

■ ■ ■ MARSHALL



Building Extraordinary Futures

Report and Accounts

for the 9 months ended 31 December 2022

THURSDAY



ACGVFSMY

A19

23/11/2023

#8

COMPANIES HOUSE

Marshall provides mission critical capabilities to its aerospace, defence, and infrastructure partners. Our strong heritage for ingenuity and service keeps global armed forces at the cutting edge while keeping the UK distribution sector on the road. Through our diverse range of businesses, we are also incubating advanced sustainable solutions, we are creating new communities where people thrive, and we are developing world-class engineering talent for the future:

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

* Marshall Motor Holdings was sold during the period to Constellation Automotive Group.

Purpose

How we do it

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

What we do

Highlights

Financial highlights: continuing operations¹

Revenue (£m)

DEC 2022	£293m
MAR 2022	£415m
2020	£334m
2019	£362m
2018	£297m

Profit before tax (£m)

DEC 2022	£28.0m
MAR 2022	£10.9m
2020	£15.6m
2019	£13.1m
2018	£29.6m

Profit before exceptional items and tax² (£m)

DEC 2022	£29.9m
MAR 2022	£3.9m
2020	£16.0m
2019	£12.2m
2018	£10.4m

Net cash/(debt)² (£m)

DEC 2022	£129.3m
MAR 2022	£(37.1)m
2020	£(15.9)m
2019	£5.6m
2018	£2.7m

Operating cash flow (£m)

DEC 2022	£31.4m
MAR 2022	£(23.1)m
2020	£0.8m
2019	£27.6m
2018	£10.9m

Return on capital employed ('ROCE') (%): updated definition²

DEC 2022	11.4%
MAR 2022	7.1%
2020	11.7%
2019	14.1%
2018	26.4%

Ordinary Dividends to Ordinary and NVPO shareholders were 4.0p and 6.0p per share, respectively (March 2022: 4.0p and 6.0p). A Special Ordinary dividend of 76.0p was paid on 7 October 2022 to both Ordinary and NVPO shareholders following the sale of the Group's shareholding in Marshall Motor Holdings.

¹ Following the completion of the sale of our shareholding in Marshall Motor Holdings plc ('MMH'), the Group's reporting date has reverted to 31 December. Figures for the period ended 31 December 2022 are for an accounting period, comparatives are for the 15-month period to 31 March 2022 and periods before this are annual.

² See page 14 for KPI definition and updated ROCE methodology and page 15 for KPI metrics for the whole Group.

Financial highlights

- Disposal of Marshall Motor Holdings, completed with proceeds of circa £202m received and the payment of a special dividend to shareholders of £44.9m.
- Following the MOD's decision to withdraw the UK's C-130 fleet from service in June 2023, Marshall Aerospace agreed a price adjustment with the MOD as it prepared for the premature end of its long-term contract with the RAF. This had a significant positive impact on 2022 profit, which continued up to the end of the contract in June 2023.
- Marshall Land System's financial performance continued to be impacted by legacy programmes, with mitigating actions reducing, but not eliminating, these impacts in the period.
- Marshall Fleet Solutions' performance reflected the limited availability of chassis for refrigeration units due to the global shortage of semi-conductors.
- Marshall Slingsby Advanced Composites delivered a very strong performance, underpinned by its turnaround in operational efficiency and strong sales across key programmes.
- The global aerospace and engineering skills shortage delivered a host of opportunities for Marshall Skills Academy to expand its industry-leading apprenticeship programmes, both in the UK and, importantly, Canada in line with plans to establish it as our second home market.

Contents

Overview

Highlights	01
Alignment of purpose, strategy and culture	02
Investment case	03
Marshall Group	04

Strategic report

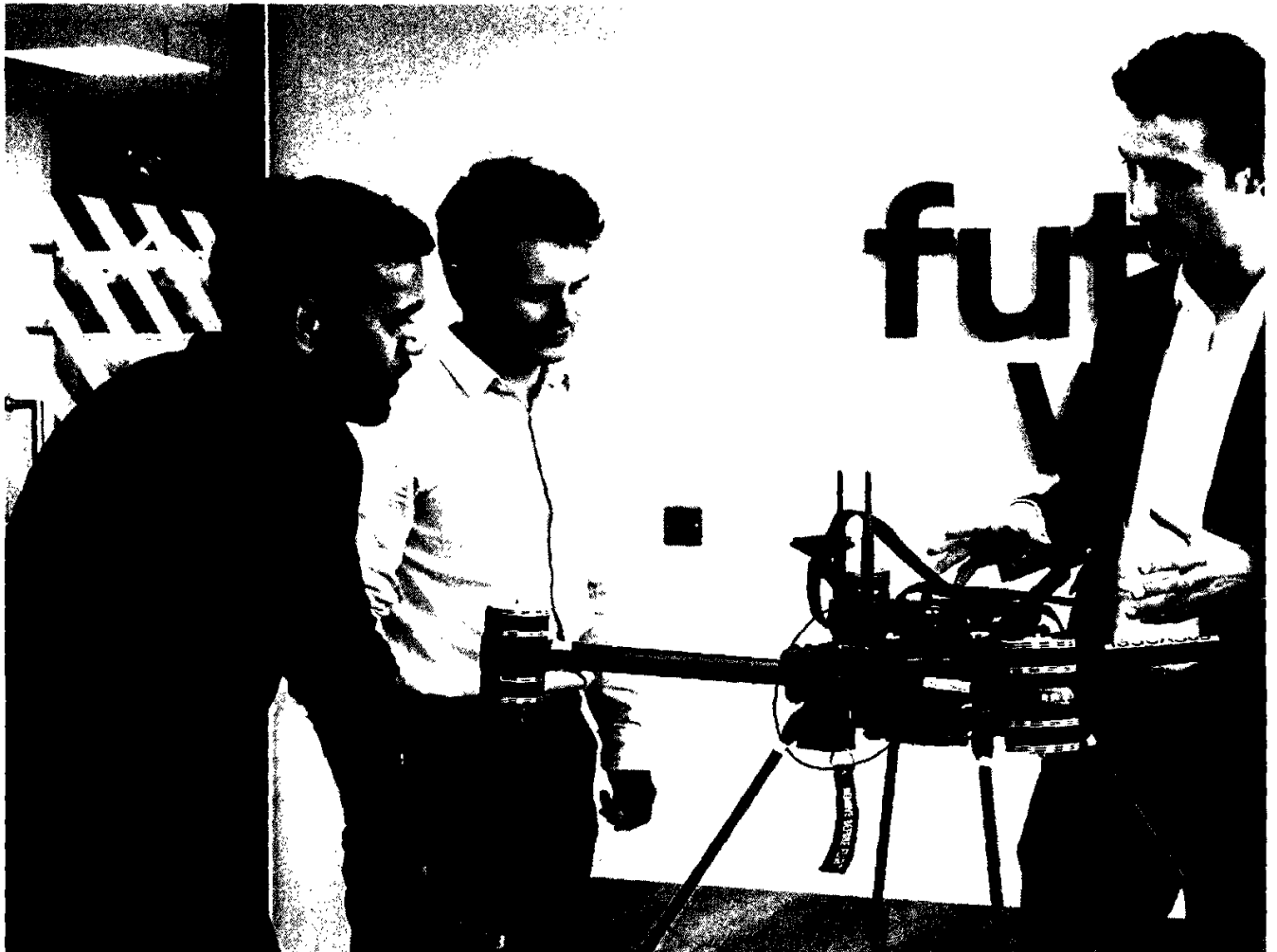
Chair's introduction	08
Business model	10
Strategy	12
Key performance indicators	14
CEO Q&A	16
Operational review	18
Financial review	29
Risk management	31
Principal risks and uncertainties	34
Section 172 statement and stakeholder engagement	40
Sustainability	44

