	16.88%	16.88%
Group order Intake	16.88%	16.88%
Personal objectives (agreed with in advance with the Committee)	0%	16.88%
Total bonus as a percentage of salary	**50.64%**	**100%**

- The on-target and maximum bonus available for the Chief Financial Officer*, executive directors, Group Company Secretary and other members of executive management the Committee considers, for the 12-month period of 2023 is 20.25% and 50% of salary respectively and is allocated as follows:

Element of bonus	On Target percentage of salary	Maximum (stretch) percentage of salary
Group or relevant business unit profit before exceptional items	6.75%	29.75%
Group or relevant business unit net cashflow excluding land receipts, exceptional items and dividends	6.75%	6.75%
Group order Intake	6.75%	6.75%
Personal objectives (agreed with in advance with the Committee)	0%	6.75%
Total bonus as a percentage of salary	**20.25%**	**50%**

*The Chief Financial Officer on the above scheme was on a fixed term contract in 2023. A permanent Chief Financial Officer was appointed on 25 September 2023 and the following pro-rated bonus for 2023 applied:

Element of bonus	On Target percentage of salary	Maximum (stretch) percentage of salary
Group or relevant business unit profit before exceptional items	16.875%	49.375%
Group or relevant business unit net cashflow excluding land receipts, exceptional items and dividends	16.875%	16.875%
Group order Intake	16.875%	16.875%
Personal objectives (agreed with in advance with the Committee)	0%	16.875%
Total bonus as a percentage of salary	**50.625%**	**100%**

- The financial targets for the 2023 bonus scheme and actuals achieved are as follows:

2023 Group Profit Target before exceptional items (£)	2023 Group Stretch Profit Target before exceptional items (£)	Actual Group Profit achieved before exceptional items (£)	Group Net Cashflow Target excluding land receipts, exceptional items and dividends (£)	Actual Group Net Cashflow achieved excluding land receipts, exceptional items and dividends (£)	Group Order Intake Target (£)	Actual Group Order Intake (£)
12,354,000	16,060,000	4,080,000	-61,123,000	102,488,000	545,391,000	201,715,000

- The personal element of the bonus is based on the top five identified personal objectives and they are reviewed, and scoring agreed, by the Committee. In March 2024 the Committee approved payments based on the rigorous assessment of the personal objective element. Following the conclusion of the 2023 audit, the Committee agreed the payment of the 2023 annual bonus.

Long Term Incentive Plan (LTIP)

- Due to the uncertainty in 2020 from the impact of Covid-19, the 2020 – 2022 LTIP grant was delayed and implemented at the same time as the 2021 – 2023 LTIP grant, so effectively there was a double allocation within the 2021 – 2023 LTIP grant.
- The 2021 – 2023 LTIP is constructed as follows:
  - 60% based on Underlying Group profit before tax (before exceptional items) for the year end 31 December 2023
  - 40% based on net cashflow for Group (excluding land receipts, exceptional items and dividends) for the three financial years ending 31 December 2021, 31 December 2022 and 31 December 2023
  - No element of the 2021 – 2023 LTIP was based on Marshall Motor Holdings targets
  - The performance period is from 2021 to 2023 and any potential payment vests following a two-year holding period commencing at the end of the performance period.
- The financial targets for the 2021 - 2023 LTIP and actuals achieved are as follows:

Minimum underlying Group Profit Target before taxation (before exceptional items) for the year ending 31 December 2023 (£)	Actual underlying Group Profit Target before taxation (before exceptional items) for the year ending 31 December 2023 (£)	Minimum average Net Cashflow target of the Group for Core Group (excluding land receipts, exceptional items and dividends (£)	Actual average Net Cashflow target of the Group for Core Group (excluding land receipts, exceptional items and dividends (£)
34,002,000	4,080,000	-15,950,000	-38,124,000

- The maximum potential earnings under the LTIP are 100% of salary for the Chief Executive Officer and 50% to 75% for other roles. The performance period is from 2021 to 2023 and any potential payment vests following a two-year holding period commencing at the end of the performance period.
- As detailed above, the targets did not trigger therefore there is no payment due under this LTIP.

The 2023 – 2025 LTIP is constructed as follows:

- 30% based on Underlying Group profit before tax (before exceptional items) for the year end 31 December 2025
- 30% based on net cashflow for Group (excluding land receipts, exceptional items and dividends) for the three financial years ending 31 December 2023, 31 December 2024 and 31 December 2025
- 20% based on Cumulative Return on Capital Employed (ROCE) (excluding exceptional items) for the three financial years ending 31 December 2023, 31 December 2024 and 31 December 2025
- 20% based on Sustainability Targets
- The performance period is from 2023 to 2025 and any potential payment vests following a two-year holding period commencing at the end of the performance period.

Decision making process

No deviations took place from the decision-making process for the implementation of the remuneration policy.

Wider workforce pay

The Committee is regularly informed of pay and employment conditions throughout the Company.

During the year, the Committee continued to have oversight of reward practices impacting the wider workforce and were involved in the decision to implement a cost-of-living bonus, paid monthly from October 2022 to March 2023, to support members of the workforce with increased energy costs over the winter period.

The below details the total reward of the Chair, Chief Executive Officer and Chief Financial Officer for the full 12 months of 2023:

Role	2023 Annual Salary details	2023 Annual Car Allowance	2023 Annual Pension Allowance	2023 Annual Benefits	Bonus outcome 2023	LTIP outcome 2023
Chair	Chair fee of £300,000 per annum	Not applicable	Not applicable	Not applicable	Not applicable as not a participant of a bonus scheme	Not applicable as not a participant of the LTIP
Chief Executive Officer	£412,000 per annum from 1 January 2023 £428,480 per annum from 1 April 2023	Car allowance of £13,400 per annum	Company Pension Contribution of £67,897.60 during 2023	Company paid Private Medical Insurance of £1,705.92 for the 2023/24 tax year	No bonus payment triggered. On target bonus = 50% Stretch bonus = 100%	No LTIP payment triggered for the 2021 – 2023 period
Chief Financial Officer*	£395,000 per annum from 1 January 2023 to 31st January 2023. £340,148 from 1 February 2023 to 24 September 2023	Not applicable	Not applicable	Not applicable	No bonus payment triggered. On target bonus = 20% Stretch bonus = 50%	Not applicable as not a participant of LTIP
Chief Financial Officer**	£400,000 from 25 September 2023	Car allowance on £11,150 per annum	Pension allowance of £31,635 per annum	Accommodation allowance of £24,000 per annum	£11,020.80 (3.24% of salary). On target bonus = 50.625% Stretch bonus = 100%	Not applicable as not a participant of LTIP

*The Chief Financial Officer was on a fixed term contract from 1 January 2023 to 24 September 2023. They are not a participant of any Long-Term Incentive Plan and do not receive a car allowance, private medical insurance or pension contribution in addition to salary.

**The permanent Chief Financial Officer was appointed on 25 September 2023.

Summary of Fixed and Variable remuneration:

Role	Proportion of fixed remuneration in 2023	Proportion of Variable remuneration in 2023
Chair	100%	0%
Chief Executive Officer	100%	0%
Chief Financial Officer*	100%	0%
Chief Financial Officer**	91.86%	8.14%

*The Chief Financial Officer was on a fixed term contract from 1 January 2023 to 24 September 2023.

**The permanent Chief Financial Officer was appointed on 25 September 2023.

Remuneration Committee report continued

CEO Pay Ratio

The table below shows how the CEO's single total figure of remuneration for the full year of 2023 compares with the equivalent figures for UK employees occupying the 25th percentile, median and 75th percentile quartiles.

We have chosen Option A under the CEO Pay Ratio Regulations for the calculation, which takes into consideration the full-time equivalent basis of all UK employees and provides a representative result of employee pay conditions across the Company. Total pay and benefits for all have been calculated as at financial year-end in accordance with the single figure methodology and are based on full-time equivalent pay and benefits. We have not omitted any pay elements from the calculation.

Year	Method	Pay Ratio to Lower Quartile UK employee	Pay Ratio to Median UK employee	Pay Ratio to Upper Quartile UK employee
2023	Option A	16:1	13:1	9:1

The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies.

Non-Executive Director remuneration

The table below shows a single annual remuneration figure for all qualifying services for 2023 for each Non-Executive Director.

Name	Annual Fees in 2023	Annual Benefits in 2023
John Crompton*	£46,598 Vice-Chairman fee £17,710 Non-Executive Director fee	N/A
Julie Baddeley	£48,000 Non-Executive Director fee £8,000 Chair of Remuneration Committee fee £7,500 Senior Independent Director fee Total annual fee £63,500	N/A
James Buxton	£48,000 for Non-Executive Director fee and £75,000 for Property Advisor fee Total annual fee £123,000	N/A
Roger Hardy	£48,000 Non-Executive Director fee	N/A
Justin Read	£48,000 Non-Executive Director fee £8,000 Chair of Audit and Risk Committee fee Total annual fee £56,000	N/A
Nick Shattock**	£12,000 Non-Executive Director fee Total annualised fee £48,000	

*John Crompton was appointed a Non-Executive Director on 01 March 2023 on an annual fee of £48,000 and then appointed as Vice-Chairman on 14 July 2023 on an annual fee of £100,000.

**Nick Shattock was appointed a Non-Executive Director on 01 October 2023

Non-Executive directors' fees were not increased in 2023. Non-Executive directors' fees were last increased on 1 January 2022. Non-Executive directors receive a base annual cash fee; additional fees are paid to the Senior Independent Director and to the Chairs of the Audit and Remuneration Committee. The Non-Executive directors receive no benefits other than reasonable business travel expenses.

Remuneration Policy for Executive directors

	Objectives and Link to Organisational Strategy	Operational and Performance Conditions	Opportunity
Base Salary	Aims to provide a fair and competitive base for the total pay level to attract and retain qualified leaders. Annual review based on the market movement for peer companies and wider workforce. An in-depth benchmark is conducted every three years.	Reviewed at 1 April each year taking into account increases awarded across the Group as a whole, personal contribution and performance, market changes and any change in role or responsibility.	Increases are generally expected to be in line with 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. Ensuring that strategic objectives are properly reflected in stretched yet achievable targets, the realisation of strategic business objectives is addressed.	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.	83.12% of salary, for stretch financial targets, with on-target achievement realising 50.64%. Financial targets are based equally on Group profit before exceptional items, Group net cashflow excluding land receipts, exceptional items and dividends and Group Order Intake. Up to 16.88% 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. Performance goals are based on company strategy, driving long-term value creation. 80% of the target LTIP is linked to financial goals; 20% is linked to sustainability aspirations. Performance is measured over three financial years, starting with the year of grant.	Awards are made based on a three-year performance period. Performance is against Underlying Core Group profit before tax, cumulative Return on Capital Employed, cumulative net cashflow and Sustainability targets.	Up to 100% of salary can be achieved in respect of a financial year. Awards are calculated at the end of the three-year period. There is then a further two year holding period until cash is paid out. This is in accordance with recent and best industry practice.
Pension	To provide competitive levels of retirement benefit.	Membership of company pension scheme or salary supplement or cash deferral scheme.	Typically, a Defined Contribution arrangement of up to 9% employer contribution, with some variation of contributions based on time employed.

Remuneration Committee report continued

	Objectives and Link to Organisational Strategy	Operational and Performance Conditions	Opportunity
Other Benefits	To provide competitive levels of employment benefits.	Benefits include: • car 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.

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 chair 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.

As with the previous year, I met with the material shareholders in May 2024 to discuss the role of the Committee and how it applies the remuneration policy, and I look forward to continuing this relationship.

Julie Baddeley
Remuneration Committee Chair

13 June 2024

Sustainability Committee report

I am pleased to present the Sustainability Committee report for the 12 month period ended 31 December 2023. The Committee's purpose is to oversee the execution of the Group's Ambition 2030 sustainability strategy and to review the overall performance of the Group against its sustainability goals and targets. Membership and attendance is set out on page 40 and the Committee's key responsibilities are set out on page 41.

The Committee held three scheduled meetings during the year, with members of senior management required to attend as and when appropriate. An update was provided to the Board on key issues discussed during each of the Committees' meetings. The Committee is also supported by an external sustainability expert.

Key Committee activities

The Committee oversaw the refinement of the collection methodology and analysis of baseline climate data for the Group's energy activity. This analysis allowed for performance tracking against short term carbon emission targets and the overarching Ambition 2030 target to have net zero carbon emissions from Marshall operations by 2030.

The Committee was pleased to note that there was a 13% reduction in equivalent tonnes of carbon from our energy use during the year.

Marshall's relocation and the new build development, provides a substantial opportunity to decarbonise Group operations, however a significant challenge lies in implementing innovative decarbonisation methods for the Group's legacy sites, given the scale and age of buildings and infrastructure. Various technologies and options are being investigated to ascertain the most appropriate investment opportunity to support the Group's net zero ambitions. However, the Committee is aware that the net-zero ambition can only be realised with additional investment or offset, neither of which may be the best use of shareholder funds if the site is to be vacated in the next few years.

Within individual business unit ISO14001 groups, carbon reduction targets have been integrated into daily operations to foster internal alignment towards these objectives across all business lines. Marshall overseas operations are considered at a local level however work is underway to begin collating international energy data during 2024.

During 2023, the Sustainability Committee continued to focus on options to decarbonise existing built infrastructure and operations, specifically looking at renewable fuel alternatives, such as bio-gas, to drive down carbon emissions from natural gas consumption, one of the Group's largest carbon-emitting activities.

As the Group expands its overseas activity, the Committee has reviewed options for carbon off-setting Marshall business air travel. A tender evaluation of the main carbon off-setting scheme providers was undertaken, and the Committee agreed a preferred provider. Costs for offsetting business flights have been built into 2024 budgets.

During the year, the accreditation process for each business unit to be certified to the ISO14001 environmental management system (EMS) international standard was concluded. Each business unit now has a dedicated ISO14001 team and will follow a standard format for managing and improving their environmental performance throughout the year. In addition, the ISO14001 format requires each business unit to focus on their most significant environmental aspects and impacts, which in turn will influence the formation of additional focus groups and their progress reported accordingly. The implementation of ISO14001 across all business units will enable consistency in reporting and provide further confidence in the Group's efforts to reduce carbon emissions and environmental impact across the entire organisation.

The Committee also received updates on performance improvements from the business unit working groups on sustainability, energy, products and properties, to understand how Ambition 2030 targets are being integrated into business activities. Carbon reduction projects ranged from building renovation and implementation of energy efficient plant and equipment to incorporating sustainability considerations during engineering processes, such as carbon profiling of products.

Climate related risk remained a key discussion item of the Committee in 2023. Climate related risks are identified, assessed and managed within the Group's risk management policy outlined on pages 21 to 26.

Climate policy changes and trends, especially climate-related financial disclosures, were closely monitored for their future impact upon the Company.

Achievement of ISO140001 accreditation across our major businesses and a double digit reduction in equivalent tonnes of carbon from our energy use during the year are both significant milestones. There is still much to do, and I look forward to reporting back next year on how we have further progressed on our Ambition 2030 targets.

Julie Baddeley
Sustainability Committee Chair

13 June 2024

Directors' report

Marshall of Cambridge (Holdings) Limited

Registered Number: 02051460

The directors present their report, together with the audited consolidated financial statements, for the 12 months ended 31 December 2023. The prior period was for the 9 months ended 31 December 2022.

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

Results and dividends

The Group recorded a profit after tax and minority interests for the period of £612,000 (9 months ended 31 December 2022: £61,706,000).

An interim dividend in respect of 2022 of 3.0p per share on both Ordinary and NVPO shareholders was paid on 7 July 2023. 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, was paid on 10 November 2023. The Directors do not recommend a final dividend for the 12 month period ended 31 December 2023 (December 2022: £nil).

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

Future developments

The Strategic Report gives further details on future developments.

Risk management

Further details on the Group's risk management framework and its principal strategic risks can be found in the risk management and principal risks and uncertainties sections of the Strategic Report on pages 21 to 26.

Research and development

The Group continues to be committed to research and development, focusing future investment on all stages of research and development ('R&D'). The Futureworx unit was launched in 2021 to meet the demand from customers for innovative solutions. The total amount of research and development for the period was £3.0m (9 months to 31 December 2022: £3.7m).