Board and Company Secretary	56
Corporate governance	60
Nomination Committee report	68
Remuneration Committee report	70
Sustainability Committee report	77
Audit and Risk Committee report	78
Statement of Directors' responsibilities in respect of the financial statements	81
Directors' report	82

Independent auditors' report

Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flows
Notes to the consolidated financial statements
Company balance sheet
Company statement of changes in equity
Notes to the Company financial statements
Recent financial history
Shareholder information
Advisers and registered office

Alignment of purpose, strategy and culture



Purpose

Building extraordinary futures

Marshall makes a difference through developing the assets we own and providing support, products and services to our growing customer base; support which cannot be provided as effectively by others. At its core, Marshall develops and delivers long-term value through building extraordinary futures for customers, communities, people and the planet.



Strategy

Marshall Group's overarching strategic objective is to ensure sustainable growth in enterprise value, which preserves and enhances the value of shareholdings over the long term. The strategic enablers to this include: growing profitable revenue, future-proofing our businesses, unlocking value within each business and ensuring we deliver an extraordinary future, building on our proud 114-year history.



Investment case

1

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

2

We create long-term value by working to deliver against our strategic priorities, delivering sales growth and profitability, and maintaining a solid balance sheet. Supplementing this is our focus on improving efficiencies, investing in new growth opportunities and leveraging our unique market position for competitive advantages. Underpinning long-term value creation are our management and control systems, which ensure delivery and continuous improvement.

3

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

4

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

5

We are transitioning from an over-reliance on a few key profitable customers to a business focused on creating shareholder value through the way that we allocate capital, pursue new business, capture operating efficiencies and manage risk. We are committed to innovation and to sustainability. Our land and property portfolio represents a strategic asset with the potential to generate value over several decades.

Culture

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


Marshall Group



One Company, diverse operations.

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

Our business was founded in 1909 and our history is steeped in providing high-quality outcomes for our customers. Over the last 114 years, we have instilled this ethos across the Group, and while our businesses each have their own unique characteristics, they are unified by our overarching purpose to build extraordinary futures.

 Marshall Fleet Solutions Customer Contact Centre



Marshall Aerospace

Advanced engineering is at the heart of Marshall Aerospace, which specialises in maintenance, repair and overhaul ('MRO'), aircraft modifications and capability enhancements, particularly in the areas of intelligence, surveillance and reconnaissance ('ISR'). It has a proven track record in delivering world-class engineering solutions which meet the needs of its increasingly global customer base.

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

Marshall Land Systems

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

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

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

Marshall Group Properties

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

Its two most significant areas of focus are its joint venture partnership with award-winning housebuilder Hill to deliver the new 1,300-home Marleigh development in Cambridge and the promotion of the 450 acres of airport land within the local plan, for the future development of Cambridge East.

Marshall Group Properties will work alongside the people of Cambridge to create a complementary urban quarter for the City, which provides a broad range of architecture, homes, research and development, employment, education, healthcare, culture and sports and leisure facilities.

Marshall Fleet Solutions

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

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

Marshall Group continued

Marshall Slingsby Advanced Composites

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

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

Marshall Skills Academy

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

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

Marshall Futureworx

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

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

Marshall Motor Holdings

Marshall Motor Holdings is one of the UK's largest motor dealer networks.

On 29 November 2021, Marshall of Cambridge announced its intention to sell its 64% controlling interest in Marshall Motor Holdings to Constellation Automotive Group. This transaction completed, during the period, on 11 May 2022.

Marshall Aerostructures P-8 Fuel Tank Production Process 







Strategic report

Chair's introduction	08
Business model	10
Strategy	12
Key performance indicators	14
CEO Q&A	16
Operational review	18
Financial review	29
Risk management	31
Principal risks and uncertainties	34
Section 172 statement and stakeholder engagement	40
Sustainability	44



"Our five-year plan sets a new growth agenda. We will capitalise on our many strengths, build value for our shareholders and create a strong, diversified and forward-looking business for our employees, customers and other key stakeholders."

Jonathan Flint CBE
Chair

Marshall of Cambridge entered 2023 with a clear focus and a strong five-year plan to capitalise on our many strengths. We are building value for all our shareholders, as well as strong, diversified and forward-looking businesses for our employees, customers and key stakeholders.

Our plan sets a new growth-oriented agenda for the Group, coupled with a clear strategy and business plan for each of the operations, along with planned capital investments matched by strong financial discipline.

During 2022, we completed the strategic sale of our stake in Marshall Motor Holdings plc ('MMH') and we concluded our successful negotiations with the UK Ministry of Defence in relation to the early termination of our C-130 Hercules Integrated Operational Support ('HIOS') contract, which had been due to run to at least 2030. With both of these completed, we are now investing in the future of Marshall, both in the UK and overseas, harnessing our industry-leading capabilities and our undoubtedly strong reputation in each of our sectors.

Cooperating closely with our shareholder representatives, we have agreed an engagement and communication plan aimed at ensuring all our shareholders have access to appropriate information about the business, which will help them make decisions about their investment in the Company. We are committed to keeping stakeholders up to date with our progress, by delivering best-practice investor relations communications.

Since our last report, our property team has secured outline planning permission (in April 2023) for our proposed new aerospace facility at Cranfield. This is an important step, both for the aerospace business, and our plans for the redevelopment of the Cambridge Airport site as Cambridge East. While we await the publication of the Draft Local Plan for Greater Cambridge and before we begin to develop our Master Plan for the site, we have recently begun some engagement with the local community and other stakeholders.

In our operational review section, you will read more detail on the growing work we are doing for our principal Aerospace customers (currently 17), including the US Marine Corps fleet of C-130s, which are based outside North America, as well as more detail on our investments in our Fleet Solutions and Advanced Composites business, together with the turnaround progress in our Land Systems business.

We also continue to build our position as an industry leader in skills development, which has come from our unwavering commitment to train apprentices continuously now for more than a century. Addressing the significant skills shortage remains one of the biggest challenges facing many sectors across the UK and overseas and Marshall Skills Academy is developing exciting new partnerships with industry partners in the UK and now in Canada, to capitalise on this.

We were pleased in March 2023 to welcome John Crompton to the Board as a shareholder-appointed Non-Executive Director. John is also a trustee of the five settlement trusts established by Sir Arthur and Lady Marshall, which, together, form our largest shareholding block. His background is, principally, in investment banking, mostly with Morgan Stanley. He also worked for HM Treasury for three stints and his corporate finance experience is a valuable addition to the Board.

We appointed two new directors to the Board on 1 October 2023. David Heaford has joined as Chief Financial Officer. David brings a wealth of corporate finance experience to the role having held a broad range of senior leadership positions across the technology, real estate and financial sectors,

continued

most recently as a Managing Director in Landsec plc. Our thanks go to our interim CFO, Doug Baxter, for his invaluable support over the past 18 months in improving our finance processes and the development of robust five-year plans. Nick Shattock has joined as an independent Non-Executive Director following a wide ranging executive career in property development. Nick has developed and invested in every real estate sector and as a 16 year director of Quintain (Deputy CEO 2005–11) led the development of Wembley Park and Greenwich Peninsula, at a combined consented 22 million square feet and c.16,500 homes. Nick is a NED of DLUHC's 15,000 home Ebbsfleet Development Corporation and was a NED of the MOD's Defence Infrastructure Organisation (2018–22). His development consultancy is active in the major mixed-use regeneration market acting for landowners. Prior to Quintain, Nick was a partner in a City of London law firm.

In February 2023, following the withdrawal of the previous share-trading platform due to ever tightening regulation on the sale and purchase of shares in private companies like Marshall, we launched the new Asset Match online platform, which aggregates NVPO share sale or purchase requests into a single quarterly transaction. While the Asset Match platform is established, Marshall is new to it and we are advised that it will take a little while to settle in. We are monitoring the performance closely, to ensure that our shareholders and potential investors have the best access to market that can be provided. The new shareholder communication plan will also ensure that all prospective buyers and sellers of shares have the same up-to-date, relevant information on which to base their decisions.

You will recall that, following the announcement of the sale of our stake in MMH at the end of 2021, the Board of MMH changed its year-end date from 31 December to 31 March, in the expectation that the sale would be concluded before that date. As our shareholding in MMH was significant, their accounts had to be consolidated into our own, so our year end also had to change and the last Report and Accounts, therefore, covered the 15-month period to 31 March 2022. This report, therefore, covers the 9-month period from 1 April 2022 to 31 December 2022, which includes the six weeks of MMH trading before the sale of MMH was concluded on 11 May 2022.

After a couple of unusual reporting cycles, I am pleased to confirm that, from 1 January 2023, we have returned to our normal financial year-end of 31 December. The next Annual Report will, therefore, cover the period 1 January to 31 December 2023.

I would like to finish this report by thanking the Board, our Executive team, but, most of all, the Group's terrific employees who strive every day to drive the business forward for the benefit of our customers, partners and shareholders, strengthening Marshall and its reputation.

Chair

22 November 2023

Marshall Aerospace Team Members



Key resources

Portfolio:

Our operations provide critical capabilities in different markets. We focus the diversification of our portfolio of products on areas where we have competitive and growth advantages, ensuring that we have an offering that satisfies our customers' and partners' demands.

Reach:

From our founding to today, we have maintained a distinct position as a mid-tier, private UK Company with global reach. This places us as an ideal partner, large enough to achieve extraordinary outcomes, small enough to be agile. This enables us to meet the objectives of our customers from SMEs to established primes. This positioning is driving our market appeal globally.

People:

We want to be an employer of choice in the global market. Our people are the foundation of our offering and our growth, with world-class expertise.

Expertise:

Marshall colleagues work every day to deliver on our customer promises. With our history of finding ingenious and sustainable answers to challenges, we are a Group with extraordinary capabilities to think innovatively, problem solve, through using resources effectively.

Shared purpose:

We have a shared commitment to building extraordinary futures and to seeing that Marshall is run responsibly. This includes responsibility for our people, customers and partners, local communities and shareholders.

Relationships:

Marshall exists today because of the long-standing relationships we have built. The nature of our businesses requires significant investment over long periods of time and multi-party collaboration. The strength of these relationships sits at the heart of our ability to participate.

Investment in R&D:

We have invested in both centralised and de-centralised R&D capability which develops and complement Marshall's portfolio through new and innovative products, technologies, and which future-proof our businesses' market positions.

Key activities

Key activities

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



Enterprise

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



Property

Our commitment is embedded in our stated strategic intent to maximise long-term value from the property assets held by Marshall.



Integrity



High
quality



High
standard



Purpose led

continued

Value generation

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



People:

Our goal is that Marshall will be the natural choice for existing and future talent. We recognise that our people are the foundation of our offering and our growth and that through working with us we prepare and enable them to realise an extraordinary future.



Communities:

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



Customers:

We maintain our competitive edge by always listening to, and working with, customers and aligning our expertise to create value for them. Close cooperation with customers and meeting rigorous customer requirements have contributed to our market advantages.



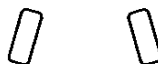
Suppliers:

Our long-standing relationship with suppliers enable cost competitiveness, innovation, adaptation and greater efficiency.



Shareholders:

We look to generate consistent returns for our shareholders paying steady dividends in both good and bad years, and uphold the Marshall name as a responsible and contributing member of society.



Partners:

Positive and proactive collaboration and integration with partners, significantly, increases our opportunities to win in the marketplace, access finance, and contribute meaningfully to our stakeholders. We are intent on further collaboration to accelerate positive opportunities and progress.

Innovation

Futureworx uses an agile entrepreneurial approach and extends Marshall's positioning for the next generation of technologies, markets and customers. It does this by creating innovative solutions for relevant and timely global and societal problems.



Marshall constantly develops, adapts and improves its offerings to meet changing customer needs and market conditions. We serve a global market of governments, corporations and communities with products, services and solutions in property, aerospace, advanced composites, land systems, fleet management, education and advanced engineering R&D.

The Group Strategy is to create value through our diverse portfolio of businesses with efficiencies at every level. We achieve this through our people and our commitment to delivering extraordinary outcomes.

At the heart of our long-term strategy sits our commitment to growing shareholder value. This is realised through four key strategic principles by which we create long-term value, deliver pipeline growth and profitability, and maintain a solid balance sheet. These form the four pillars of our strategy and position us for an extraordinary future:



1



Marshall Land Systems Gasket Production Line

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



2



Futureworx Advanced Materials Research

In an increasingly complex market and environment where change is accelerating, our commitment to building values-led, high performing, sustainable businesses remains steadfast. Knowing this, we have built a new level of resilience into our plans to stand us in good stead for whatever the future might have in store. To be more competitive, we will continuously develop, manage and realise the most effective ways of working (including the well-paced use of novel technologies and methodologies).

continued

Process: Operating efficiency (fix, focus, grow), expansion (R&D, new markets)

People: Talent management, retention

Systems: IFS roll-out, digitalisation

Sustainability



3



Marshall Aerospace Apprentice

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



4



Marleigh Primary Academy

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

Financial highlights¹: continuing operations

Key performance indicators for the continuing business are presented below. Metrics for the whole Group, which includes MMH during the Group's ownership, are set out on the next page.