Fixed assets

The Group invested £25.5m (9 months to 31 December 2022: £20.2m) in new fixed assets, and invested £5.1m in the acquisition of new businesses (9 months to 31 December 2022: £Nil). The Group's existing freehold investment properties were revalued by the directors as at 31 December 2023, resulting in a valuation at the period-end date of £14.5m (December 2022: £9.1m). A revaluation surplus of £7.7m (December 2022: £3.0m) has been taken to the income statement and non-distributable reserves. Tangible fixed assets' details and movements can be found in note 13 to the financial statements.

Social policy

The Group takes its responsibilities to its employees, customers, suppliers, and shareholders seriously, as well as its wider social responsibilities to the environment and to the communities in which it operates. The Group has a policy of not making donations to political groups, parties, or individuals, but has a positive policy of supporting, selectively, charities and organisations that 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 £102,000 (2022: £38,000) during the period.

Political contributions

There were no political donations in either period.

Health and safety

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

Statement of engagement with employees and other stakeholders

The Group recognises the importance of engaging employees to help us understand their views and for our employees to understand the Group's strategy and long-term objectives. Further details on how the Group engages with employees and stakeholders can be found in the stakeholder engagement section of the Strategic Report on pages 32 to 34.

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

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

Directors

The following served as directors of the Company during the year ended 31 December 2023 and up to the date of approval of the accounts, except as indicated:

Roger Hardy	(appointed interim Chair 18 March 2024)
Julie Baddeley	
James Buxton	
John Crompton	
David Heaford	(appointed 1 October 2023)
Kathy Jenkins	(resigned 31 May 2024)
Justin Read	
Nick Shattock	(appointed 1 October 2023)
Doug Baxter	(resigned 15 January 2024)
Jonathan Flint	(resigned 20 March 2024)

In accordance with the Articles of Association of the Company, at the forthcoming Annual General Meeting, David Heaford and Nick Shattock will retire on first appointment and being eligible, offer themselves for re-appointment. James Buxton will retire from the Board before the Annual General Meeting, and will not offer himself for re-appointment.

The interests of the directors, who were directors of the Company at the date of the approval of the financial statements, in the shares of the Company at 1 January 2023 and 31 December 2023 were:

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

Directors' indemnities

In accordance with our Articles of Association, and to the extent permitted by law, directors are granted an indemnity from the Company in respect of liability incurred as a result of their office. In addition, the Group maintained a directors' and officers' liability insurance policy throughout the period. Neither the indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently. The third-party indemnity provisions (which are qualifying third-party indemnities under the Companies Act 2006) are in place during the year ended 31 December 2023 and at the date of approving the Report and Accounts.

Governance

The Group's corporate governance framework is set out on pages 42 to 44.

Section 172 Companies Act 2006 and engagement

The Board's application of Section 172 of the Companies Act 2006 and the principal decisions made during the period are set out in the Section 172 statement on page 31. Further details on how the Group engages with employees, customers, suppliers, shareholders, and communities can be found in the stakeholder engagement section of the Section 172 statement on pages 32 to 33.

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

The Group is committed to its Ambition 2030 sustainability strategy. Further details can be found in the Sustainability section of the Strategic Report on pages 27 to 29. The Streamlined Energy and Carbon Report itself is presented on page 30.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are described within the Strategic Report on pages 2 to 35. Included within this, the financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 14 to 20, while the principal risks and uncertainties facing the Group are set out in the Strategic Report and, specifically, on pages 23 to 25.

At 31 December 2023, the Group reported net current assets of £151.7m (2022: £191.8m).

Directors' report continued

The Directors have adopted the going concern basis in preparing the financial statements. As part of their assessment, the Directors have performed a number of stress tests, including modelling a range of severe but plausible down-side scenarios, to understand what would need to happen for the business to fully utilise its available funds, both committed and uncommitted. A detailed explanation is provided in the basis of preparation paragraph which forms part of Note 1 to the consolidated financial statements, including matters that indicate material uncertainties exist that affect the Group's ability to continue as a going concern. Based on their forecasts the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent material uncertainties that may cast doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. 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.

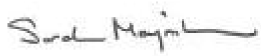
Foreign branches

The Group has branches in Norway and the United Arab Emirates.

Post balance sheet events

The audited financial statements take into consideration events occurring between the period end date and the date of approval by the Board of directors on 13 June 2024. Note 31 to the financial statements provides details of non-adjusting post balance sheet events.

BY ORDER OF THE BOARD



Sarah Moynihan
Group Company Secretary

13 June 2024

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Report and Accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- So far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware.
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Sarah Moynihan

Sarah Moynihan
Group Company Secretary

13 June 2024

Financial Statements

Independent auditors' report to the members of Marshall of Cambridge (Holdings) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Marshall of Cambridge (Holdings) Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the 12 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2023; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated and company statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and the parent company's ability to continue as a going concern. The Directors have considered whether, over a period of at least 12 months from the approval of these financial statements, the group is able to meet its liabilities as they fall due and is a going concern. The directors have concluded that over the 12 months from the date of signing these financial statements, and after taking into account both the committed and uncommitted bank funding, they believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this is dependent on the group being able to utilise the uncommitted facilities.

In addition, as part of their assessment, the Directors have performed a stress test, including modelling a range of severe but plausible ('SBP') downside scenarios, to understand what would need to happen for the business to fully utilise its available funds, including both committed and uncommitted facilities, and exhaust its liquidity. Under the SBP downside scenarios, without taking mitigating actions, the group would not have sufficient resources to continue to meet its liabilities as they fall due and this would result in a breach of banking covenants. The SBP downside scenarios considered a delay to the resale of the UK C-130 fleet for which Marshall is an official partner, and worsened trading performance of a portfolio of legacy long term contracts within the Land Systems business. Under the C-130 arrangement, Marshall has undertaken work in relation to the UK C-130 fleet, with material proceeds expected to flow to Marshall upon their resale by the UK Ministry of Defence. However, the completion of this resale is dependent upon a government to government transaction, which will require approval from the relevant US authorities and, therefore, there is a high degree of uncertainty over the timing and quantum of inflows. Similarly in the Land Systems business a number of material long term construction contracts exist which have been delayed due to technical challenges. Milestone payments on these contracts are not receivable until delivery of units to the customer and, while the Directors consider that progress on each of these contracts continues to be made, the performance of these contracts and their potential impact on working capital, and hence liquidity, are uncertain.

In response to these SBP downside scenarios, the Directors have drawn up mitigating actions available to the group, including but not limited to the disposal of assets. The Directors have a reasonable expectation that such actions would enable the group to remain liquid throughout the going concern assessment period and avoid breaches of its covenants. As such, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these mitigating actions are not fully in the control of the Directors and have not been committed as at the date of approval of these financial statements. Were the group not to be able to successfully enact these mitigations, it may need additional external funding to retain liquidity and in the event of a breach of covenants it would need to obtain waivers from its lenders. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the parent company were unable to continue as a going concern.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Independent auditors' report to the members of Marshall of Cambridge (Holdings) Limited continued

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Health and Safety at Work etc. Act 1974 and UK employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to misstatement of financial information via inappropriate journal entries and/or management bias in key accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiry of and discussions with management and those charged with governance, including the review of Board minutes, for any known or suspected instances of fraud, non-compliance with laws and regulations and any potential or actual litigation or claims;
- Testing of taxation related balances and disclosures including review of any correspondence with HM Revenue & Customs;
- Testing a sample of journals to supporting documentation to identify any inappropriate adjustments; and
- Evaluating the reasonableness of key accounting estimates and judgements made by management to identify any deliberate misstatements in the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

13 June 2024

Consolidated income statement

12 months ended 31 December 2023

	Notes	12 months 31 December 2023 £000 Total	As restated [1] 9 months 31 December 2022 £000 Continuing operations	9 months 31 December 2022 £000 Discontinued operations	As restated [1] 9 months 31 December 2022 £000 Total
Revenue	2	**321,298**	292,526	389,379	681,905
Cost of sales		**(233,340)**	(198,779)	(348,808)	(547,587)
Gross profit		**87,958**	93,747	40,571	134,318
Administrative expenses		**(109,451)**	(78,308)	(40,271)	(118,579)
Gain on revaluation of investment properties	4	**7,698**	3,036	–	3,036
Other operating income	3	**4,831**	2,859	–	2,859
Operating (loss)/profit	4	**(8,964)**	21,334	300	21,634
Profit on disposal of operations	5	**–**	–	62,239	62,239
Share of profit in the period in joint ventures		**6,630**	3,662	–	3,662
Net finance income/(expense)	6	**4,273**	3,034	(955)	2,079
Profit before taxation		**1,939**	28,030	61,584	89,614
Analysed as:					
Profit before exceptional items		**4,080**	29,872	347	30,219
Separately disclosed exceptional items	7	**(2,141)**	(1,842)	61,237	59,395
Tax on profit	8	**(1,327)**	(5,054)	(22)	(5,076)
Profit for the financial period		**612**	22,976	61,562	84,538
Attributable to:					
Owners of the Parent		**612**	22,976	38,730	61,706
Non-controlling interest		**–**	–	22,832	22,832
		612	22,976	61,562	84,538
Basic and diluted earnings per share	9	**(0.2p)**	37.6p	65.6p	103.2p
Basic and diluted earnings per share before separately disclosed exceptional items	9	**2.5p**	40.2p	0.2p	40.4p

Discontinued operations relate to Marshall Motor Holdings plc, which was sold on 11 May 2022. Further details can be found in note 5.

[1] Refer to note 4 for details of the restatement.

Consolidated statement of comprehensive income

12 months ended 31 December 2023

	Notes	**12 months 31 December 2023 £000**	9 months 31 December 2022 £000
Profit for the financial period		**612**	84,538
Exchange differences on retranslation of subsidiary undertakings		**(51)**	(24)
Cash flow hedges			
Reclassification to profit and loss		**427**	64
Fair value gain/(loss) recognised on cash flow hedges		**3,232**	(5,510)
Taxation on cash flow hedges	8c	**(915)**	1,141
Actuarial gain/(loss) recognised on defined benefit pension scheme	30	**55**	(3,330)
Deferred tax (charge)/credit relating to defined benefit pension scheme	30, 8c	**(14)**	832
Total other comprehensive income/(expense)		**2,734**	(6,827)
Total comprehensive income		**3,346**	77,711
Total comprehensive income for the period attributable to:			
Owners of the Parent		**3,346**	54,879
Non-controlling interest	23	**–**	22,832
		3,346	77,711

Consolidated balance sheet

as at 31 December 2023

	Notes	31 December 2023 £000	31 December 2022 £000
Fixed assets			
Intangible assets	12	**21,360**	15,224
Tangible assets	13	**115,781**	96,998
Investments	14	**17,521**	8,083
Total fixed assets		**154,662**	120,305
Current assets			
Stocks	15	**49,047**	34,200
Debtors			
Amounts falling due within one year	16	**148,172**	108,332
Amounts falling due after more than one year	16	**34,386**	54,927
Investments	14	**–**	45,000
Cash at bank and in hand		**35,432**	86,331
Total current assets		**267,037**	328,790
Creditors: amounts falling due within one year	17	**(115,328)**	(137,038)
Net current assets		**151,709**	191,752
Total assets less current liabilities		**306,371**	312,057
Creditors: amounts falling due after more than one year	18	**(17,530)**	(23,338)
Provision for liabilities	20	**(15,796)**	(14,440)
Pension liability	30	**(1,714)**	(2,268)
Net assets		**271,331**	272,011
Capital and reserves			
Called-up share capital	21	**15,785**	15,785
Share premium account		**611**	611
Capital redemption reserve	22	**130**	130
Cash flow hedge reserve	22	**1,431**	(1,313)
Profit and loss account		**253,374**	256,798
Total shareholders' funds		**271,331**	272,011
Non-controlling interest	23	**–**	–
Total equity		**271,331**	272,011

The audited financial statements of Marshall of Cambridge (Holdings) Limited on pages 67 to 111 were approved by the Board of Directors and authorised for issue to the shareholders on 13 June 2024.

D J Heaford
Director

Registered number: 02051460

Consolidated statement of changes in equity

12 months ended 31 December 2023

	Share capital £000	Share premium £000	Capital redemption reserve £000	Cash flow hedge reserve £000	Profit and loss account £000	Equity attributable to the owners of the Parent £000	Non–controlling interest £000	Total equity £000
At 1 April 2022	15,785	611	130	2,992	246,540	266,058	88,534	354,592
Profit for the financial period	–	–	–	–	61,706	61,706	22,832	84,538
Other comprehensive expense	–	–	–	(4,305)	(2,522)	(6,827)	–	(6,827)
Total comprehensive (expense)/income for the period	–	–	–	(4,305)	59,184	54,879	22,832	77,711
Equity dividends paid (note 10)	–	–	–	–	(48,926)	(48,926)	–	(48,926)
Disposal	–	–	–	–	–	–	(111,366)	(111,366)
At 31 December 2022	15,785	611	130	(1,313)	256,798	272,011	–	272,011
Profit for the financial period	–	–	–	–	612	612	–	612
Other comprehensive income/(expense)	–	–	–	2,744	(10)	2,734	–	2,734
Total comprehensive income for the year	–	–	–	2,744	602	3,346	–	3,346
Equity dividends paid (note 10)	–	–	–	–	(4,026)	(4,026)	–	(4,026)
At 31 December 2023	**15,785**	**611**	**130**	**1,431**	**253,374**	**271,331**	**–**	**271,331**

Consolidated statement of cash flows

12 months ended 31 December 2023

	Notes	**12 months 31 December 2023 £000**	9 months 31 December 2022 £000
Operating activities			
Net cash (outflow)/inflow from operating activities	11a	**(65,587)**	45,947
Investing activities			
Income from other investments		**96**	–
Interest received		**3,673**	1,547
Payments to acquire intangible assets	12	**(6,645)**	(3,627)
Payments to acquire tangible assets	13	**(18,867)**	(16,538)
Payments to acquire fixed asset investments	14	**(2,808)**	–
Receipts from sales of tangible assets – excluding property		**198**	1,999
Receipts from sales of tangible assets – property		**3,919**	465
Receipts from sales of fixed assets investments		**1,079**	1,800
Acquisition of businesses (including acquisition costs, net of cash acquired)	5a	**(3,871)**	–
Receipts from disposal of subsidiaries (including disposal costs)		**–**	198,968
Net cash disposed on sale of business	5b	**–**	(41,399)
		(23,226)	143,215
Financing activities			
Interest paid		**(153)**	(482)
Stock finance and other interest paid	6b	**(306)**	(845)
Dividends paid to preference shareholders	10	**(744)**	(744)
Equity dividends paid	10	**(3,282)**	(48,182)
Repayment of obligations under finance leases	19	**(47)**	–
Repayment of overdrafts	19	**(1,742)**	(576)
Repayment of loans and borrowings	19	**–**	(37,605)
		(6,274)	(88,434)
(Decrease)/increase in cash and cash equivalents		**(95,087)**	100,728
Effect of exchange rates on cash and cash equivalents		**(812)**	(109)
Cash and cash equivalents at beginning of period	11c	**131,331**	30,712
Cash and cash equivalents at end of period	11c	**35,432**	131,331
Cash and cash equivalents consist of:			
Cash at bank and in hand		**35,432**	86,331
Short term deposits	14b	**–**	45,000
Cash and cash equivalents at period end	11c	**35,432**	131,331

Notes to the consolidated financial statements

1a. Accounting policies

Statement of compliance

Marshall of Cambridge (Holdings) Limited ('the Company') is a private company limited by shares incorporated in England, United Kingdom under the Companies Act 2006. The registered office is Control Building The Airport, Newmarket Road, Cambridge, England, CB5 8RX.

The financial statements of the Company and its subsidiaries (together 'the Group') have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006 as they apply to the financial statements of the Group for the 12 months ended 31 December 2023. The comparative period is for the 9 month period ended 31 December 2022.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The audited consolidated financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the Board of Directors on 13 June 2024. The consolidated financial statements have been prepared in accordance with applicable accounting standards. They are presented in sterling and are rounded to the nearest £'000. The consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1b.

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 1 to 34. 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 14 and 20, while the principal risks and uncertainties facing the Group are set out in the Group Strategic Report, specifically on pages 23 to 26.

As at 31 December 2023, the Group reported net current assets of £151,709,000 (December 2022: £191,752,000). On 10 June 2024 the Group signed a £25,000,000 revolving credit facility and a £10,000,000 Trade Loan facility. These are in addition to the £15,000,000 and £3,000,000 overdraft facilities which existed during the period. The revolving credit facility is a committed facility, repayable in June 2026 with a two year extension option. The Trade Loan and overdrafts are repayable on demand.

The Directors have considered whether, over a period of at least 12 months from the approval of these financial statements, the Group is able to meet its liabilities as they fall due and is a going concern. The Directors have concluded that over the 12 months from the date of signing these financial statements, and after taking into account both the committed and uncommitted bank funding, they believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this is dependent on the Group being able to utilise the uncommitted facilities.

In addition, as part of their assessment, the Directors have performed a stress test, including modelling a range of severe but plausible ('SBP') downside scenarios, to understand what would need to happen for the business to fully utilise its available funds, including both committed and uncommitted facilities, and exhaust its liquidity. Under the SBP downside scenarios, without taking mitigating actions, the Group would not have sufficient resources to continue to meet its liabilities as they fall due, and this would result in a breach of banking covenants. The SBP downside scenarios considered a delay to the resale of the UK C–130 fleet for which Marshall is an official partner, and worsened trading performance of a portfolio of legacy long term contracts within the Land Systems business. Under the C–130 arrangement, Marshall has undertaken work in relation to the UK C–130 fleet, with material proceeds expected to flow to Marshall upon their resale by the UK Ministry of Defence. However, the completion of this resale is dependent upon a government to government transaction, which will require approval from the relevant US authorities and, therefore, there is a high degree of uncertainty over the timing and quantum of inflows. Similarly in the Land Systems business a number of material long term construction contracts exist which have been delayed due to technical challenges. Milestone payments on these contracts are not receivable until delivery of units to the customer and, while the Directors consider that progress on each of these contracts continues to be made, the performance of these contracts and its potential impact on working capital, and hence liquidity, are uncertain.

1a. Accounting policies continued

In response to these SBP downside scenarios, the Directors have drawn up mitigating actions available to the Group, including but not limited to the disposal of assets. The Directors have a reasonable expectation that such actions would enable the Group to remain liquid throughout the going concern assessment period and avoid breaches of its covenants. As such, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these mitigating actions are not fully in the control of the Directors and have not been committed as at the date of approval of these financial statements. Were the Group not to be able to successfully enact these mitigations, it may need additional external funding to retain liquidity and in the event of a breach of covenants it would need to obtain waivers from its lenders. These circumstances represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. 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.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings for the 12 month period ended 31 December 2023. For the preceding period, the Group's financial statements consolidate the 9 month period ended 31 December 2022.

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.

Subsidiary audit exemptions

The consolidated financial statements include the results of all subsidiary undertakings owned by the Company as listed in note 9 'Investments' on pages 119 and 121 of the Company section of this Annual Report and Accounts. The Group's subsidiaries listed below have taken the exemption from an audit for the period ended 31 December 2023 by virtue of s479A of the Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the Company, Marshall of Cambridge (Holdings) Limited, has given a statutory guarantee of all the outstanding liabilities as at 31 December 2023 of the subsidiaries listed below:

Marshall ADG Ltd (reg no 10567163)
Marshall Fleet Solutions Ltd (reg no 00563027)
Marshall Specialist Vehicles Ltd (reg no 05976316)
Marshall Skills Academy Ltd (reg no 14813643)

Revenue recognition

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

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

1a. Accounting policies continued

- Rendering of services: Revenue from the provision of services is recognised as the contract activity progresses to reflect the performance of the underlying contractual obligations. Progress is measured on the basis of costs to complete.
- 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 business is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the estimate of the amount payable if probable in relation to any liability resulting from a contingent consideration arrangement.

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

Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful life of between 5 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 are expected to benefit from the synergies of the combination.

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

Other intangible assets

Software is stated at cost less accumulated amortisation. Cost comprises purchase price from third parties with respect to specific software development projects and amortisation is calculated on straight-line basis over the assets' expected economic lives, which varies depending on the nature of the asset.

Other intangible assets, when acquired separately from a business combination, include computer software and software licences. 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. Licences are amortised, commencing on the date the intangible asset is capable of being brought into use, over the length of the licence, and software is amortised between 3 and 10 years.

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

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

Tangible fixed assets

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

1a. Accounting policies continued

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

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

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

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

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

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 CGU to which the asset belongs. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the consolidated income statement.

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

Investment properties

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

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

Investments

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

Consistent with the requirements of FRS 102 such investments are held at cost less impairment, as no reliable fair value estimate can be determined given limited or no active market for such investments. If a reliable measure of fair value is no longer available, the instrument's fair value on the last date the instrument was reliably measured is treated as the cost of the instrument.

Notes to the consolidated financial statements continued

1a. Accounting policies continued

Investment in joint ventures

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

Short-term investments

Short-term deposits are, initially, recognised at fair value, which is, typically, the amount deposited. Interest income is recognised over the deposit's term using the effective interest rate, and is accrued based on the time period elapsed and the outstanding balance. Short-term deposits are presented as current assets on the balance sheet.

Long-term debtors

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

Stocks, work in progress and long-term contracts

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

- Raw materials, consumables and goods for resale – purchase cost on a first-in, first-out basis.
- Work in progress – cost of direct materials and labour, plus attributable overheads based on a normal level of activity.
- Finished goods and goods for resale – purchase price on an average cost basis.
- Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.
- Long-term contract work in progress is recognised on the basis described in the revenue recognition policy, less provisions for foreseeable losses and payments on account received or receivable.

Stocks held on consignment are accounted for when the terms of a consignment agreement and commercial practice indicate that the principal benefit of owning the stock, the ability to sell it, and principal risks of ownership, such as stock holding cost, responsibility for safe keeping and some risk of obsolescence rest within the Group. Stock held on consignment are accounted for net of value-added taxes, with a corresponding liability that includes value-added taxes.

Prior to their disposal by the Group in 2022, Marshall Motor Holdings plc ('MMH') financed the purchase of new and used vehicle inventories using vehicle financing facilities provided by various lenders, including the captive finance companies associated with brand partners. These finance arrangements, generally, had a maturity of 90 days or less. The Group was normally required to repay amounts outstanding on the earlier of the sale of the vehicles that had been funded under the facilities or the stated maturity date. Amounts due to finance companies in respect of vehicle funding were included within trade payables and disclosed under vehicle financing arrangements. Related cash flows were reported within cash flows from operating activities within the consolidated statement of cash flows. Vehicle financing facilities were subject to finance house base rate (or similar) interest rates. The interest incurred under these arrangements was included within finance costs and classified as stock holding interest.

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

Debtors

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

1a. Accounting policies continued

Convertible loan notes

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

Supplier income

Prior to their disposal by the Group in 2022, Marshall Motor Holdings plc ('MMH') received income from brand partners and other suppliers based on specific agreements in place. These were, generally, based on achieving certain objectives, such as specific sales volumes and maintaining agreed operational standards. The supplier income received was recognised as a deduction from cost of sales at the point when it was reasonably certain that the targets had been achieved for the relevant period and when the income could have been measured reliably based on the terms of each relevant supplier agreement.

Supplier income that was earned but not invoiced at the balance sheet date was recognised in other receivables and, primarily, related to volume-based incentives that ran up to the period end.

Research and development

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

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

Research and development expenditure credit

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

Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised as 'other income' within profit or loss in the same period as the related expenditure.

Taxation

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

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

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures, only to the extent that, at the balance sheet date, dividends are receivable.
- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities, compared with the amounts that are recognised for those assets and liabilities in a business combination, a deferred tax liability/(asset) is recognised.
- The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised.

Notes to the consolidated financial statements continued

1a. Accounting policies continued

- 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 that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted, or, substantively, enacted at the balance sheet date.

The Group has applied the exception under paragraphs 29.2B and 29.12A of FRS 102 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Pensions

The Group operates, for the benefit of its employees, a number of pension schemes, one of which has elements of both defined benefit and defined contribution, while the others are entirely defined contribution. The defined contribution pension schemes are funded by the payment of contributions to trustee administered funds, which are kept entirely separate from the assets of the Group. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss, which is recognised in the consolidated income statement during the period in which it occurs.

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

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

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

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

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

Leases

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

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

1a. Accounting policies continued

Foreign currencies

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the income statement in operating profit.

Translation

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the period end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of these financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, short-term deposits and unlisted investments are initially recognised at transaction price.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments that are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are, subsequently, carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially, all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the consolidated financial statements continued

1a. Accounting policies continued

Financial liabilities

Basic financial liabilities, including trade and other payables, payments on account, bank loans, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are, subsequently, carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and, subsequently, measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The fair value of the forward currency contracts is calculated by using counterparty valuation reports as the basis of the fair value recorded. In 2023, the currency derivatives in some of the subsidiaries met the requirements for hedge accounting in full and qualify for cash flow hedge accounting.

Provision for liabilities

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

Cash and cash equivalents

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

Separately disclosed exceptional items

Items that are one-off or material to the reader's understanding of the financial statements are presented as exceptional items within the consolidated income statement. The separate reporting of exceptional items helps provide additional information to the reader, which management considers useful and relevant in understanding the Group's underlying business performance. More details on these items can be found in note 7.

1a. Accounting policies continued

Borrowings

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

Classification of shares as debt or equity

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

Accrued and deferred income

Accrued income represents revenue earned but not yet invoiced or received at the reporting date. The recognition of accrued income is based on the substance of the transaction and the expectation of future economic benefits. Deferred income represents consideration received from customers for goods and services that have not yet been provided or earned at the reporting date.

Post balance sheet events

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

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

1b. Judgements and key sources of estimation uncertainty

Judgements

Determination of useful life of goodwill and franchise agreements

Goodwill and franchise agreements are intangible assets acquired through business combinations. The useful life is determined at initial recognition and based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash-generating units, review of the franchise agreement and experience of working with the franchisor. Goodwill and all of the franchise agreements were disposed on 11 May 2022 with the sale of Marshall Motor Holdings plc ('MMH'). Following the acquisitions undertaken in the year, refer to note 5, the net book value of goodwill at the balance sheet date was £1,914,000 (December 2022: £nil). Further details can be found in note 12.

Recoverability of property development costs

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

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

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

Included within freehold land and buildings, refer to note 13, are costs and net book value of £15,200,000 (December 2022: £12,274,000), which relate to costs incurred on planning applications submitted and to be submitted.

1b. Judgements and key sources of estimation uncertainty continued

Recoverability of capitalised research and development costs

Research and development costs are treated as intangible assets at the point 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. The Group considers the carrying value of the assets at each period end to determine if the costs are recoverable.

Included within intangible assets, refer to note 12, are costs and net book value of £1,961,000 (December 2022: £491,000), which relate to capitalised research and development costs and a further £2,040,000 (December 2022: £nil) relating to assets under construction/development.

HIOS price adjustment

During the period ended 31 December 2022, the Group agreed a contract price adjustment in relation to the retirement of the UK C-130 fleet. This compensated the Group for the loss of work and recovery of certain costs. The adjustment to the contract price has been applied over the remaining length of the contract and has not been treated as exceptional. Note 2 of the accounts sets out the revenue and associated net profit from the HIOS contract. In assessing the net profit, overheads within the impacted business have been allocated across the HIOS and Non-HIOS activities. Since overheads are incurred at a business and not a contract level, there is significant judgement associated with this allocation.

Exceptional items

Exceptional items are those items which are significant, non-recurring and outside the normal operating practice of the Group. The Group has disclosed multi-year restructuring costs and present value adjustments related to the deferred receivable on the disposal of land in prior periods as separately disclosed exceptional items. Refer to note 7 for further details.

Sources of estimation uncertainty

Useful economic lives

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

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

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged independent valuation specialists to assist the Directors in determining fair value at 31 December 2023. The valuer determines fair value by considering comparable local market data such as rental yields, location, condition and nature of the property. At 31 December 2023, the fair value of investment properties was £14,536,000 (December 2022: £9,066,000), refer to note 13.

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 the total anticipated contract costs. However, if this does not accurately reflect the stage of completion then an alternative approach is used instead. In making its estimate of costs to complete the contract, management exercises judgement to forecast likely contract outcome based on its best estimate of likely costs, taking into account development, production, financial and customer risks.

1b. Judgements and key sources of estimation uncertainty continued

These assessments are, inherently, highly judgemental and, while they are the best estimate of the contract outcome at a point in time, the final outcome can vary materially as new risks or opportunities develop. In addition, if the final outcome of a contract cannot be reliably assessed, revenue recognition is limited to the level of costs incurred until such time that the contract has progressed sufficiently to make profit recognition appropriate. Where a contract is forecast to be loss making, full provision is made for such losses in the first period in which they are foreseen. Revenue recognised on long-term contracts for the 12 months ended 31 December 2023 was £207,527,000 (9 months to December 2022: £220,420,000), refer to note 2.

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, which are expected to benefit from the synergies of the combination. The group of CGUs to which the goodwill is allocated 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 judgements relating to the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying asset or group of assets and related goodwill, an impairment charge is recorded in the consolidated income statement. This calculation requires the exercise of significant judgement by management. If the estimates made prove to be incorrect or changes in the performance of the cash-generating unit affect the amount and timing of future cash flows, goodwill may become impaired in future periods. Details of the cost, amortisation and net book value of goodwill and intangible assets can be found in note 12.

Timing of joint venture cash receipts

The fair value of receivables for land transferred to Hill Marshall LLP, is based on a discounting of cashflows and 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 the latest available information to guide expectations of revenue when individual properties become available for sale. Details of the joint venture receivables can be found in note 16.

Notes to the consolidated financial statements continued

2. Revenue and profit before tax analysis

The Group has the following operating units which were determined from the operating reports used to assess both performance and strategic decisions.

Revenue	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Aerospace – HIOS	**57,282**	125,890
Aerospace – non-HIOS	**131,786**	78,008
Land Systems	**55,741**	44,858
Group Properties	**10,136**	7,135
Fleet Solutions	**66,624**	39,400
Advanced Composites	**14,156**	8,153
Skills Academy	**3,384**	1,948
Futureworx	**273**	–
Other	**613**	542
Internal sales	**(18,697)**	(13,408)
Sub-total: continuing operations	**321,298**	292,526
Motor retail (sold during the prior period)	**–**	389,379
Total	**321,298**	681,905

Hercules Integrated Operational Support (HIOS) revenues within Aerospace relate to a C-130 contract with the UK Ministry of Defence, which had been due to run until 2030. The customer brought forward the out of service date to June 2023 and a price adjustment was agreed in line with the new end date of the contract.

Profit/(loss) before taxation	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Aerospace – HIOS	**20,277**	44,089
Aerospace – non-HIOS	**(5,387)**	(3,606)
Land Systems	**(20,450)**	(13,446)
Group Properties (including share of profit in joint ventures)	**18,765**	9,678
Fleet Solutions	**(5,733)**	(2,221)
Advanced Composites	**1,972**	640
Skills Academy	**(393)**	–
Futureworx	**(1,997)**	(2,015)
Unallocated central costs	**(5,115)**	(5,089)
Sub-total: continuing operations	**1,939**	28,030
Motor retail (sold during the prior period)	**–**	(655)
Profit on sale of Marshall Motors	**–**	62,239
Total	**1,939**	89,614

2. Revenue and profit before tax analysis continued

Profit/(loss) before separately disclosed exceptional items and before taxation	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Aerospace – HIOS	**20,704**	44,800
Aerospace – non-HIOS	**(4,115)**	(3,131)
Land Systems	**(20,071)**	(13,075)
Group Properties (including share of profit in joint ventures)	**18,652**	9,678
Fleet Solutions	**(5,674)**	(1,968)
Advanced Composites	**1,972**	640
Skills Academy	**(393)**	–
Futureworx	**(1,997)**	(2,015)
Unallocated central costs	**(4,998)**	(5,057)
Sub-total: continuing operations	**4,080**	29,872
Motor retail (sold during the prior period)	**–**	347
Total	**4,080**	30,219

Revenue by destination

Geographical areas	12 months 31 December 2023 £000 Total	9 months 31 December 2022 £000 Continuing operations	9 months 31 December 2022 £000 Discontinued operations	9 months 31 December 2022 £000 Total
UK	**180,946**	190,734	389,379	580,113
Rest of Europe	**56,568**	39,873	–	39,873
North America	**51,309**	36,863	–	36,863
Rest of World	**32,475**	25,056	–	25,056
	321,298	292,526	389,379	681,905

Revenue by origin

Geographical areas	12 months 31 December 2023 £000 Total	9 months 31 December 2022 £000 Continuing operations	9 months 31 December 2022 £000 Discontinued operations	9 months 31 December 2022 £000 Total
UK	**307,419**	282,090	389,379	671,469
Rest of Europe	**–**	877	–	877
North America	**13,879**	9,559	–	9,559
Rest of World	**–**	–	–	–
	321,298	292,526	389,379	681,905

Notes to the consolidated financial statements continued

2. Revenue and profit before tax analysis continued

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

	12 months 31 December 2023 £000 Total	9 months 31 December 2022 £000 Continuing operations	9 months 31 December 2022 £000 Discontinued operations	9 months 31 December 2022 £000 Total
Sale of goods	**25,947**	12,608	260,884	273,492
Rendering of services	**86,300**	57,744	128,495	186,239
Long term contracts	**207,527**	220,420	–	220,420
Rents received	**1,524**	1,754	–	1,754
Revenue	**321,298**	292,526	389,379	681,905
Interest received	**5,065**			3,251
Research and development expenditure credit	**744**			647
Other income	**4,087**			2,212
Total income	**331,194**			688,015

3. Other operating income

Deferred land profit relates to the transfer of land to the joint venture, Hill Marshall LLP ('LLP1') with profit on this land transfer being recognised as homes are sold within the Marleigh development.