Revenue – (£m)

DEC 2022	£293m
MAR 2022	£415m
2020	£334m
2019	£362m
2018	£297m

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

9-month period to 31 December 2022 performance

Adjusting for the differing accounting periods, revenue grew on an annualised basis driven by the HIOS price adjustment in Aerospace and Land Systems' large deployable infrastructure programmes.

Profit before tax – (£m)²

DEC 2022	£28.0m
MAR 2022	£10.9m
2020	£15.6m
2019	£13.1m
2018	£29.6m

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

9-month period to 31 December 2022 performance

A significant increase in profitability driven by the HIOS price adjustment in Aerospace.

Profit before exceptional items and tax – (£m)

DEC 2022	£29.9m
MAR 2022	£3.9m
2020	£16.0m
2019	£12.2m
2018	£10.4m

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

9-month period to 31 December 2022 performance

Increase in underlying profit driven by the HIOS price adjustment in Aerospace. Current year exceptional items relate to restructuring costs.

Net cash/(debt) – (£m)²

DEC 2022	£129.3m
MAR 2022	£(37.1)m
2020	£(15.9)m
2019	£5.6m
2018	£2.7m

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

9-month period to 31 December 2022 performance

Substantial increase in cash due to the proceeds from the MMH disposal net of the special dividend to shareholders.

Operating cash flow – (£m)

DEC 2022	£31.4m
MAR 2022	£(23.1)m
2020	£0.8m
2019	£27.6m
2018	£10.9m

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

9-month period to 31 December 2022 performance

Improved operating cash flow with significant customer advances unwinding in the prior year.

Return on capital employed ('ROCE') – (%): updated definition²

DEC 2022	11.4%
MAR 2022	7.1%
2020	11.7%
2019	14.1%
2018	26.4%

The ratio of the Group's profit before tax in a period, and the average capital employed is a measure of the Group's efficiency in generating a return from the assets it has. This is a periodic measure.

9-month period to 31 December 2022 performance

Increase in ROCE, albeit reduced by the impact of an increased average capital employed from the disposal of MMH.

¹ Following the completion of the sale of our shareholding in Marshall Motor Holdings plc ('MMH'), the Group's reporting date has reverted to 31 December. Figures for the period ending December 2022 are for a 9-month accounting period, comparatives are for a 15-month period to 31 March 2022, and periods before this are annual.

continued

Financial highlights¹

Key performance indicators for the whole Group, including MMH, are set out below.

Revenue – (£m)

DEC 2022	£682m
MAR 2022	£4,176m
2020	£2,488m
2019	£2,638m
2018	£2,484m

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

9-month period to 31 December 2022 performance

Reduction in revenue due to the disposal of MMH with only 6 weeks of trading included in the period.

Profit/(loss) before tax (£m)

DEC 2022	£89.6m
MAR 2022	£91.9m
2020	£30.5m
2019	£35.2m
2018	£40.4m

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

9-month period to 31 December 2022 performance

Adjusting for the differing accounting period lengths, there was another strong profit performance driven by the core business and the disposal of MMH.

Profit before exceptional items and tax – (£m)

DEC 2022	£30.2m
MAR 2022	£100.7m
2020	£39.1m
2019	£35.2m
2018	£36.0m

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

9-month period to 31 December 2022 performance

Reduction in underlying profit driven by the performance of MMH, which was £0.3m during the 6 weeks of ownership. Current year exceptional items include the profit on disposal of MMH and restructuring costs.

Net cash/(debt) – (£m)

DEC 2022	£129.3m
MAR 2022	£(21.5)m
2020	£12.9m
2019	£(24.9)m
2018	£(2.4)m

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

9-month period to 31 December 2022 performance

Substantial increase in cash due to the proceeds from the MMH disposal net of the special dividend to shareholders.

Operating cash flow – (£m)

DEC 2022	£45.9m
MAR 2022	£76.3m
2020	£76.6m
2019	£65.9m
2018	£44.8m

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

9-month period to 31 December 2022 performance

Adjusting for the differing accounting period lengths, operating cash flow remained strong.

Return on capital employed ('ROCE') – (%): restated²

DEC 2022	22.7%
MAR 2022	23.9%
2020	10.3%
2019	9.6%
2018	13.0%

The ratio of the Group's profit before tax in a period, and the average capital employed, is a measure of the Group's efficiency in generating a return from the assets it has. This is a periodic measure and is not annual.

9-month period to 31 December 2022 performance

Substantial ROCE but a reduction on the prior period due to the disposal of MMH, and the exceptional result it achieved in the prior period.

¹ The Group has updated its definition of return on capital employed to be the ratio of 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. This change has been brought about to better show the returns generated from the capital used in the business and aligns with more traditional measurements of ROCE.



"We have made significant progress in building organisational capability and resilience, as we win new business and transform Marshall in a post-Motor Holdings and HIOS contract world."

Kathy Jenkins
Chief Executive Officer

2022 was always going to be a watershed year as we continued to transform our business. Not only did we conclude the sale of Marshall Motor Holdings, but we also prepared for the end of the biggest contract in our history, while continuing to deliver on all of our customer commitments at home and overseas.

Alongside these, it was vital we made the planned progress on our transformation and modernisation programmes. None of these activities distracted us from delivering our financial result. The most important contributor to this has been the price adjustment we negotiated in respect of the end of the HIOS contract. This acknowledges the loss of work and recovery of committed overhead costs, enabling us to drive forward the other aspects of the business without pause.

The year was also further evidence that the business needs more resilience built in. We couldn't possibly have anticipated the true extent of legacy issues embedded in the business, or the macro-economic and legacy Covid-19 challenges we have had to tackle. There is no doubt that these factors all had an impact on our overall financial performance, be that caused by disruption or inflation in our supply chain, unpredictability in our workforce planning or the ongoing global shortage on micro-chips, which hit Marshall Fleet Solutions particularly hard.

Reflecting however on last year, there is much for us to be proud of. We have made significant progress in building organisational capability and resilience as we win new business and transform the Marshall business in a post-Motor Holdings and HIOS contract world. Most significantly, each of our individual Business Units now has an exciting five-year plan that capitalises on our strong capabilities and takes into account both current and future customer requirements to futureproof the Marshall offer.



How will you ensure that Marshall Aerospace is able to remain successful given the end of its biggest contract?

Like any business that sees the end of such a successful long-term relationship with its largest customer, it is going to take time for us to adapt. Finalising a realistic agreement with the MoD to reflect the immediate and longer-term loss of revenue was vital to securing our business as we make that adjustment.

At the same time, we had been preparing for the retirement of the RAF fleet before the publication of the Integrated Review, hence our focus on winning business outside of the UK. We have been successful in growing our customer base, most notably with the US Marine Corps, and have already demonstrated our ability to outperform our competitors in terms of quality and speed of aircraft turnaround. This stands us in great stead to win an even greater share from them going forward, which could far exceed the scale of our historic contract with the MoD, as we establish new Marshall Aerospace maintenance facilities in North America. This is a great credential to have as we continue to secure work across Europe and the Middle East in particular.