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Research and development expenditure tax credit	**744**	647
Rent receivable	**57**	18
Deferred land profit	**3,950**	2,120
Trademark licence income	**80**	74
	4,831	2,859

Deferred land profit relates to the transfer of land to the joint venture, Hill Marshall LLP ('LLP1') with profit on this land transfer being recognised as homes are sold within the Marleigh development.

4. Operating (loss)/profit

		12 months 31 December 2023 £000	9 months 31 December 2022 £000
Operating (loss)/profit is after charging/(crediting):			
Depreciation	– tangible assets	**8,582**	7,586
Amortisation	– goodwill and intangible assets	**2,484**	2,975
Impairment	– tangible assets	**–**	1,422
Operating lease rentals	– land and buildings	**4,087**	5,193
	– plant and machinery	**1,618**	483
Net foreign exchange loss		**511**	690
Loss/(profit) on disposal of tangible fixed assets (excluding property)		**215**	(1,332)
Research and development	– current period expenditure	**3,037**	3,688
Research and development expenditure credit included in other income		**(744)**	(647)
Gain on revaluation of investment properties [1]		**(7,698)**	(3,036)
Net gain on revaluation of investments		**–**	(112)
Profit on disposal of subsidiaries		**–**	(62,239)
Auditors' remuneration	– audit of the Parent Company and the Group's consolidated financial statements	**1,523**	295
	– audit of subsidiary undertakings	**927**	750
	– tax compliance services	**–**	11
	– pension and legal services	**266**	263

[1] During the year the Group decided to amend its presentation of gains on the revaluation of investment properties in order to improve disclosure to users of these financial statements. The gains were previously disclosed as a component of administrative expenses. This has now been amended so that the gains are separately disclosed on the face of the income statement. Administrative expenses have been adjusted accordingly. There has been no change to the previously reported operating profit, to profit for the financial period or to net assets.

Notes to the consolidated financial statements continued

5. Acquisitions and disposals

a) Acquisitions

On 4 May 2023 Marshall Fleet Solutions acquired the entire share capital of LH No.2 Limited and its wholly owned subsidiary, Michael Ward Limited, and the Peter Staines group of companies (Peter Staines Refrigeration Limited, PSR Bromley Limited, PSR Contracts Limited and Roadfridge Limited), UK dealers in vehicle refrigeration products.

There were no individually significant acquisitions in 2023 and so the disclosures below have been aggregated.

Recognised amounts of identifiable assets acquired and liabilities assumed	Book value £000	Adjustments £000	Fair value £000
Tangible fixed assets	1,137	–	1,137
Stocks	3,064	68	3,132
Debtors	3,770	–	3,770
Cash at bank and in hand	206	–	206
Creditors: amounts falling due within one year	(4,703)	–	(4,703)
Finance leases	(383)	–	(383)
Deferred tax liabilities	(207)	48	(159)
Total identifiable net assets	**2,884**	**116**	**3,000**
Goodwill			2,051
Total			**5,051**

Satisfied by:	
Cash paid	3,445
Deferred consideration	974
Acquisition costs	632
Total consideration	**5,051**

For cash flow disclosure purposes the amounts are disclosed as follows:	
Cash consideration	3,445
Acquisition costs	632
Less: Cash acquired	(206)
Net cash outflow	**3,871**

The goodwill of £2,051,000 arising from the acquisitions is attributable to the acquired customer base, the trained workforce employed by the entities acquired and synergies expected from combining the operations into the Group. Management have estimated the useful life of the goodwill to be 10 years.

The deferred consideration is payable on the first anniversary of the acquisitions or on the presentation of satisfactory evidence that an outstanding matter has been concluded. Deferred consideration is payable together with interest at a rate of 2.5% above Bank of England base rate. Interest has been accrued and is included within finance expense in the consolidated income statement.

The revenue from the acquisitions included in the consolidated income statement for 2023 was £16,975,000 and the acquired entities also contributed a profit before taxation of £420,000 over the same period.

b) Disposals

In 2022, as part of the Group's strategy to realign its portfolio of business, the Group sold its 64.4% controlling interest in Marshall Motor Holdings plc ('MMH'). The intention to sell was announced on 29 November 2021 and completed on 11 May 2022, following regulatory approval. During the period ended 31 December 2022, MMH contributed post-tax loss of £677,000. Consideration was 400p per share (£312,929,000) with the Group receiving cash proceeds of £201,563,000 for its 64.4% majority stake. The net assets of MMH at the date of disposal were £248,095,000 and a profit on disposal of £62,239,000, was recognised in the consolidated income statement.

6. Net finance income/(expense)

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
(a) Finance income		
Bank interest receivable	**1,716**	1,581
Interest on short term deposits	**1,519**	397
Interest receivable from joint ventures	**713**	556
Other interest receivable	**165**	22
Interest on defined benefit scheme asset	**–**	11
Income from other investments	**96**	–
Unwind of discounting – related party debtor balances (note 16)	**429**	373
Unwind of discounting – deferred land debtor balances (note 16)	**314**	311
Present value adjustment – deferred receivable on land sale	**113**	–
	5,065	3,251

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
(b) Finance expense		
Bank loans and overdrafts – interest and charges	**(44)**	(327)
Stock financing charges and other interest	**(654)**	(845)
Interest on defined benefit scheme liabilities	**(94)**	–
	(792)	(1,172)
Net finance income	**4,273**	2,079

Notes to the consolidated financial statements continued

7. Separately disclosed exceptional items

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Profit before separately disclosed exceptional items	**4,080**	30,219
Separately disclosed exceptional items:		
Restructuring costs[1]	**(2,254)**	(1,842)
Present value adjustment – deferred receivable on land sale[1]	**113**	–
From continuing operations	**(2,141)**	(1,842)
Amortisation of intangible fixed assets – franchise agreements and goodwill	**–**	(1,002)
Profit on disposal of subsidiary undertaking[2]	**–**	62,239
From discontinued operations	**–**	61,237
Profit before taxation	**1,939**	89,614

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

2 Considered by the Group to be non-recurring.

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

- Restructuring costs within continuing operations relates to a Group wide organisation redesign and a multi-year restructuring exercise that was initiated in 2021. This is expected to be complete in 2024.
- Present value adjustments relate to the deferred receivable on the disposal of land in prior periods.
- Profit on disposal of a subsidiary relates to the disposal of MMH.
- Charges for amortisation of acquired intangible assets relating to franchise agreements and goodwill. These charges have arisen from accounting for acquisitions and are not directly attributable to operating activities.

8. Tax on profit

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
a) Analysis of tax charge for the period		
Current tax:		
UK corporation tax charge on the profit for the period	**356**	4,603
UK corporation tax adjustment in respect of prior periods	**539**	(2,534)
Overseas tax on profit for the period	**13**	21
Overseas tax adjustment in respect of prior periods	**8**	–
Total current tax	**916**	2,090
Deferred tax:		
Origination and reversal of timing differences	**1,500**	787
Adjustment in respect of prior periods	**(1,089)**	2,081
Impact of change in tax rate	**–**	118
Total deferred tax (see note 20b)	**411**	2,986
Total tax charge on profit	**1,327**	5,076

8. Tax on profit continued

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
b) Factors affecting the total tax charge for the period		
Profit before taxation	**1,939**	89,614
Profit before taxation at 23.5% (December 2022: 19%)	**456**	17,027
Effects of:		
Expenses not deductible for tax purposes	**1,178**	1,658
Overseas tax losses not recognised/(overseas tax)	**313**	(328)
Non-taxable income	**(332)**	(13,745)
Deferred tax rate change	**–**	117
Difference in rate between corporation tax and deferred tax	**292**	636
Utilisation of brought forward losses on which no deferred tax asset recognised	**–**	6
R&D enhanced claims	**(68)**	158
Taxable capital gains	**30**	–
Adjustments in respect of prior periods	**(542)**	(453)
Total tax charge for the period	**1,327**	5,076

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
c) Tax included in the statement of other comprehensive income		
Taxation on cash flow hedges	**(915)**	1,141
Deferred tax on actuarial pension (gain)/loss	**(14)**	832
Tax (credit)/charge included in the statement of other comprehensive income	**(929)**	1,973

In 2022, non-taxable income mainly represents the sale of MMH, which was not subject to corporation tax.

d) Factors that may affect future tax charges

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

The standard rate of tax applied to reported profit is 23.5% (December 2022: 19%). The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £782,000 (December 2022: £424,000) in respect of losses arising that can only be carried forward against future taxable profits in the companies in which the losses arose. There is no expiry date attached to these losses.

During the 12 months ending 31 December 2024, the net reversal of deferred tax assets and liabilities are expected to increase the corporation tax charge for the period by £700,000. This is due to the anticipated change of deferred tax on fixed asset timing differences.

Notes to the consolidated financial statements continued

8. Tax on profit continued

e) Pillar Two income taxes

On 20 June 2023, Finance (no.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group does not account for deferred tax on top up taxes and therefore there was no impact on the recognition and measurement of deferred tax balances as a result of the legislation being substantively enacted.

The Group is expected to fall within the Pillar Two tax regime with effect from the accounting period beginning on 1 January 2024 and so has no current tax expense relating to Pillar two income taxes in the year ended 31 December 2023.

The Group began a project in 2023 to assess the financial impact of Pillar Two and design processes to comply with Pillar Two requirements. This project will complete in 2024.

f) Close company

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

9. (Loss)/earnings per share

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Profit after taxation	**612**	84,538
Non-controlling interest	**–**	(22,832)
Dividends on preference shares	**(744)**	(744)
Basic (loss)/earnings	**(132)**	60,962
Separately disclosed exceptional items – continuing operations (note 7)	**2,141**	1,842
– tax impact	**(503)**	(350)
Separately disclosed exceptional items – discontinued operations (note 7)	**–**	(61,237)
– tax impact	**–**	(128)
– non-controlling interests impact	**–**	22,762
Profit on discontinued operations before separately disclosed items	**–**	(348)
– tax impact	**–**	150
– non-controlling interest impact	**–**	70
Earnings before separately disclosed exceptional items – continuing operations	**1,506**	23,723
Weighted average number of shares in issue during the period ('000)	**59,082**	59,082
Basic and diluted (loss)/earnings per share	**(0.2p)**	103.2p
Basic and diluted (loss)/earnings per share – continuing operations	**(0.2p)**	37.6p
Basic and diluted earnings per share – discontinued operations	**–**	65.6p
Basic and diluted earnings before separately disclosed exceptional items per share	**2.5p**	40.4p
Basic and diluted earnings before separately disclosed exceptional items per share – continuing operations	**2.5p**	40.2p
Basic and diluted earnings before separately disclosed exceptional items per share – discounted operations	**–**	0.2p

9. (Loss)/earnings per share continued

Basic (loss)/earnings per share is calculated by dividing the basic earnings for the period by the average number of Ordinary and non-voting priority ordinary ('NVPO') dividend shares in issue during the period. Ordinary and NVPO shares are considered the relevant equity shares in issue as they are subordinated to the preference shares. Diluted (loss)/earnings per share are calculated in the same way, as, currently, there is no irrevocable commitment to issue shares in the future.

Underlying earnings that exclude separately disclosed exceptional items are presented to assist the understanding of the underlying performance of the Group. Underlying earnings per share is calculated by dividing the underlying earnings for the period by the average number of Ordinary and NVPO shares in issue during the period.

The disclosures in this note are voluntary.

10. Dividends

	31 December 2023 £000	31 December 2022 £000
Dividends on Ordinary shares:		
3.00p per Ordinary share of 12.5p each paid on 7 July 2023 (8 July 2022 – 3.00p)	**394**	399
Nil p per Ordinary share of 12.5p each (7 October 2022 – 76.00p)	**–**	10,100
1.00p per Ordinary share of 12.5p each paid on 10 November 2023 (16 December 2022 – 1.00p)	**131**	133
	525	10,632
Dividends on NVPO shares:		
3.00p per NVPO share of 12.5p each paid on 7 July 2023 (8 July 2022 – 3.00p)	**1,378**	1,374
Nil p per NVPO share of 12.5p each (7 October 2022 – 76.00p)	**–**	34,802
3.00p per NVPO share of 12.5p each paid on 10 November 2023 (16 December 2022 – 3.00p)	**1,379**	1,374
	2,757	37,550
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 period	**4,026**	48,926

Notes to the consolidated financial statements continued

11. Notes to the consolidated statement of cash flows

a) Reconciliation of profit to net cash (outflow)/inflow from operating activities	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Group profit before taxation	**1,939**	89,614
Loss/(profit) on disposal of tangible fixed assets	**215**	(1,332)
Share of profit in the period from joint ventures	**(6,630)**	(3,662)
Profit on disposal of subsidiaries	**–**	(62,239)
Gain on investment properties at fair value through consolidated income statement	**(7,698)**	(3,036)
Loss/(gain) on investments at fair value through consolidated income statement	**–**	(112)
Net finance income	**(4,273)**	(2,079)
Foreign exchange movement	**761**	88
Depreciation of tangible fixed assets and impairment charges	**8,582**	9,008
Amortisation of intangible fixed assets and impairment charges	**2,484**	2,975
Research and development expenditure credit	**(744)**	(647)
(Increase)/decrease in stocks	**(11,715)**	57,588
Increase in debtors	**(17,767)**	(16,483)
Decrease in provisions	**(143)**	(4,171)
Decrease in creditors	**(27,175)**	(16,701)
Pension funding	**(593)**	(1,051)
UK corporation tax paid	**(2,902)**	(1,462)
Overseas tax received/(paid)	**72**	(351)
Net cash (outflow)/inflow from operating activities	**(65,587)**	45,947

b) Reconciliation of net cash flow to movement in net funds/(debt)	Notes	12 months 31 December 2023 £000	9 months 31 December 2022 £000
(Decrease)/increase in cash and cash equivalents		**(96,105)**	100,619
Acquisitions – finance leases acquired	5	**(383)**	–
Acquisitions – cash acquired	5	**206**	–
Disposal – debt	19	**–**	12,006
Repayment of overdrafts	19	**1,742**	576
Finance lease payments	19	**47**	–
Repayment of loans	19	**–**	37,605
(Decrease)/increase in net funds		**(94,493)**	150,806
Net funds/(debt) at period beginning		**129,343**	(21,463)
Net funds at period end		**34,850**	129,343

11. Notes to the consolidated statement of cash flows continued

c) Analysis of net funds/(debt)	1 January 2023 £000	Cash movement £000	Acquisitions £000	Foreign exchange £000	31 December 2023 £000
Cash at bank and in hand	86,331	(50,293)	206	(812)	**35,432**
Short-term deposits	45,000	(45,000)	–	–	**–**
Cash and cash equivalents	131,331	(95,293)	206	(812)	**35,432**
Bank overdrafts	(1,988)	1,742	–	–	**(246)**
Finance leases	–	47	(383)	–	**(336)**
Loans and overdrafts	(1,988)	1,789	(383)	–	**(582)**
Net funds/(debt)	129,343	(93,504)	(177)	(812)	**34,850**

12. Intangible assets

	Goodwill £000	Software £000	Capitalised Development Costs £000	Intangible assets under construction £000	Total £000
Cost:					
At 1 January 2023	7,236	24,042	491	–	31,769
Additions	–	2,723	1,470	2,452	6,645
Acquisitions	2,051	–	–	–	2,051
Transfers	–	412	–	(412)	–
Disposals	–	(76)	–	–	(76)
At 31 December 2023	**9,287**	**27,101**	**1,961**	**2,040**	**40,389**
Amortisation and impairment:					
At 1 January 2023	7,236	9,309	–	–	16,545
Provided during the period	137	2,347	–	–	2,484
At 31 December 2023	**7,373**	**11,656**	**–**	**–**	**19,029**
Net book value:					
At 31 December 2023	**1,914**	**15,445**	**1,961**	**2,040**	**21,360**
Net book value:					
At 31 December 2022	–	14,733	491	–	15,224

Included within software is £21,414,000 (December 2022: £19,838,000) of cost relating to an ERP system (IFS) that is being implemented across the Group. Once available for use, it will be amortised over seven years. For those subsidiaries where the software is in use, amortisation and impairment of £10,496,000 (December 2022: £8,801,000) has been charged to date.

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

Intangible assets under construction comprise assets that are being developed and not yet commissioned. Assets are amortised when they are available to be brought into use.

Notes to the consolidated financial statements continued

13. Tangible assets

	Land and buildings					
	Freehold properties £000	Investment properties £000	Short leasehold £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost or valuation:						
At 1 January 2023	54,017	9,066	2,703	150,596	9,691	226,073
Additions	7,860	–	2,499	4,274	4,234	18,867
Acquisitions	–	–	–	1,137	–	1,137
Disposals	(1,092)	–	–	(17,528)	–	(18,620)
Transfers	(1,764)	(2,228)	–	13,217	(9,225)	–
Revaluation	–	7,698	–	–	–	7,698
Exchange adjustment	–	–	–	(9)	–	(9)
At 31 December 2023	**59,021**	**14,536**	**5,202**	**151,687**	**4,700**	**235,146**
Depreciation and impairment:						
At 1 January 2023	22,371	–	1,150	104,132	1,422	129,075
Provided during the period	1,298	–	375	6,909	–	8,582
Eliminated on disposals	(1,041)	–	–	(17,242)	–	(18,283)
Transfers	–	–	–	1,376	(1,376)	–
Exchange adjustment	–	–	–	(9)	–	(9)
At 31 December 2023	**22,628**	**–**	**1,525**	**95,166**	**46**	**119,365**
Net book value:						
At 31 December 2023	**36,393**	**14,536**	**3,677**	**56,521**	**4,654**	**115,781**
Net book value:						
At 31 December 2022	31,646	9,066	1,553	46,464	8,269	96,998

Included within freehold land and buildings are costs and net book value of £15,200,000 (December 2022: £12,274,000), which relate to costs incurred on planning applications submitted and to be submitted. The recoverable value of the land is expected to be significantly in excess of the current carrying value.

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

Fair value is determined by considering and making key judgements using comparable market data such as rental yields, location, condition and nature of the property. The Group freehold investment properties have been included, using the guidance of professional advisers, at a Directors' valuation of £14,536,000 (December 2022: £9,066,000). Each year, the Group engages independent valuers to assist in determining fair value. A revaluation surplus of £7,698,000 (December 2022: £3,036,000) has been taken to the consolidated income statement.

The historical cost of the investment properties held at valuation in land and buildings is £6,912,000 (December 2022: £9,867,000), with accumulated depreciation of £6,414,000 (December 2022: £8,703,000) and a net book value of £498,000 (December 2022: £1,164,000).

The net carrying amount of assets held under finance leases included in plant and machinery is £319,000 (December 2022: £nil).

Upon the disposal of Marshall Motors in 2022, the owner occupied properties that were owned by the Group and occupied by Marshall Motors, have become investment properties. These were revalued accordingly.

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.

14. Investments

a) Fixed-asset investments

	Joint Ventures £000	Other investments £000	Total £000
Cost or valuation			
At 1 January 2023	8,083	–	8,083
Additions	6,630	2,808	9,438
At 31 December 2023	**14,713**	**2,808**	**17,521**

In 2017, the Group entered into two joint venture agreements with Hill Residential Limited. The Group has a 50% ownership of the joint venture vehicles, Hill Marshall LLP and Hill Marshall (Phase 2) LLP, which were created to enable Phases 1 and 2, respectively, of the Marleigh (formerly Wing) development. The initial capital invested was £20.

At 31 December 2023, the investment in joint ventures was £14,713,000 (December 2022: £8,083,000), representing the initial share capital of £20 and the Group's share of cumulative profits.

At 31 December 2023, the joint ventures had capital commitments of £47,102,000 (December 2022: £54,467,000).

Other investments represent a holding in a managed fund that predominantly invests in floating rate senior secured loans issued by middle market companies located in developed countries in Europe. These are carried at fair value. The investment was acquired from the Marshall Group Executive Pension Plan (the Group's plan that has defined benefit and defined contribution elements, refer to note 30).

b) Current asset investments

Investments in short-term deposits which as at December 2023 have an original maturity of three months or less were £nil (December 2022: £45,000,000). At the balance sheet date the average maturity of deposits was nil (December 2022: one month). The average rate of interest was nil% (December 2022: 3.38%).

15. Stocks

	31 December 2023 £000	31 December 2022 £000
Raw materials, components and consumables	**32,601**	25,509
Work in progress	**10,522**	3,779
Finished goods and goods for resale	**5,924**	4,912
	49,047	34,200

Progress payments receivable in excess of the value of work done on individual contracts less provisions for losses are shown separately under creditors: amounts falling due within one year in the consolidated balance sheet.

The difference between purchase price and production cost of stocks and their replacement cost is not considered material by the Directors.

Stock is stated after provisions for impairment of £5,131,000 (December 2022: £5,597,000).

16. Debtors

	31 December 2023 £000	31 December 2022 £000
Amounts falling due within one year		
Trade debtors	**40,916**	38,911
Amounts recoverable on long-term contracts	**66,246**	41,646
Amounts owed by joint ventures	**4,750**	–
Derivative financial instruments	**1,881**	1,632
Corporation tax recoverable	**4,076**	231
Other taxes recoverable	**786**	1,569
Convertible loan notes	**540**	1,079
Deferred land debtor	**7,407**	7,407
Other debtors	**5,719**	4,867
Prepayments and accrued income	**15,851**	10,990
	148,172	108,332
Amounts falling due after more than one year		
Amounts owed by joint ventures	**25,856**	38,611
Derivative financial instruments	**852**	945
Convertible loan notes	**–**	540
Deferred land debtor	**7,678**	14,831
	34,386	54,927
	182,558	163,259

Total amounts owed by joint ventures are £30,606,000 (December 2022: £38,611,000). Of which amounts falling due after more than one year are £25,856,000 (December 2022: £38,611,000) and comprise £10,673,000 (December 2022: £21,340,000), representing the outstanding fair value of land transferred to Hill Marshall LLP ('LLP1') and £15,183,000 (December 2022: £17,271,000) being costs settled by the Company on behalf of the LLP. Debtors falling due within one year of £4,750,000 (December 2022: £nil) are for costs settled by the Company on behalf of the LLP.

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 total loans of £15,183,000 (December 2022: £17,271,000) comprise the following two tranches; first, the loan of £8,262,000 (December 2022: £10,625,000) is to cover the costs incurred on behalf of LLP1 attracts interest at a rate of 4.75%; and second, the loan of £6,921,000 (December 2022: £6,646,000) is to cover the costs incurred on behalf of LLP2 also attracts interest at a rate of 4.75% per annum.

The total current and non-current deferred land debtors of £15,085,000 (December 2022: £22,238,000) represents the fair value of deferred proceeds for the sale of land.

Convertible loan notes are unsecured, non-interest bearing and are repayable in eight equal quarterly instalments from 1 September 2022. Conversion is at the holder's discretion giving notice before each redemption date. If exercised, Loan Notes convert into Preference Shares of an unlisted UK company. Loan notes are held at cash value less any impairment, on the basis it has not been possible to reliably estimate the potential additional value that may arise on conversion.

Other debtors includes £nil (December 2022: £3,026,000), which related to a loan granted to the Marshall Group Executive Pension Plan (the 'Plan') to enable it to enter into a buy-in contract with Aviva. Amounts were lent on a short-term, arm's length basis.

17. Creditors: amounts falling due within one year

	31 December 2023 £000	31 December 2022 £000
Bank loans and overdrafts (note 19)	**246**	1,988
Finance leases (note 19)	**156**	–
Payments received on account	**35,176**	58,494
Trade creditors	**34,663**	23,023
Derivative financial instruments	**347**	2,500
Corporation tax payable	**1,568**	316
Other taxation and social security	**6,372**	8,327
Other creditors	**1,661**	857
Deferral of profit on land transfer to joint ventures	**4,982**	3,957
Accruals and deferred income	**30,157**	37,576
	115,328	137,038

Until its disposal in 2022, MMH financed the purchase of new and used vehicle inventories using vehicle funding agreements provided by various lenders, including captive finance companies associated with brand partners. These financial agreements, generally, had a maturity of 90 days or less and the Group was normally required to repay amounts outstanding on the earlier of the sale of the vehicles that had been funded under the facilities or the stated maturity date.

Consistent with industry practice, principal amounts due to finance companies in respect of vehicle funding were included within trade creditors and disclosed under vehicle financing arrangements. Related cash flows were reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle financing facilities were subject to floating interest rates linked to the Bank of England Base Rate (or equivalent finance house base rates). The interest incurred under these agreements was included within finance costs and classified as stock finance charges. The interest cash flow was reported within cash flows from financing activities within the consolidated statement of cash flows.

The Group's controlling interest in MMH was sold on 11 May 2022 and MMH was not part of the Group as at December 2022 or December 2023.

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

	31 December 2023 £000	31 December 2022 £000
Finance leases (note 19)	**180**	–
Deferral of profit on land transfer to joint ventures	**13,494**	17,928
Derivative financial instruments	**497**	1,770
Accruals and deferred income:		
– Other employee benefits	**190**	407
– Other post-employment benefits	**3,169**	3,233
	3,359	3,640
	17,530	23,338

Notes to the consolidated financial statements continued

19. Loans, overdrafts and borrowings

	31 December 2023 £000	31 December 2022 £000
Overdrafts	**246**	1,988
Finance leases	**336**	–
Total loans, overdrafts and borrowings	**582**	1,988

Analysis of changes in loans and borrowings during the period:	**£000**	£000
At 1 January 2023/1 April 2022	**1,988**	52,175
Acquisitions – finance leases	**383**	–
Disposals – debt	**–**	(12,006)
Overdrafts repaid	**(1,742)**	(576)
Finance lease payments	**(47)**	–
Loans repaid	**–**	(37,605)
Total loans, overdrafts and borrowings	**582**	1,988

	31 December 2023 £000	31 December 2022 £000
Amounts falling due:		
Within one year – finance leases	**156**	–
Within one year – loans and overdrafts	**246**	1,988
Between two and five years – finance leases	**180**	–
	582	1,988
Less: included in creditors: amounts falling due within one year	**(402)**	(1,988)
Amounts falling due after more than one year	**180**	–

At the period end, the Group had access to a £15,000,000 and a €3,500,000 overdraft facility (December 2022: £15,000,000 and €3,500,000). At 31 December 2023, there was £nil and £246,000 (December 2022: £nil and £1,988,000) outstanding on these facilities. These facilities are available for general corporate purposes including acquisitions or working capital requirements.

In 2022, the Group (excluding MMH) had a revolving credit facility amounting to £75,000,000. This facility was available for general corporate purposes, including acquisitions or working capital requirements. On 11 May 2022, the Group completed the sale of MMH and used the proceeds to pay down and, subsequently, cancel the revolving credit facility. No amounts under this facility were outstanding at December 2023 (December 2022: £nil).

Prior to its disposal by the Group in 2022, MMH had access to a separate revolving credit facility of £60,000,000, of which £nil was outstanding on its disposal on 11 May 2022. This facility included access to an overdraft facility of £25,000,000. This facility was available for general corporate purposes, including acquisitions or working capital requirements. The Group's controlling interest in MMH was sold on 11 May 2022 and MMH is not part of the Group as at December 2022 or December 2023.

In 2022 the Group disposed of MMH and MMH had mortgages. Mortgages comprise amounts borrowed from commercial financial institutions and were 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.

Refer to note 31 for details of post-balance sheet changes to the Group's bank and debt facilities.

20. Provision for liabilities

	31 December 2023 £000	31 December 2022 £000
Dilapidations and onerous leases	**410**	695
Onerous contracts	**8,284**	10,706
Warranty	**269**	467
Other	**2,762**	–
	11,725	11,868
Deferred tax (see note 20b)	**4,071**	2,572
	15,796	14,440

(a) Provisions excluding deferred tax

	Dilapidations, and onerous leases £000	Onerous contracts £000	Warranty £000	Other £000	Total £000
At 1 January 2023	695	10,706	467	–	11,868
Arising during the period	237	7,576	98	2,762	10,673
Amounts utilised	(522)	(9,998)	(220)	–	(10,740)
Unused amounts reversed to the profit and loss account	–	–	(76)	–	(76)
At 31 December 2023	**410**	**8,284**	**269**	**2,762**	**11,725**

Dilapidations and onerous leases

The Group manages its property portfolio carefully and either closes or sells sites that no longer fit with the Group's strategy. When sites are closed or sold, provisions are made for any residual costs or commitments.

The Group operates from several leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases. Where property commitments exist at sites that are closed or closing the Group provides for the unavoidable cost of those leases post-closure. Following the disposal of MMH in May 2022, the majority of this provision has been disposed. The Group expects the remainder of this provision to be fully utilised by 31 December 2029.

Onerous contract

The loss provision relates to management's best estimate of the foreseeable loss on a major contract. The provision is expected to be utilised by the end of 2025.

Warranty provision

A provision is recognised for expected warranty claims on products sold. It is expected that the warranty costs will be incurred by 31 December 2024.

Other provisions

A provision has been recognised for a rates assessment in respect of some of the Group's properties. The Group intends to challenge the assessment but a provision has been made based on professional advice received. The timing of any utilisation of the provision is not yet known.

Notes to the consolidated financial statements continued

20. Provision for liabilities continued

(b) Deferred taxation liabilities/(assets)

	31 December 2023 £000	31 December 2022 £000
Accelerated capital allowances	**1,549**	1,668
Tax losses carried forward	**(3,728)**	(105)
Rolled over gains and investment properties	**10,826**	8,317
Deferred tax on defined benefit pension scheme	**(428)**	(567)
Other timing differences	**(4,148)**	(6,741)
	4,071	2,572

Shown as:	31 December 2023 £000	31 December 2022 £000
Deferred tax liability	**4,071**	2,572

The movement in the deferred tax liability during the period comprises as follows:

	31 December 2023 £000	31 December 2022 £000
At 1 January 2023/1 April 2022	**2,572**	37,322
Charge to the consolidated income statement for the period	**411**	2,986
Acquisitions during the period	**159**	–
Disposals during the period	**–**	(35,763)
Deferred taxation in other comprehensive income	**929**	(1,973)
At 31 December	**4,071**	2,572

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

	31 December 2023 £000	31 December 2022 £000
Origination and reversal of timing differences	**1,500**	787
Rate change	**–**	118
Adjustments in respect of prior periods	**(1,089)**	2,081
	411	2,986

The unrecognised deferred tax asset comprises as follows:

	31 December 2023 £000	31 December 2022 £000
Trading losses	**782**	424

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.

At 31 December 2023 these trading losses were £3,209,000 (December 2022: £1,775,000).

21. Called-up share capital

	Allotted, called up and fully paid			
	31 December 2023 No. '000	31 December 2022 No. '000	**31 December 2023 £000**	31 December 2022 £000
Ordinary shares of 12.5p each	**13,133**	13,289	**1,641**	1,661
Non-voting priority dividend ordinary NVPO shares of 12.5p each	**45,949**	45,793	**5,744**	5,724
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	
	£000	£000	**£000**	£000
At 1 January 2023/1 April 2022	**1,661**	1,661	**5,724**	5,724
Ordinary shares converted to NVPO shares	**(20)**	–	**20**	–
At 31 December	**1,641**	1,661	**5,744**	5,724

Rights of Ordinary shares

There are no restrictions on the distribution of dividends and the repayment of capital.