We also made great progress in rebuilding our engineering capability, which is enabling us to capitalise on the exceptional reputation we earned by delivering our Global 6000 contract. With this rebuild, we have already been able to harness our strategic relationships with key industry partners to win positions on a number of significant future air programmes. In a similar vein, our newly created Future Products team has also positioned us to exploit our engineering excellence through the development of an innovative range of platform agnostic 'role fit' products, which provide roll on/roll off capability enhancements to existing aircraft fleets, creating a valuable revenue stream for the future.

continued



Had you anticipated that 2022 would be such a challenging year for Marshall Land Systems?

We always knew that 2022 was going to be another tough year for Land Systems and this was planned for. However, there is no getting away from the fact that things were much more difficult than we had anticipated, as the business continued to suffer from significant inefficiencies built into some of its larger legacy contracts.

As the new leadership team completed forensic reviews of each of these programmes, it became clear that the business was not, in any way, prepared to meet the demands of scale production on larger contracts such as DVOW and DALO. Unfortunately, despite a range of mitigating actions, these programmes will continue to impact profitability for a number of years, until they have been completed.

What also matters is how we apply lessons learnt and build for the future. Having clearly defined its go-to market proposition, Marshall Land Systems now has a stronger new business pipeline than at any time in its history. Given the broader geopolitical landscape, demand for deployable infrastructure is understandably growing and our relationships with our major customers have been reset, allowing us to capitalise on this demand.

Similarly, we have made enormous strides forward in building capability within the team, driving major operational efficiency and in developing new product ranges that will truly differentiate Marshall from other competitors in this sector.



What have been your particular highlights from this year?

I was incredibly pleased to see Marshall Slingsby Advanced Composites build on its strong performance in 2021 with another year of growth and delivery. We are really beginning to reap the benefits of strong leadership, our ongoing investment in processes, people, and training to drive operational effectiveness across all aspects of the business.

Once again, there is significant demand for its range of capabilities and, with the increasing use of UAV and drone technology in modern warfare, Advanced Composites is very well positioned to exploit a range of opportunities in this space.

It was also pleasing to see the vision for our R&D accelerator, Futureworx, come to life as we continued to assemble a talented team of innovators and move forward at pace with some of our new product concepts. The first of these, Lilypad, an offshore unmanned inspection ecosystem, went to market in early 2023 with others due to follow before the end of the year.

Clearly, this business model is something new for Marshall and one which requires significant investment at this stage in its evolution. But we now know, there is a definite appetite from both industry and academia to work with Futureworx, particularly in the renewables sector, and I am confident we will begin to see a significant return on our investment over the coming years.

The opening of the new Fleet Solutions 'Super Site' was another key highlight. It really set the standard for Marshall facilities of the future and, more importantly, established Marshall right at the heart of the UK distribution industry with a market-leading service offering. Feedback from our customers has been overwhelmingly positive and, while the global shortage of semi-conductors meant that fridge unit installations were much lower in the year than anticipated, we expect to make up much of the backlog.

Last, but most certainly not least, was the incredible interest we saw in Marshall Skills Academy during 2022, as industry continued to recognise the true extent of the global skills shortage in the aerospace and engineering sectors.

As an Academy with Main Provider status, we had an unprecedented number of businesses looking for Marshall to train their apprentices in 2022. We also secured a partnership with two academic institutions in New Brunswick, Canada to develop a ground-breaking pilot programme of 'Earn as you Learn' qualifications in the province.

There is absolutely no doubt that Marshall Skills Academy is a true differentiator for the business. It's an area of our business we expect to grow significantly as we expand our offering beyond Cambridge, to support our own skills requirements and to help build our reputation in the new markets in which Marshall is planning to expand its operations.



Has the Marshall Group Property business continued to grow as expected?

We were all excited to see the Marleigh community really begin to come to life with the opening of the new Primary Academy and other local amenities and, despite the backdrop of economic turmoil, property sales remained strong.

Work to ensure the inclusion of the airport land in the upcoming Greater Cambridge Local Plan progressed well, culminating in a positive endorsement in the Local Plan Development Strategy Update. This described Cambridge East as one of three key strategic sites that form central building blocks of any future strategy for development.

Similarly, the Outline Planning Application for the relocation of the Marshall Aerospace business was submitted to Central Bedfordshire Council in November and gained approval in April 2023.



What can we expect from Marshall in 2023?

There is much happening across all areas of the business. The key themes will be the resolute focus on performance, continued investment in capabilities and modernisation, reinforcing business winning, the extension of our global footprint, focus on product development, expanding our position in renewables and skills, and, of course, securing Cambridge East in the Greater Cambridge Local Plan.

Marshall Aerospace

Advanced engineering is at the heart of Marshall Aerospace, which specialises in maintenance, repair and overhaul ('MRO'), aircraft modifications and capability enhancements, particularly in the areas of intelligence, surveillance and reconnaissance ('ISR'). It has a proven track record in delivering world-class engineering solutions that meet the needs of its emerging global customer base.

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

Operational performance

- Profit before tax £40.5m (9-month period); March 2022: £2.7m loss (15-month period).
- Profit before exceptionals and tax £41.7m (9-month period); March 2022: £10.3m profit (15-month period).

Order book

- Secured orders at December 2022 were £270.6m.

Following the appointment of a new Managing Director, Neil McManus, Marshall Aerospace ('MA') has made considerable progress in delivering its transformation activity to ensure continued success beyond the withdrawal of the UK's C-130 fleet in June 2023 and as a basis for the successful delivery of its five-year business plan.

This plan will see MA continue to grow internationally, both in terms of customer base and geographical operations, capitalising on its unique and market-leading capabilities. In support of its plans for growth in the region, Marshall recently announced plans to establish a new maintenance facility in Greensborough, North Carolina early in 2025, followed by an operation in Abbotsford in British Columbia, Canada at the end of the same year. Alongside this, MA will grow its aircraft modification and capability enhancements, particularly in intelligence, surveillance and reconnaissance ('ISR'), across different platforms and products.

The end of the Hercules Operators Integrated Support ('HIOS') contract represents a seismic change, which will inevitably take the business some time to adjust to. Recognising this impact and the loss of work covered by the remaining years of the HIOS contract, a price adjustment was agreed with the MoD. This generated an increase in revenue and profitability during the period and is the driver behind MA's overall increase in profit before tax. HIOS revenues rose to £125.9m (March 2022: £118.3m) and profitability increased to £44.1m (March 2020: £3.1m loss). The price adjustment will continue into 2023. With the completion of significant resale work in the prior period, non-HIOS revenues fell to £78.0m (March 2022: £161.4m) and there was a loss before exceptionals and tax of £3.1m (March 2022: profit £10.8m).