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 cannot vote at an AGM.

Rights of Preference shares

i. Holders of preference shares are entitled, in priority, to any discretionary dividend payable on the Ordinary shares and the NVPO shares, to non-cumulative preference dividends of 8p per share in respect of the A preference shares and 10p per share in respect of the B preference shares.
ii. On a return of capital on a winding up, the preference shares carry the right to repayment of capital at par; this right is in priority to the rights of Ordinary and NVPO shareholders.
iii. Holders of preference shares cannot vote at an AGM.

Right of conversion of Ordinary shares

The Ordinary shares have a limited right of conversion into NVPO shares. Any holder of Ordinary shares may, at any time, elect to convert Ordinary shares into NVPO shares. The rate of conversion is one NVPO share for each Ordinary share.

During the period 156,000 (December 2022: Nil) Ordinary shares were converted into NVPO shares.

Notes to the consolidated financial statements continued

22. Other reserves

Share premium account

The purpose of this reserve is to show the amount subscribed for Marshall of Cambridge (Holdings) Limited's issued share capital in excess of nominal value.

Capital redemption reserve

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

This reserve represents the nominal value of these shares.

Cash flow hedge reserve

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

23. Non-controlling interest

	31 December 2023 £000	31 December 2022 £000
At 1 January 2023/1 April 2022	**–**	88,534
Non-controlling interest profit after taxation	**–**	22,832
Disposal	**–**	(111,366)
At 31 December	**–**	–

On 11 May 2022, the Group completed the sale of Marshall Motor Holdings plc (MMH) and disposed of its majority holding. The Group's interest in the net assets of MMH at the period end was nil (December 2022: nil).

24. Contingent liabilities

Performance guarantees granted by subsidiary undertakings amounted to £14,022,000 (December 2022: £11,300,000). The Group has access to a £15,000,000 and a €3,500,000 overdraft facility, refer to note 19, (December 2022: £15,000,000 and a €3,500,000), which contains cross guarantees granted by certain members of the Group.

The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated. As a large organisation, the Group has a number of contracts with customers to deliver services and products, as well as with its supply chain. From time to time, the Group is involved in disputes and litigation, which have arisen in the course of its normal trading in connection with these contracts. Under the terms of one particular contract, the Group has triggered late delivery charges due to a delay in contract performance. The Group do not believe that the likelihood of economic outflow is probable, nor is it possible to reliably estimate the value or timing of any potential outflow. The Group does not believe that the outcome of this matter will result in any material adverse change in the Group's financial position.

Environmental matter

The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

In the normal course of the Group's business, the Group is subject to health, safety and environmental laws and regulations. These regulations may require the Group to take future action to remediate the effects on the environment arising out of current and past operations. Such contingencies may exist for various sites owned by the Group. The ultimate requirement for remediation and its costs are inherently difficult to estimate.

Remediation costs that enhance the value of the asset would be capitalised to the cost of that asset and accounted for in accordance with the Group's accounting policies. While the amounts of future possible costs that are not provided could be significant and they may be material to the Group's results in the period in which they are recognised, it is not possible to estimate the amounts involved.

It is reasonably possible that the Group may be required to incur expenditure to remediate environmental liabilities at the currently owned and leased site north of Newmarket Road, if the land is brought forward for redevelopment. No legally binding decision has been made by the Group that would commit the Group to redevelop that site.

24. Contingent liabilities continued

In 2024 the Group has commissioned an environmental survey to be undertaken for the site, the results of which are not expected to be available until the end of that year.

Whilst the remediation costs may be material, it is not currently practicable to estimate the potential financial impact or possible timing of the above contingency as there are significant uncertainties as to whether any remediation will be required until the results of the environmental survey are known, no provision has been made in these accounts.

25. Capital commitments

	31 December 2023 £000	31 December 2022 £000
Contracted but not provided for	**90**	3,838

26. Other financial commitments

a) Operating leases

Operating leases – Group as lessor

The Group has entered non-cancellable operating leases, as lessor, on several of its properties included in investment property. The terms of these leases vary. Future minimum lease payments receivable for property under non-cancellable operating leases are as set out below.

	31 December 2023 £000	31 December 2022 £000
Within 1 year	**1,665**	1,560
Between 1 and 5 years	**1,771**	1,853
After 5 years	**1,596**	509
	5,032	3,922

Operating leases – Group as lessee

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

	Land and buildings		**Other**	
	31 December 2023 £000	31 December 2022 £000	**31 December 2023 £000**	31 December 2022 £000
Within 1 year	**3,343**	3,146	**1,142**	1,179
Between 1 and 5 years	**31,521**	12,362	**2,107**	1,330
After 5 years	**49,792**	16,148	**–**	–
	84,656	31,656	**3,249**	2,509

b) Finance leases

The future minimum finance lease payments are as follows:

	31 December 2023 £000	31 December 2022 £000
Within 1 year	**171**	–
Between 1 and 5 years	**197**	–
Total gross payments	**368**	–
Less: finance charges	**(32)**	–
	336	–

The finance leases primarily relate to vehicles which are leased from specialist leasing companies. The remaining lease terms are between two and 41 months. At the end of the lease terms the group has the option to purchase the assets for a nominal amount.

Notes to the consolidated financial statements continued

27. Financial instruments

The Group classifies its financial assets and liabilities under the following categories: fair value through the profit and loss ('FVPL'), fair value through Other Comprehensive Income ('FVOCI'), financial assets at amortised cost and financial liabilities at amortised cost. Details of the fair value valuation methods are disclosed in note 1.

The Group uses derivatives to hedge its foreign currency risk and the fair value of the net derivative asset at 31 December 2023 was £1,889,000 (December 2022 a net liability: £1,693,000). Changes in the fair value of cash flow hedges recognised in other comprehensive income amounted to a £3,232,000 gain (December 2022: £5,510,000 loss) and £427,000 gain (December 2022: £64,000 gain) was reclassified from the cash flow hedge reserve to profit and loss. The cash flows from these derivatives are expected to occur on, approximately, a quarterly basis up until September 2025 and there is no hedge ineffectiveness arising to record in the profit and loss.

	31 December 2023 £000	31 December 2022 £000
Financial assets at fair value through the Profit and Loss account		
Other investments carried at fair value	**2,808**	–
Financial assets at fair value through Other Comprehensive Income		
Forward foreign exchange contracts – cash flow hedging instruments	**2,733**	2,577
Financial assets measured at amortised cost		
Trade debtors	**40,916**	38,911
Convertible loan notes	**540**	1,619
Amounts owed by joint ventures	**30,606**	38,611
Short-term deposits	**–**	45,000
Cash at bank and in hand	**35,432**	86,331
	107,494	210,472
Financial liabilities at fair value through Other Comprehensive Income		
Forward foreign exchange contracts – cash flow hedging instruments	**(844)**	(4,270)
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	**(246)**	(1,988)
Finance leases	**(336)**	–
Trade creditors	**(34,663)**	(23,023)
Other creditors	**(1,661)**	(857)
Accruals	**(33,516)**	(41,139)
	(70,422)	(67,007)

28. Staff costs and Directors' emoluments

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
(a) Group staff costs		
Wages and salaries	**118,564**	99,776
Social security costs	**12,331**	10,476
Other pension costs (see note 30)	**7,734**	5,646
	138,629	115,898

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

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

	31 December 2023 No.	31 December 2022 No.
Aerospace	**1,096**	1,169
Land Systems	**477**	363
Fleet Solutions	**459**	339
Advanced Composites	**104**	91
Skills Academy	**31**	26
Futureworx	**16**	15
Motor retail (sold in 2022)	**–**	893
Property and head office	**66**	44
	2,249	2,940

		12 months 31 December 2023 £000	9 months 31 December 2022 £000
(b) Directors' remuneration			
Emoluments	– continuing	**1,602**	1,522
	– leavers	**–**	350
Long-term incentive payments*	– continuing	**300**	137
	– leavers	**–**	246
Company contributions to defined contribution pension schemes	– continuing	**70**	51
		1,972	2,306

* Long-term incentive payments relate to performance periods 2019–2021 (December 2023) and 2018–2020 (December 2022) with payments vesting following a two-year holding period at the end of the performance period.

Two Directors (December 2022: one Director) were contributing members of the defined contribution pension scheme.

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
Remuneration of highest paid director:		
Emoluments	**454**	674
Long-term incentive payments*	**300**	137
Company contributions to defined contribution pension schemes	**70**	51
	824	862

* Long-term incentive payments relate to performance periods 2019–2021 (December 2023) and 2018–2020 (December 2022) with payments vesting following a two-year holding period at the end of the performance period.

Notes to the consolidated financial statements continued

28. Staff costs and Directors' emoluments continued

The Directors of the Parent Company are the Group's key management personnel defined by FRS 102. Details of their remuneration is disclosed above excluding employers national insurance. The key management personnel expense, inclusive of employers national insurance for the 12 months ended 31 December 2023 is £2,235,000 (9 months ended 31 December 2022: £2,568,000).

29. Related parties

	Sales to related party £000	Purchases from related party £000	Amounts due from/(to) related party £000
Marshall Motor Holdings plc and its subsidiaries			
31 December 2023	**–**	**–**	**–**
31 December 2022	173	37	–

The above transactions were with Marshall Motor Holdings plc and its subsidiaries for the period to 11 May 2022, while it was part of the Group.

The Group has a 50% ownership in each of the joint venture vehicles, Hill Marshall LLP ('LLP1') and Hill Marshall (Phase 2) LLP ('LLP2'), which were created to enable Phase 1 and 2 of the Marleigh (formerly Wing) development. The amounts receivable in the table below include amounts receivable from the transfer of land to LLP1 and LLP2, discounted as long-term debt, as described in note 16, resulting in a receivable of £10,673,000 (December 2022: £21,340,000).

The following table shows the aggregate transactions with related parties carried out during the period:

	Sales to/ (purchases from) £000	Net interest received/ (paid) £000	Amounts receivable £000	Amounts payable £000
31 December 2023				
Hill Marshall LLP	**–**	**438**	**23,685**	**–**
Hill Marshall (Phase 2) LLP	**–**	**275**	**6,921**	**–**
31 December 2022				
Hill Marshall LLP	–	349	32,040	–
Hill Marshall (Phase 2) LLP	–	207	6,646	–

Terms and conditions of transactions with related parties

Sales and purchases between the Group and its related parties are made at normal market prices. Excluding the LLPs, terms of which are detailed above and in note 16, outstanding balances with these entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Group and Parent Company have not benefited from any guarantees for any related party receivables or payables. During the period ended 31 December 2023, the Group and Parent Company have not had to make any provision for doubtful debts relating to amounts owed by related parties (December 2022: £nil).

The Directors of the Parent Company are the Group's key management personnel defined by FRS 102. The total key management personnel expense for the 12 month period ended 31 December 2023 was £2,235,000 (9 months ended 31 December 2022: £2,568,000).

All related party transactions have been conducted on an arms length basis.

In the judgement of the Directors the Group does not have an overall controlling party.

30. Pensions and other retirement benefit costs

The Group operates, for the benefit of its employees, three schemes, one of which has elements of both defined benefit and defined contribution, while the other two are entirely defined contribution. All the schemes are funded by the payment of contributions to trustee-administered funds, which are kept entirely separate from the assets of the Group.

The scheme that has elements of both defined benefit and defined contribution is known as the Marshall Group Executive Pension Plan (the 'Plan'). The total pension cost for the Group for the 12 month period, in respect of all defined contribution schemes in the UK, was £7,134,494 (9 months ended 31 December 2022: £5,157,000). A further £600,000 (December 2022: £298,000) was paid into defined contribution schemes overseas. The total defined benefit charge for the Group in respect of the Plan was £97,000 (December 2022: £177,000) under FRS 102 Chapter 28, of which £3,000 (December 2022: £189,000) has been charged to operating profit and £94,000 has been expensed (December 2022: £12,000 credited) to other finance expense.

The Plan was assessed by a qualified independent actuary from Buck Consultants, as at 31 December 2019, using the projected unit method and indicated a funding deficit of £4,999,000. The Parent Company and the Trustees agreed that the Parent Company will remove the deficit over a period of four years, by 31 December 2023. Annual instalments of £1,240,000 commenced in 2020. The contributions of £1,240,000 due to be paid in December 2022 and December 2023 were permitted to be deferred and would only be paid at the request of the Trustees. If the contributions are requested, they will fall due three months after the Trustees' request, but no earlier than the original payment dates of December 2022 and December 2023. The December 2022 contribution was paid in full. With the agreement of the Trustees, contributions of £596,000 were paid during 2023.

The valuation of the defined benefit section of the Plan under FRS 102 Chapter 28 has been based on the actuarial valuation, updated by the actuary from Buck Consultants in order to assess the assets and the liabilities of the scheme as at 31 December 2023. The assets and liabilities shown exclude those relating to defined contribution pensions.

The major assumptions used by the actuary were:	**31 December 2023 %**	31 December 2022 %
Discount rate	**4.54**	4.79
Retail price inflation rate	**3.06**	3.10
Consumer price inflation rate	**2.63**	2.61
Pension increase rate:		
– price inflation, capped at 5.0%	**3.16**	3.10
– as above, but for those pensions subject to 3.0% floor	**3.50**	3.10
– as above, but for those pensions subject to 2.7% floor	**3.17**	3.10
– as above, but for those pensions subject to 8.5% cap	**3.42**	3.10
– as above, but for those pensions subject to 2.5% cap	**2.50**	2.50

Life expectancy at 65	**31 December 2023 Years**	31 December 2022 Years
– for male aged 65	**23.50**	24.10
– for female aged 65	**26.20**	26.80
– for male aged 45	**25.10**	25.80
– for female aged 45	**27.60**	28.20

The inflation assumptions are based on the full Bank of England implied inflation curve. The illustrative spot rate inflation and pension increase assumptions as at 31 December 2023 are based on a 13 year term in order to reflect the duration of the Plan's liabilities which we estimate to be approximately 13 years.

The post-retirement longevity assumption uses 80% of S3PMA/75% of S3PFA base tables, with CMI 2022 table with A=0.5 and 1.5% (December 2022: 1.5%) per annum and 1.25% (December 2022: 1.25%) per annum long-term improvement trend for males and females, respectively (rebased to 2016). The disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date.

Notes to the consolidated financial statements continued

30. Pensions and other retirement benefit costs continued

Amounts recognised in the consolidated balance sheet are determined as follows:

	31 December 2023 £000	31 December 2022 £000
Fair value of plan assets at the end of period	**33,660**	32,135
Present value of defined benefit obligations at end of period	**(35,374)**	(34,403)
Deficit in the scheme as at 31 December	**(1,714)**	(2,268)
Related deferred tax asset	**428**	567
Net defined benefit obligation	**(1,286)**	(1,701)

	31 December 2023 £000	31 December 2022 £000
Reconciliation of defined benefit obligations:		
Present value of obligations at start of period	**34,403**	49,343
Interest cost	**1,583**	981
Actuarial loss/(gain)	**2,108**	(14,127)
Benefits paid	**(2,720)**	(1,794)
Present value of obligations at end of period	**35,374**	34,403

	31 December 2023 £000	31 December 2022 £000
Reconciliation of fair value of assets:		
Fair value plan assets at start of period	**32,135**	53,366
Interest income on plan assets	**1,489**	1,074
Return on plan assets in excess of interest income	**2,163**	(21,562)
Contributions by the employer	**596**	1,240
Benefits paid	**(2,720)**	(1,794)
Administration expenses	**(3)**	(189)
Fair value of assets at end of period	**33,660**	32,135

	31 December 2023 £000	31 December 2022 £000
Analysis of amount charged against profit		
Administration expenses	**3**	189
Net interest expense/(income) on net defined benefit liability	**94**	(93)
Interest income limitation on surpluses not recognised	**–**	81
Total expense recognised in the consolidated income statement	**97**	177

	31 December 2023 £000	31 December 2022 £000
Analysis of amount credited/(charged) against other comprehensive income:		
Remeasurement gain/(loss) recognised on defined benefit pension scheme	**55**	(3,330)
Deferred tax (charge)/credit relating to defined benefit pension scheme	**(14)**	832
	41	(2,498)

In the period ended 31 December 2022 the remeasurement loss recognised on defined benefit pensions scheme takes into account the release of a prior year surplus restriction of £4,104,000. The remeasurement loss in the period ended 31 December 2022 was £7,430,000 without this restriction. There was no restriction in 2023.

30. Pensions and other retirement benefit costs continued

	Value £000	31 December 2023 % Total	Value £000	31 December 2022 % Total
Breakdown of value of plan assets				
Private corporate debt	**–**	**0.00%**	2,974	9.25%
Cash and net current assets	**(1,714)**	**(5.09%)**	(5,242)	(16.31%)
Insured pensions	**35,374**	**105.09%**	34,403	107.06%
Total fair value of plan assets	**33,660**	**100.00%**	32,135	100.00%

The five year history of experience adjustments is as follows:	**December 2023 £000**	December 2022 £000	March 2022 £000	December 2020 £000	December 2019 £000
Experience adjustments on scheme assets	**2,163**	(21,562)	1,602	2,401	3,572
Experience adjustments on scheme liabilities	**–**	(6)	1,011	(149)	50
Changes in assumptions	**(2,108)**	14,132	4,863	(5,053)	(3,701)
Adjustment excluding interest in accordance with the limit in FRS102 paragraph 28.22	**–**	4,106	(4,014)	–	–
Total recognised in other comprehensive income	**55**	(3,330)	3,462	(2,801)	(79)
Fair value of scheme assets	**33,660**	32,135	53,366	52,007	39,385
Present value of scheme liabilities	**(35,374)**	(34,403)	(49,343)	(56,640)	(49,245)
Surplus not recognised in accordance with FRS102	**–**	–	(4,023)	–	–
Deficit in the scheme	**(1,714)**	(2,268)	–	(4,633)	(9,860)

Asset volatility – On 24 November 2022, the Trustees purchased a buy-in policy with Aviva. Under this arrangement, an annuity was purchased to provide a return to match the liabilities of the Plan. These insured pension arrangements make up the majority of the Plan's assets and, as a result, the inherent risk and volatility of the Plan has been significantly reduced.

Inflation risk – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although, in most cases, there are caps in place that protect against extreme inflation). The buy-in policy purchased with Aviva is expected to provide a return to match this volatility.

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. The buy-in policy purchased with Aviva is expected to provide a return to match this volatility.

31. Post-balance sheet events

On 10 June 2024 the Group signed a £25,000,000 revolving credit facility and a £10,000,000 Trade Loan facility. These are in addition to the £15,000,000 and £3,000,000 overdraft facilities which existed during the period. All facilities are with UK commercial banks. The revolving credit facility is available for general corporate use and accrues interest at SONIA plus a margin of 2.95%. It is repayable in full in June 2026 and secured by a fixed and floating charge over the Group's assets. The Trade Loan facility is available for working capital purposes and accrues interest at SONIA plus a margin of 2.1%. It is repayable on demand and secured by a fixed and floating charge over the Group's assets.

Company balance sheet

as at 31 December 2023

	Notes	31 December 2023 £000	31 December 2022 £000
Fixed assets			
Intangible assets	7	**2,377**	2,833
Tangible assets	8	**887**	506
Investments	9	**47,756**	44,548
Total fixed assets		**51,020**	47,887
Current assets			
Debtors			
Amounts falling due within one year	10	**125,753**	116,030
Amounts falling due after more than one year	10	**–**	540
Investments		**–**	45,000
Cash at bank and in hand		**15,628**	66,538
		141,381	228,108
Creditors: amounts falling due within one year	12	**(27,278)**	(70,706)
Net current assets		**114,103**	157,402
Total assets less current liabilities		**165,123**	205,289
Creditors: amounts falling due after more than one year	13	**(3,359)**	(3,640)
Net assets before pension liability		**161,764**	201,649
Pension liability	14	**(1,714)**	(2,268)
Net assets		**160,050**	199,381
Capital and reserves			
Called-up share capital	15	**15,785**	15,785
Share premium account		**611**	611
Capital redemption reserve	17	**130**	130
Profit and loss account		**143,524**	182,855
Total equity		**160,050**	199,381

The loss for the financial period dealt with in the financial statements of the Parent Company was £35,346,000 (December 2022: profit £194,577,000).

The Company audited financial statements on pages 112 to 126 were approved by the Board of Directors and authorised for issue on 13 June 2024.

D J Heaford
Director

Company number: 02051460

Company statement of changes in equity

12 months ended 31 December 2023

	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2022	15,785	611	130	39,702	56,228
Profit for the financial period	–	–	–	194,577	194,577
Other comprehensive expense	–	–	–	(2,498)	(2,498)
Total comprehensive income for the period	–	–	–	192,079	192,079
Equity dividends paid (note 5)	–	–	–	(48,926)	(48,926)
At 31 December 2022	15,785	611	130	182,855	199,381
Loss for the financial period	–	–	–	(35,346)	(35,346)
Other comprehensive income	–	–	–	41	41
Total comprehensive expense for the period	–	–	–	(35,305)	(35,305)
Equity dividends paid (note 5)	–	–	–	(4,026)	(4,026)
At 31 December 2023	**15,785**	**611**	**130**	**143,524**	**160,050**

Notes to the Company financial statements

1. Statement of compliance

Marshall of Cambridge (Holdings) Limited ('the Company') is a private company limited by shares incorporated in England, United Kingdom under the Companies Act 2006. The registered office is Control Building The Airport, Newmarket Road, Cambridge, England, CB5 8RX.

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' and the Companies Act 2006 as it applies to the financial statements of the Company for the 12 months ended 31 December 2023. The comparative period is for the 9 month period ended 31 December 2022.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Basis of preparation

The audited financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the Board of Directors on 13 June2024. The financial statements have been prepared in accordance with applicable accounting standards. They are presented in sterling and are rounded to the nearest £'000. The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3b.

Going concern

The Company participates in the Group treasury arrangements of Marshall of Cambridge (Holdings) Limited ('MCH'). Under this arrangement, it has access to and shares banking arrangements and facilities with the subsidiary undertakings.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are described within the Group Strategic Report on pages 1 to 34. 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 14 and 20, while the principal risks and uncertainties facing the Group are set out in the Group Strategic Report and, specifically, on pages 23 to 26.

As at 31 December 2023, the Company reported net current assets of £114,103,000 (December 2022: £157,402,000). On 10 June 2024 the Group signed a £25,000,000 revolving credit facility and a £10,000,000 Trade Loan facility. These are in addition to the £15,000,000 and £3,000,000 overdraft facilities which existed during the period. The revolving credit facility is a committed facility, repayable in June 2026 with a two year extension option. The Trade Loan and overdrafts are repayable on demand.

The Directors have considered whether, over a period of at least 12 months from the approval of these financial statements, the Group and Company is able to meet its liabilities as they fall due and is a going concern. The Directors have concluded that over the 12 months from the date of signing these financial statements, and after taking into account both the committed and uncommitted bank funding, they believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this is dependent on the Group and Company being able to utilise the uncommitted facilities.

Notes to the Company financial statements
continued

2. Basis of preparation continued

In addition, as part of their assessment, the Directors have performed a stress test, including modelling a range of severe but plausible ('SBP') downside scenarios, to understand what would need to happen for the business to fully utilise its available funds, including both committed and uncommitted facilities, and exhaust its liquidity. Under the SBP downside scenarios, without taking mitigating actions, the Group and Company would not have sufficient resources to continue to meet its liabilities as they fall due, and this would result in a breach of banking covenants. The SBP downside scenarios considered a delay to the resale of the UK C-130 fleet for which Marshall is an official partner, and worsened trading performance of a portfolio of legacy long term contracts within the Land Systems business. Under the C-130 arrangement, Marshall has undertaken work in relation to the UK C-130 fleet, with material proceeds expected to flow to Marshall upon their resale by the UK Ministry of Defence. However, the completion of this resale is dependent upon a government to government transaction, which will require approval from the relevant US authorities and, therefore, there is a high degree of uncertainty over the timing and quantum of inflows. Similarly in the Land Systems business a number of material long term construction contracts exist which have been delayed due to technical challenges. Milestone payments on these contracts are not receivable until delivery of units to the customer and, while the Directors consider that progress on each of these contracts continues to be made, the performance of these contracts and its potential impact on working capital, and hence liquidity, are uncertain.

In response to these SBP downside scenarios, the Directors have drawn up mitigating actions available to the Group and Company, including but not limited to the disposal of assets. The Directors have a reasonable expectation that such actions would enable the Group and Company to remain liquid throughout the going concern assessment period and avoid breaches of its covenants. As such, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these mitigating actions are not fully in the control of the Directors and have not been committed as at the date of approval of these financial statements. Were the Group not to be able to successfully enact these mitigations, it may need additional external funding to retain liquidity and in the event of a breach of covenants it would need to obtain waivers from its lenders. These circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. 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 and Company were unable to continue as a going concern.

Exemptions adopted

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. The Company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

a. The requirements of Section 7, Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
b. The requirements for certain financial instrument disclosures.
c. The requirements of Section 26, Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23.
d. The requirements of Section 33, Related Party Disclosures paragraph 33.7.

Company (loss)/profit

As permitted under section 408 of the Companies Act 2006, the Company has elected to neither present a Company Income Statement nor a Company Statement of Comprehensive Income. The loss for the financial period in the financial statements of the Parent Company was £35,346,000 (December 2022: profit £194,577,000) and other comprehensive income was income of £41,000 (December 2022: expense £2,498,000).

Notes to the Company financial statements
continued

3a. Accounting policies

Except where disclosed otherwise in this note, the accounting policies adopted in the preparation of the Company financial statements are consistent with those applied when preparing the consolidated financial statements. Details of the Group's policies are disclosed on pages 72 to 81.

Investments

In the Parent Company financial statements, investments in subsidiaries are valued at cost less impairment.

Foreign currencies

Parent Company

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

3b. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The Directors have determined that there are no judgements that require disclosure in the financial statements and have identified the following estimates.

Other investments

Please refer to note 14 of the consolidated financial statements.

Impairment of subsidiary investments

Where there are indicators of impairment of investments, the Company compares the carrying value of the asset with its recoverable amount, represented by the higher of its value in use and net realisable value. The key judgements relate to management's assessment of whether indicators of impairment are present.

Pensions

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

The principal assumptions relate to the rate of inflation, mortality and the discount rate. Over the longer term, rates of inflation can vary significantly.

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

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

The gross amount of assets that are measured at fair value total £33,660,000 (December 2022: £32,135,000) and gross liabilities are £35,374,000 (December 2022: £34,403,000), resulting in a net liability of £1,714,000 (December 2022: liability £2,268,000).

4. Auditors' remuneration

The auditors' remuneration for audit services was £60,000 (December 2022: £55,000). The Company also paid £1,463,000 (December 2022: £240,000) for the audit of the consolidated financial statements of the Group.

5. Equity dividends

	31 December 2023 £000	31 December 2022 £000
Dividends on Ordinary shares:		
3.00p per Ordinary share of 12.5p each paid on 7 July 2023 (8 July 2022 – 3.00p)	**394**	399
Nil p per Ordinary share of 12.5p each (7 October 2022 – 76.00p)	**–**	10,100
1.00p per Ordinary share of 12.5p each paid on 10 November 2023 (16 December 2022 – 1.00p)	**131**	133
	525	10,632
Dividends on NVPO shares:		
3.00p per NVPO share of 12.5p each paid on 7 July 2023 (8 July 2022 – 3.00p)	**1,378**	1,374
Nil p per NVPO share of 12.5p each (7 October 2022 – 76.00p)	**–**	34,802
3.00p per NVPO share of 12.5p each paid on 10 November 2023 (16 December 2022 – 3.00p)	**1,379**	1,374
	2,757	37,550
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 period	**4,026**	48,926

6. Staff costs and Directors' emoluments

	12 months 31 December 2023 £000	9 months 31 December 2022 £000
(a) Staff costs		
Wages and salaries	**7,891**	5,058
Social security costs	**1,024**	709
Other pension costs	**440**	256
	9,355	6,023

The average monthly number of employees during the period was 88 (December 2022: 62).

(b) Directors' emoluments

Details of the Directors' emoluments are set out in note 28 of the consolidated financial statements.

Notes to the Company financial statements

continued

7. Intangible assets

	Software Total £000
Cost:	
At 1 January 2023	3,306
Additions	32
At 31 December 2023	**3,338**
Amortisation:	
At 1 January 2023	473
Provided during the period	488
At 31 December 2023	**961**
Net book value:	
At 31 December 2023	**2,377**
Net book value:	
At 31 December 2022	2,833

8. Tangible assets

	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost:				
At 1 January 2023	–	1,144	66	1,210
Additions	52	446	–	498
At 31 December 2023	**52**	**1,590**	**66**	**1,708**
Depreciation:				
At 1 January 2023	–	638	66	704
Provided during the period	6	111	–	117
At 31 December 2023	**6**	**749**	**66**	**821**
Net book value:				
At 31 December 2023	**46**	**841**	**–**	**887**
Net book value:				
At 31 December 2022	–	506	–	506

9. Investments

	Subsidiary undertakings £000	Other investments £000	Total £000
Cost or valuation:			
At 1 January 2023	45,782	–	45,782
Additions	400	2,808	3,208
At 31 December 2023	**46,182**	**2,808**	**48,990**
Provision:			
At 1 January and 31 December 2023	**1,234**	**–**	**1,234**
Net book value:			
At 31 December 2023	**44,948**	**2,808**	**47,756**
Net book value:			
At 31 December 2022	44,548	–	44,548

The Company's indirect 50% interest in two joint venture partnerships is held by Marshall Group Properties Limited. The registered address of both joint ventures, Hill Marshall LLP and Hill Marshall (Phase 2) LLP, is The Power House, Gunpowder Mill, Powdermill Lane, Waltham Abbey, Essex, EN9 1BN.

9. Investments continued

a) Subsidiary undertakings

The Company's direct investments in subsidiary undertakings at 31 December 2023 are shown below.

	Proportion held %	Nominal value £	Ordinary shares No.	Principal activity	Cost £000
Marshall ADG Ltd*	100%	1.00	14,001,000	Holding company	14,001
Marshall Fleet Solutions Ltd*	100%	1.00	12,000	Holding company	20
Marshall Group Properties Limited	100%	1.00	10,000	Farming and property holding	10
Marshall Skills Academy Ltd*	100%	1.00	400,000	Educational services	400
MGPH Limited	100%	1.00	30,500,000	Property holding and rental	31,734
The Cambridge Aero Club Limited	100%	1.00	5,000	Flying instruction & aircraft charter	17
Marshall of Cambridge (Engineering) Limited	100%	1.00	100	Dormant	–
					46,182

* Subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the period ended 31 December 2023.

The registered office for the subsidiaries listed above is Control Building The Airport, Newmarket Road, Cambridge, England, CB5 8RX.

Other indirect wholly owned subsidiary undertakings are detailed below:

Name of Undertaking	Proportion held %	Principal activity	Country of incorporation	Registered office
Marshall of Cambridge Aerospace Limited	100%	Aerospace engineering	England and Wales	Cambridge**
Marshall Land Systems Limited	100%	Military equipment provider	England and Wales	Cambridge**
Marshall Thermo King Limited	100%	Commercial vehicle refrigeration unit services	England and Wales	Cambridge**
Slingsby Holdings Limited	100%	Holding company	England and Wales	Cambridge**
Slingsby Advanced Composites Limited	100%	Composite structures design and manufacture	England and Wales	Cambridge**
Marshall Middle East Limited	100%	Business development activities in the Middle East	England and Wales	Cambridge**
Marshall Canada Holdings Inc	100%	Holding company	Canada	2600 – 1066 West Hastings Street, Vancouver BC V6E 3X1, Canada
Marshall Aerospace Canada, Inc.	100%	Design engineering support	Canada	2600 – 1066 West Hastings Street, Vancouver BC V6E 3X1, Canada
Marshall Land Systems Canada Inc	100%	Military equipment provider	Canada	44 Chipman Hill Suite, 1000 Saint John, NB, E2L 2A9, Canada
Marshall Skills Academy Inc	100%	Educational services	Canada	2600 – 1066 West Hastings Street, Vancouver BC V6E 3X1, Canada
Marshall USA LLC	100%	Business development activities in the USA	USA	1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA
Marshall Aerospace Netherlands B.V.	100%	Design engineering services	Netherlands	Haagse Schouwweg BM, 2332KG Leiden, Netherlands
Marshall Aerospace and Defence France SAS	100%	Business development activities in France	France	6 place de la Madeleine 75008 Paris

9. Investments continued

Name of Undertaking	Proportion held %	Principal activity	Country of incorporation	Registered office
Marshall Norway AS	100%	Business development activities in Norway	Norway	Hangarveien 21, 3241 Sandefjord, Norway
LH No 2 Limited	100%	Holding company	England and Wales	Cambridge**
Michael Ward Limited	100%	Commercial vehicle refrigeration unit services	England and Wales	Cambridge**
Peter Staines Refrigeration Limited	100%	Commercial vehicle refrigeration unit services	England and Wales	Cambridge**
PSR Bromley Limited	100%	Commercial vehicle refrigeration unit services	England and Wales	Cambridge**
PSR Contracts Limited	100%	Commercial vehicle refrigeration unit services	England and Wales	Cambridge**
Roadfridge Limited	100%	Commercial vehicle refrigeration unit services	England and Wales	Cambridge**
Aeroacademy Limited	100%	Dormant	England and Wales	Cambridge**
Marshall Specialist Vehicles Ltd*	100%	Dormant	England and Wales	Cambridge**
Marshall Tail Lift Limited	100%	Dormant	England and Wales	Cambridge**
Marshall of Cambridge (Airport Properties) Limited	100%	Dormant	England and Wales	Cambridge**

* Subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the period ended 31 December 2023.