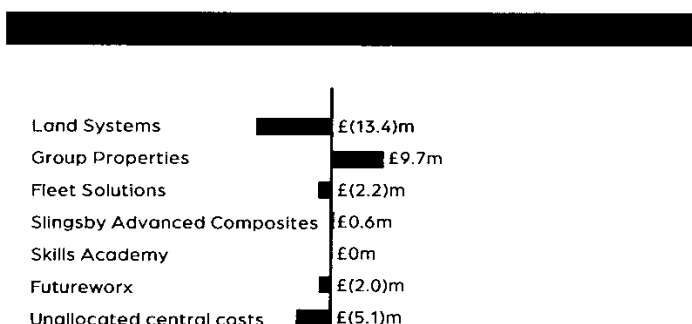
Having secured a position as official resale partner for the UK fleet as part of the same negotiation, Marshall is now working in partnership with the UK Defence Equipment Sales Authority to manage the sale and entry into service of the aircraft with new operators, which we envisage will secure a significant revenue stream over the coming years.

Away from the UK MoD, MA continued to cement its relationship with its new anchor customer, the US Marine Corps ('USMC'), demonstrating exceptional performance across all aircraft to significantly outperform its competitors in terms of both speed and quality. This stands the business in good stead to win a greater share of fleet maintenance going forward, although there is likely

Revenue



Profit/(loss) before tax



continued

to be a change in the mix of aircraft inputs in line with an evolution in USMC's strategy towards more frequent, shorter checks to reduce costs and increase aircraft availability.

Having now begun to capitalise on the data generated by the new IFS enterprise resource planning system, the business has gained far greater clarity on levels of profitability across its contracts. This new level of control has shown that, despite its strong sales record over recent years, there is some work to do in terms of driving profitability into some of its existing contracts, particularly given ongoing inflationary pressures across the supply chain.

In tandem, a renewed focus on employee-led Continuous Improvement is already paying dividends, driving significant efficiencies and cost savings within the Maintenance, Repair and Overhaul operation, albeit there is still opportunity for more progress.

Marshall Aerostructures continued to build on its successful relationship with Boeing, celebrating the delivery of its 1,000th auxiliary fuel tank for the P-8 aircraft and agreeing a contract extension out to 2028 ahead of moving into its new state-of-the-art production facility in Hangar 21 on the South Works early in 2023.

2022 also saw MA start the rebuild of its engineering capability, which has enabled it to form a number of key strategic relationships with industry partners, including 2Excel and BAE, ensuring Marshall's place on future air programmes and creating valuable revenue streams for the business.

MA's new Future Products engineering team also made good progress in developing a range of platform agnostic Adaptable Role-Fit Capability ('ARC') products, which provide operators the flexibility to rapidly add valuable capability to their aircraft, as and when it is needed.

The first to market will be ARC Radar – a roll on/roll off Intelligence, Surveillance and Reconnaissance solution that is already attracting significant interest from a wide range of potential customers.

Outside of the UK, MA's operation in the Middle East achieved some significant milestones securing further in-country support and follow on engineering work on the Global 6000 programme, with both aircraft having successfully achieved CAA certification.

The team in Canada also put in another strong performance through its engineering support programme on the Canadian Air Force's C-130H fleet and in winning further business with De Havilland, further underpinning the potential of the North American market.

The global aerospace and defence market is expected to expand at 14.0% annually to 2028, driven by geopolitical changes driving increased military spending, the prevalence of ageing commercial and military aircraft fleet, and the rapid commercialisation of emerging technologies. MA is positioned to benefit from our capability in in-demand segments, with a global skills shortage, driving demand for world-class capability.

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

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

Marshall Aerospace Technician
Working on C-130 Aircraft



continued

Marshall Land Systems

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

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

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

Operational performance

- Loss before tax £13.4m (9-month period); March 2022: £8.3m loss (15-month period).
- Loss before exceptionals and tax £13.1m (9-month period); March 2022: £8.3m loss (15-month period).

Order book

- Secured orders at December 2022 were £223.0m.

While, as expected, the overall financial performance of the Marshall Land Systems ('MLS') business was impacted by underlying issues, the new Leadership Team made significant progress in identifying and addressing many of these issues and in developing a pipeline of new, profitable contracts.

A lot of work has been done to address the challenges resulting from the move to high volume production on two key legacy projects won during 2018 and 2019, for which the business was not suitably prepared in terms of its manufacturing processes and supporting infrastructure.

While significant progress has been made, which will avoid further such issues in the future, these two contracts will continue to suppress profitability until such a time as they have been delivered to the customer.

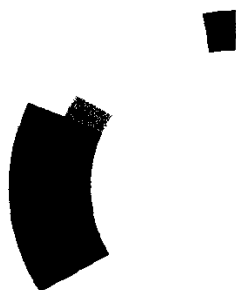
Within its five-year business plan, MLS will continue the transformation of the business with a modularised approach to design and increased production efficiency for its high-volume, deployable infrastructure products. Opportunities for these are worldwide with a substantial order pipeline in Europe, Canada and the Middle East. Its full in-life managed service provision continues to be greatly valued by customers and the plan sees this expand, both in the support of MLS and third-party provided infrastructure.

During the period, the team also made progress in identifying and beginning to address underlying operational inefficiencies, which, again, had an adverse impact on profitability beyond what was anticipated.

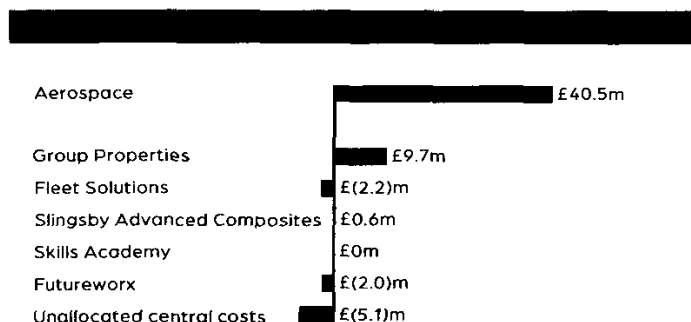
However, ongoing investment in capability, particularly in the areas of project management and engineering, has enabled the team to regain control of these legacy contracts and, in turn, has driven significant improvements in customer relationships with a number of key milestones for customers achieved during the course of the last year, including successful delivery of the Initial Operating Capability ('IOC') for the GASKET programme.

In parallel, we have continued to invest in our product family capabilities to ensure that we are well placed to support our customers in addressing the fundamental shift in Concept of Operations ('CONOPs'), as a result of the conflict in Ukraine, which has emphasised the importance of peer-to-peer threats and the criticality of mobility in providing mission system and support capabilities to military units in the field. At the same time, our prototype work on a new range of standardised containers has identified significant savings in time to manufacture, production costs and carbon footprint.

Revenue



Profit/(loss) before tax



continued

New Homes on Marleigh Development 



This is evidenced by a number of important business wins during 2022, which include a key contract to deliver military ammunition storage container systems to the Netherlands, and further orders with Kongsberg and BAE Systems to support their ground-based Air Defence and Radar mission systems.

MLS was also successful, as part of the Team Protect consortium, in securing the Project Crenic programme, a five-year contract to develop new ways to protect soldiers, vehicles and military bases from remote-controlled improvised explosive devices. This programme reflects a totally new method of procurement in the UK and MLS' success as part of this consortium, as the mounted platform integration lead highlights its unique position as an independent mid-tier company.

Elsewhere, we were delighted to build on our long-standing partnership with Philips Healthcare to develop the Next Generation CT Scanner ('NGCT') system. NGCT houses the latest and most advanced Philips Incisive CT technology inside Marshall's 20-foot ISO expanding container, to ensure humanitarian, defence and security forces have easy access to life-saving capabilities wherever they are needed.

In line with its global growth strategy, the business also secured a long-term lease on a new facility in the province of New Brunswick, Canada to provide additional manufacturing capacity to support export growth. The facility is expected to open before the end of the year and will, initially, manufacture shelters for the Netherlands' Armed Forces as well as supporting the ongoing bid to win the Canadian Logistics Vehicle Modernization Project in partnership with the General Dynamics Land Systems 'Power Team'.

In addition, the team have completed extensive planning for the intended move from the North Works in Cambridge to make way for the next phase of the Marleigh development and have confirmed plans to move into a new 14,500 square metre, purpose-built facility at Alconbury Weald in Cambridgeshire by 2025. The move will provide the business with further opportunities to achieve significant operational efficiencies, which, in turn, will drive profitability.

While 2022 was, on the surface, a very challenging year for MLS, the business took some very positive steps on its recovery journey to finish the year with a strong new business pipeline. It is now very well placed to capitalise on the global demand for high-quality deployable infrastructure.

The war in Ukraine is leading to a re-focusing on conventional defence capability, particularly in the land domain. This is leading to renewed investment in deployable infrastructure, both to support new force structures, introduce new deployable mission systems, and to enable forward positioning and rotation of equipment.

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

Marshall continues to position itself through products, partnership, and operational structure to take advantage of these new market dynamics.

continued

Marshall Group Properties

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

Its two most significant areas of focus are its joint venture partnership with award-winning housebuilder Hill to deliver the new 1,300-home Marleigh development in Cambridge and the promotion of the 450 acres of airport land for the development of Cambridge East.

Marshall Group Properties will work alongside the people of Cambridge to create a complementary urban quarter for the City, which provides a broad range of architecture, homes, research and development, employment, education, healthcare, culture and sports and leisure facilities.

Operational performance

- Profit before tax £9.7m (9-month period); March 2022: £34.4m (15-month period).
- Profit before exceptionals and tax £9.7m (9-month period); March 2022: £12.4m (15-month period).

Propelled by the pandemic, the design of, and demands on, our future cities have changed from traditional models. Flexible space with the option for distinct workspace remains attractive. There is evidence people prefer a mix of working styles and will opt for "away from home" options if available to benefit from social interaction.

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

Marshall Group Properties ('MGP') achieved another strong financial performance, reflecting the success of its joint venture partnership with Hill on the development of Marleigh. There were no exceptional items in the period with the prior item relating largely to the sale of land North of Cherry Hinton.

Against a backdrop of extreme economic uncertainty, unit sales remained very much in line with expectation, reflecting the appetite for high-quality housing in Cambridge and, despite well documented supply chain and skills shortages in the construction sector, completions also held up well with circa 200 homes occupied by the end of 2022.

The Marleigh Primary Academy, which opened its doors to its first pupils in September, along with the completion of Jubilee Square and the community centre, now sit at the heart of an increasingly vibrant and thriving community.

In response to continued demand, MGP, in partnership with Hill, have been consulting with the local community on plans to include an additional 90 homes in the third phase, which will be submitted in 2023, bringing the total number of homes across all phases to 1,390.

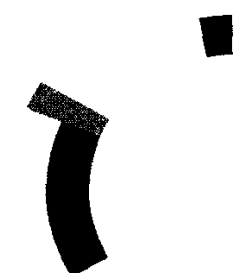
Work to clear the North Works, to accommodate the further development of Marleigh, is also progressing to plan. Marshall Aerostructures has been successfully relocated to a new home on South Works, the Marshall Aerospace Manufacturing Support production facility moved in June 2023 and the team have identified Alconbury Weald for the Marshall Land Systems business ahead of its eventual relocation in 2025.

In addition, the Cambridge City Jet Centre has been successfully relocated into the refurbished airport terminal building, which is receiving very positive feedback from its customers. This move, in turn, created the opportunity for Marshall Skills Academy to relocate into the former FBO building, creating a suite of state-of-the-art classrooms and a new 23,000 square feet workshop facility ahead of its new cohort of apprentices who started in 2023, enabling vacant possession of Greenhouse Farm and Concorde House.

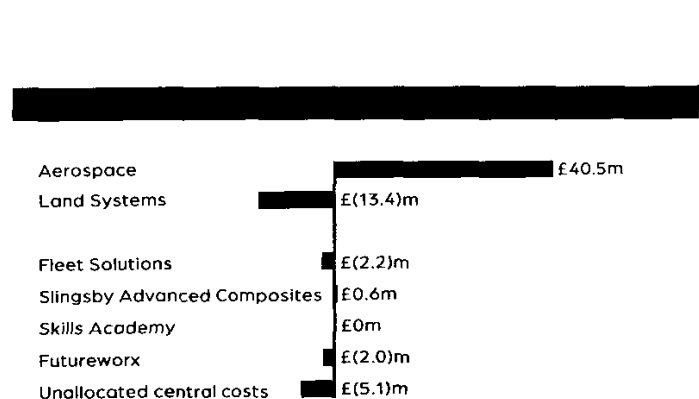
The MGP planning team submitted the Outline Planning Application to support Marshall Aerospace's proposed move to Cranfield in November, which, ultimately, resulted in a successful outcome in April 2023.

Most significantly, the team continued positive engagement with the Greater Cambridge Planning Service to ensure the inclusion of the airport land in the Local Plan when it is eventually published. While the exact timing of publication has not yet been determined, all of the indications are that Cambridge East will be included as one of the strategic pillars of the plan, delivering at least 9,000 jobs and 7,000 much-needed homes on the outskirts of the city and creating an extraordinary legacy for Cambridge and the Marshall family.

Revenue



Profit/(loss) before tax



continued

Marshall Skills Academy

Marshall Skills Academy's core focus is the delivery of its industry-leading aerospace and engineering apprenticeship programmes to help address the global skills gap. In addition, it provides a wide range of technical, regulatory and health and safety training that is bespoke to the civil and military aviation markets.

Operational performance

- Profit before tax £nil (9-month period); March 2022: £0.3m loss (15-month period).
- Profit before exceptionals and tax £nil (9-month period); March 2022: £0.3m loss (15-month period).

Having gained 'Main Provider' status in 2020, Marshall Skills Academy ('MSA') began delivering its award-winning aerospace apprenticeship programmes for industry partners for the first time during 2022, welcoming an initial cohort of apprentices from global aircraft manufacturer Bombardier.

MSA's reputation for delivering some of the industry's most rounded and competent apprentices has led to it being inundated with requests for support from across both the civil and defence sectors from organisations looking to build a pipeline of future talent to help address the growing skills gap threatening the post-Covid recovery in the aerospace industry.