** The registered office for these companies is Control Building The Airport, Newmarket Road, Cambridge, England, CB5 8RX.

All of the above subsidiaries are included in the consolidated financial statements.

b) Other investments

Other investments represent a holding in a managed fund that predominantly invests in floating rate senior secured loans issued by middle market companies located in developed countries in Europe. These are carried at fair value.

10. Debtors

	31 December 2023 £000	31 December 2022 £000
Amounts falling due within one year		
Trade debtors	**67**	42
Amounts owed by group undertakings	**121,898**	108,962
Other debtors	**–**	3,026
Convertible loan notes	**540**	1,079
Deferred tax asset (note 11)	**2,093**	1,698
Prepayments and accrued income	**1,155**	1,223
	125,753	116,030
Amounts falling due after more than one year		
Convertible loan notes	**–**	540
	–	540
	125,753	116,570

Amounts owed by group undertakings are unsecured and repayable on demand. Throughout the 12 month period ended 31 December 2023, where amounts relate to the Group treasury arrangement, interest is charged at the Bank of England base rate plus 1% (December 2022: Bank of England base rate plus 3%).

Convertible Loan Notes are unsecured, non-interest bearing and are repayable in eight equal quarterly instalments from 1 September 2022. Conversion is at the holder's discretion, giving notice before each redemption date. If exercised, Loan Notes convert into Preference shares of an unlisted UK company. Loan Notes are held at cash value less any impairment on the basis it has not been possible to reliably estimate the potential additional value that may arise on conversion.

Other debtors of £nil (December 2022: £3,026,000) relate to amounts lent to the Marshall Group Executive Pension Plan (the 'Plan') to enable it to enter into a buy-in contract with Aviva. Amounts were lent on a short-term, arm's length, basis.

11. Deferred tax asset

The movement in the deferred tax asset during the period was:

	31 December 2023 £000	31 December 2022 £000
At 1 January 2023/1 April 2022	**1,698**	1,215
Credit/(charge) to the Income Statement for the period	**409**	(349)
Deferred taxation in Other Comprehensive Income	**(14)**	832
At 31 December	**2,093**	1,698

11. Deferred tax asset continued

The deferred tax asset provided in the financial statements comprises as follows:

	31 December 2023 £000	31 December 2022 £000
Accelerated capital allowances	**(66)**	19
Defined benefit pension scheme	**428**	567
Other timing differences	**1,731**	1,112
	2,093	1,698

The deferred tax credit in the Income Statement comprises as follows:

	31 December 2023 £000	31 December 2022 £000
Origination and reversal of timing differences	**135**	(332)
Adjustments in respect of prior years	**274**	(17)
	409	(349)

The deferred tax asset not recognised comprises as follows:

	31 December 2023 £000	31 December 2022 £000
Trading losses	**324**	324

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.

At 31 December 2023 these trading losses were £1,295,000 (December 2022: £1,295,000).

12. Creditors: amounts falling due within one year

	31 December 2023 £000	31 December 2022 £000
Loans and overdrafts	**42**	115
Payments received on account	**105**	–
Trade creditors	**2,244**	902
Amounts owed to group undertakings	**22,283**	64,986
Other taxation and social security	**503**	327
Accruals and deferred income	**2,101**	4,376
	27,278	70,706

Amounts owed to group undertakings are unsecured and repayable on demand. No interest was paid on amounts owed to subsidiary undertakings during the period (December 2022: £nil).

Details in relation to loans and overdrafts can be found in note 19 of the consolidated financial statements.

Notes to the Company financial statements
continued

13. Creditors: amounts falling due after one than one year

	31 December 2023 £000	31 December 2022 £000
Accruals and deferred income:		
– Other employee benefits	**190**	407
– Other post employment benefits	**3,169**	3,233
	3,359	3,640

14. Pension liability

Details of the Company pension schemes are disclosed in note 30 of the consolidated financial statements.

15. Called-up share capital

	Allotted, called up and fully paid			
	31 December 2023 No. '000	31 December 2022 No. '000	**31 December 2023 £000**	31 December 2022 £000
Ordinary shares of 12.5p each	**13,133**	13,289	**1,641**	1,661
Non-voting priority dividend ordinary NVPO shares of 12.5p each	**45,949**	45,793	**5,744**	5,724
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**	
	£000	£000	**£000**	£000
At 1 January 2023/1 April 2022	**1,661**	1,661	**5,724**	5,724
Ordinary shares converted to NVPO shares	**(20)**	–	**20**	–
At 31 December	**1,641**	1,661	**5,744**	5,724

Rights of Ordinary shares

There are no restrictions on the distribution of dividends and the repayment of capital.

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 cannot vote at an AGM.

Rights of Preference shares

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

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

iii. Holders of preference shares cannot vote at an AGM.

15. Called-up share capital continued

Right of conversion of Ordinary shares

The Ordinary shares have a limited right of conversion into NVPO shares. Any holder of Ordinary shares may, at any time, elect to convert Ordinary shares into NVPO shares. The rate of conversion is one NVPO share for each Ordinary share.

During the period 156,000 (December 2022: Nil) Ordinary shares were converted into NVPO shares.

16. Related parties

There were no disclosable transactions in the 12 months ended 2023 or the 9 months ended 31 December 2022 and no balances outstanding as at 31 December 2023 and 31 December 2022 with Marshall Motor Holdings plc and its subsidiaries.

The Company has an indirect 50% ownership in each of the joint venture vehicles, Hill Marshall LLP ('LLP1') and Hill Marshall (Phase 2) LLP ('LLP2'), which were created to enable Phase 1 and 2 of the Marleigh (formerly Wing) development. The amounts receivable in the table below include amounts receivable from the transfer of land to LLP1 and LLP2, discounted as long-term debt, as described in note 16 of the consolidated financial statements, resulting in a receivable of £10,673,000 (December 2022: £21,340,000).

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

	Sales to/ (purchases from) £000	Net interest received/ (paid) £000	Amounts receivable £000	Amounts payable £000
31 December 2023				
Hill Marshall LLP	**–**	**438**	**23,685**	**–**
Hill Marshall (Phase 2) LLP	**–**	**275**	**6,921**	**–**
31 December 2022				
Hill Marshall LLP	–	349	32,040	–
Hill Marshall (Phase 2) LLP	–	207	6,646	–

Terms and conditions of transactions with related parties

Sales and purchases between the Company and its related parties are made at normal market prices. Excluding the LLPs, terms of which are detailed above and in note 16 of the consolidated financial statements, outstanding balances with these entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Company has not benefited from any guarantees for any related party receivables or payables. During the period ended 31 December 2023, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (December 2022: £nil).

The Directors of the Company are the Company's key management personnel defined by FRS 102.

In the judgement of the Directors the Group does not have an overall controlling party.

17. Reserves

Profit and loss account

The profit and loss reserve represents the cumulative profit or losses, net of dividends paid and other adjustments. £143,524,000 (December 2022: £182,855,000) of the profit and loss reserve is distributable and £nil (December 2022: £nil) is non-distributable.

Capital redemption reserve

On 2 October 1991, pursuant to a special resolution, Marshall of Cambridge (Holdings) Limited purchased 130,000 Ordinary shares of £1 each, representing 1.8% of the issued share capital of the Company at that date, for a consideration of £455,000. The purchased shares were then cancelled in accordance with Section 106(4) of the Companies Act 1985.

Notes to the Company financial statements
continued

18. Contingent liabilities

The Company's subsidiaries' year end is 31 December, and the Company issued letters of support to some of its subsidiaries for the year ended 31 December 2023. A number of these subsidiaries have contingent liabilities included in their financial statements, which are summarised in note 24 of the consolidated financial statements. Some of these subsidiaries have net current liabilities and these total £34,214,000 (December 2022: £19,955,000) and net liabilities of £12,232,000 (December 2022: £12,751,000).

19. Other financial commitments

The Company leases several vehicles, including service contracts under operating leases. The future aggregate minimum payments under these non-cancellable leases are set out below.

	31 December 2023 £000	31 December 2022 £000
Within 1 year	**39**	14
Between 1 and 5 years	**48**	10
	87	24

20. Post-balance sheet events

On 10 June 2024 the Group signed a £25,000,000 revolving credit facility and a £10,000,000 Trade Loan facility. These are in addition to the £15,000,000 and £3,000,000 overdraft facilities which existed during the period. All facilities are with UK commercial banks. The revolving credit facility is available for general corporate use and accrues interest at SONIA plus a margin of 2.95%. It is repayable in full in June 2026 and secured by a fixed and floating charge over the Group's assets. The Trade Loan facility is available for working capital purposes and accrues interest at SONIA plus a margin of 2.1%. It is repayable on demand and secured by a fixed and floating charge over the Group's assets.

Recent financial history

This page is unaudited.

	12 months 31 December 2019 £000	12 months 31 December 2020 £000	15 months 31 March 2022 £000	9 months 31 December 2022 £000	12 months 31 December 2022 Proforma, continuing operations[1] £000	**12 months 31 December 2023 £000**
Revenue	2,637,961	2,488,114	4,176,104	681,905	368,693	**321,298**
Operating profit/(loss)	33,600	37,275	95,192	21,634	19,146	**(8,964)**
Profit on disposal of operations	–	–	–	62,239	–	**–**
Share of profit in the period in joint ventures	–	428	3,993	3,662	4,531	**6,630**
Earnings/(expense) before interest and tax	33,600	37,703	99,185	87,535	23,677	**(2,334)**
Net finance (expenses)/income	(6,413)	(7,243)	(7,245)	2,079	3,719	**4,273**
Profit before tax	27,187	30,460	91,940	89,614	27,396	**1,939**
Shown as:						
Profit before separately disclosed exceptional items and tax	35,159	39,064	100,686	30,219	28,102	**4,080**
Separately disclosed exceptional items	(7,972)	(8,604)	(8,746)	59,395	(706)	**(2,141)**
Taxation	(6,051)	(8,469)	(24,169)	(5,076)	(5,840)	**(1,327)**
Profit/(loss) after tax	21,136	21,991	67,771	84,538	21,556	**612**
Non-controlling interest	(3,905)	(3,519)	(20,982)	(22,832)	–	**–**
Profit/(loss) for the financial period	17,231	18,472	46,789	61,706	21,556	**612**
Dividends per ordinary share paid and proposed for the period	1.00p	7.00p	4.00p	80.00p	4.00p	**4.00p**
Dividends per NVPO share paid and proposed for the period	3.00p	9.00p	6.00p	82.00p	6.00p	**6.00p**
Dividend cover for ordinary and NVPO shares	11.0	3.5	14.8	1.2	6.3	**–**
Underlying earnings per share	35.3p	30.3p	82.9p	40.2p	36.4p	**2.5p**
Net (debt)/funds	(24,943)	12,917	(21,463)	129,343	129,343	**34,850**
Movement in net (debt)/funds	(22,546)	37,860	(34,380)	150,806	127,642	**(94,493)**
Capital expenditure, acquisitions, investment and disposals (net)	73,865	27,167	86,116	(141,668)	10,507	**26,995**
Net current (liabilities)/assets	(10,071)	(4,583)	(4,447)	191,752	191,752	**151,709**
Capital employed	356,469	372,627	457,724	312,057	312,057	**306,371**
Return on average capital employed	9.6%	10.3%	23.9%	22.7%	9.8%	**(0.8%)**

1 Unaudited, continuing operations, proforma information for the 12 months ended 31 December 2022 excluding the results and the effect of the sale of Group's holding in MMH.

Shareholder information

Registered office and trading address

Marshall of Cambridge (Holdings) Limited
Control Building The Airport
Newmarket Road
Cambridge, England
CB5 8RX

Registration details

Registered in England and Wales
Company Number 2051460

Group Company Secretary

Sarah Moynihan

Report and Accounts

Copies of the Annual Report and Accounts will be published on the Group website marshallgroup.com. Printed copies can be requested by writing to the Company Secretary at the registered office or direct by email to the enquiry email address, investor@marcamb.co.uk

Share dealing

With effect from 1 February 2023, the Company's NVPO shares have been admitted to trading on Asset Match's online platform. Asset Match, a firm authorised and regulated by the Financial Conduct Authority, operates an electronic off-market dealing facility running periodic auctions. Shareholders wishing to trade NVPO shares on Asset Match must do so through a UK stockbroker. Asset Match operates an open auction system where volumes of bids and offers at different prices are displayed on its website together with the closing date of the auction. At the end of each auction period, Asset Match passes this information through a non-discretionary algorithm that determines a 'market-derived' share price based on supply and demand and allocates transactions accordingly. Bids and offers may be made and withdrawn at any time before the closing date of each auction. More details can be found at assetmatch.com

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 offers a Shareview service for shareholders to manage their shareholding online. More details on how to contact Equiniti and use this service can be found on the Group website.

Dividend history

Pence per share

		Pence per share					
		Reference period					
Share type	**Period of payment**	2019	2020	March 2022	December 2022	December 2023	**Total paid in period**
NVPO	2020	–	6.00p	–	–	–	**6.00p**
	March 2022	–	3.00p	3.00p	–	–	**6.00p**
	December 2022	–	–	3.00p	79.00p	–	**82.00p**
	2023	–	–	–	3.00p	3.00p	**6.00p**
	2024	–	–	–	–	–	–
Ordinary	2020	–	4.00p	–	–	–	**4.00p**
	March 2022	–	3.00p	1.00p	–	–	**4.00p**
	December 2022	–	–	3.00p	77.00p	–	**80.00p**
	2023	–	–	–	3.00p	1.00p	**4.00p**
	2024	–	–	–	–	–	–

Advisers and registered office

Independent Auditors

PriceWaterhouseCoopers LLP
St Johns Innovation Park
The Maurice Wilkes Building
Cowley Road
Cambridge
CB4 0DS

Bankers

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

Insurance brokers

Willis Towers Watson
Arthur J Gallagher & Co

Pension and actuarial advisers

Buck Consultants

Property advisers

Bidwells
Savills

Solicitors

Bird & Bird
Greenwoods
Mills & Reeve
Travers Smith

Tax advisers

Deloitte LLP

Registered office

Control Building
The Airport
Newmarket Road
Cambridge
England
CB5 8RX

Registered number

2051460

marshallgroup.com

Forward looking statements

Certain information set forth in this Annual Report and Accounts contains "forward-looking information", including "future-oriented financial information" and "financial outlook", under applicable securities laws (collectively referred to herein as forward-looking statements). Except for statements of historical fact, the information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the Company and Group; (ii) completion of, and the use of proceeds from, the sale of the shares being offered hereunder; (iii) the expected development of the Company's and Group's business, projects, and joint ventures; (iv) execution of the Company's and Group's vision and growth strategy, including with respect to future M&A activity and global growth; (v) sources and availability of third-party financing for the Company's and Group's projects; (vi) completion of the Company's and Group's projects that are currently underway, in development or otherwise under consideration; (vi) renewal of the Company's and Group's current customer, supplier and other material agreements; and (vii) future liquidity, working capital, and capital requirements. Forward-looking statements are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.

Although forward-looking statements contained in this Annual Report and Accounts are based upon what management of the Company and Group believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company and Group undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

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MARSHALL

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