These credentials were further highlighted when MSA achieved an overall OFSTED rating of Good in the main areas of quality of education, apprenticeships, personal development and leadership and was classed as outstanding in terms of behaviours and attitudes following an inspection in March.

With such a wealth of opportunity to expand both its existing operation at Cambridge and to establish additional Academy locations in the UK, MSA also began looking at ways to fast track young people into aerospace through a new learning provision for 14 to 19-year-olds.

While all of these projects are still at the development stage, 2022 was undoubtedly a breakthrough year for the Skills Academy, which has now also become a very clear differentiator for the wider Marshall business.

In addition to the unprecedented level of interest in the UK, MSA has also partnered with the University of New Brunswick and New Brunswick Community College in Canada to secure provincial funding to support the launch of a brand-new range of 'earn as you learn' qualifications to encourage young people into manufacturing and engineering.

Four initial pilot programmes launched in September 2023 in the province of New Brunswick with plans to expand the MSA offering in Canada more widely over time to help address the country's widening skills deficit in the aerospace and defence sector and support Marshall Land Systems' LVM bid.

The delivery of Technical, Regulatory and Health and Safety training continued to be a strong revenue stream for MSA and, again, has been identified as an opportunity for growth, particularly where delivery supports new contracts with Marshall Aerospace's overseas customers.

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

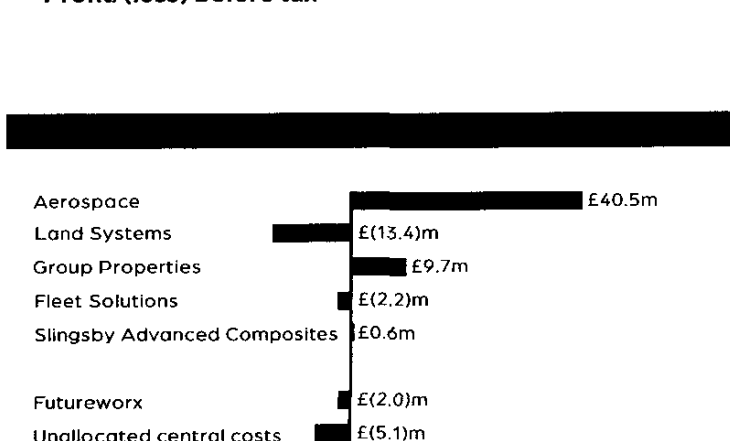
With a relatively low number of young people qualifying and entering the industry, there is a growing global skills gap across technical and professional disciplines. Global demand is forecast to overtake global supply in 2027. Furthermore, traditional education models are not creating skilled candidates. King's College, London states that "education policy in the UK has failed seriously to address the critical issue of technical and vocational education and training, resulting in skills shortages in the economy and the underdevelopment of talent". This has pushed governments to invest in competent (not just qualified) education models led by private entities; examples of such models are 'Career Connected' model developed by Bain & Company in the USA, and Marshall's differentiated 'Earn As You Learn' model popular in Canada.

Marshall is adapting rapidly to this market opportunity, leveraging our exceptional reputation in quality training and apprenticeships and building our external customer proposition. This enables greater stability in our engineering talent pipeline, which is a scarce resource globally, as well as positioning Marshall as an industry leader.

Revenue



Profit/(loss) before tax



continued

Marshall Fleet Solutions

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

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

Operational performance

- Loss before tax £2.2m (9-month period); March 2022: £0.1m loss (15-month period).
- Loss before exceptionals and tax £2.0m (9-month period); March 2022: £0.1m loss (15-month period).

Having made positive progress over the previous two years, Marshall Fleet Solutions ('MFS') suffered a backwards step in terms of profitability during 2022, due largely to the continued global shortage in semi-conductors, which continued to affect both the domestic and commercial vehicle sector, as well as significant up and downstream supply chain issues and broader inflationary pressures on the Thermo King supply chain.

MFS' five-year business plan is focused on operational performance, driving efficiencies from investments in systems, infrastructure and product ranges. Within this, we expect renewables to play an important role and MFS will continue to invest and expand its products in this area.

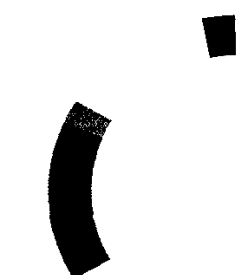
Against this backdrop, and, despite a strong order book, fridge installations for the year were severely impacted due to a lack of new vehicle availability. While there was a slight upside in terms of increased service requirements as operators had to keep older vehicles on the road, it did still leave a significant shortfall in projected revenue and profitability as MFS continued to carry its installation overhead.

This position was further exacerbated by MFS' decision to protect customers, who had confirmed orders in place, from unbudgeted inflation-driven price increases on Thermo King fridge units. While this was not a position that could be maintained indefinitely, it was an important strategic decision that has helped to cement some key customer relationships.

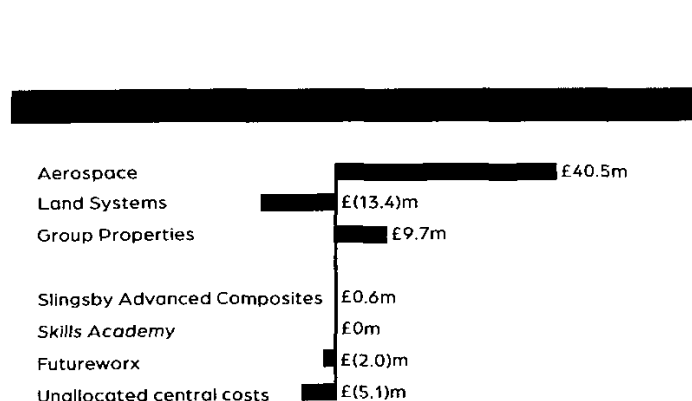
Elsewhere, inflationary pressures also impacted predicted adoption of the use of hydrotreated vegetable oil ('HVO') fuels as operators struggled to maintain margins in an increasingly challenging marketplace, deciding to delay and even cancel their focus in this sustainable area.

However, the business did enjoy significant success in the broader renewables market where demand for its industry leading Titan Solar recovery system saw leading food retailers Ocado, M&S and Tesco adopt the technology as part of their drive to net zero.

Revenue



Profit/(loss) before tax



continued

Having successfully demonstrated the value of the Titan system, MFS has now developed a scalable *manufacturing* solution to meet growing demand across all aspects of the temperature-controlled distribution industry, underpinning its leadership position in renewable energy solutions. This position was further cemented with the acquisition of two FRIGOBLOCK dealerships, specialising in electric transport refrigeration solutions in May 2023. This also served to strengthen MFS' strategic relationship with Thermo King/FRIGOBLOCK parent company Trane Technologies.

The undoubted highlight of the year was the opening of the new Tamworth 'Super Site' in August, attended by a host of key customers and industry partners. The new 26,000 square foot leasehold facility, situated at the heart of the UK distribution network, has given MFS a significant competitive advantage and is already beginning to support business winning as evidenced by the strength of the order book for 2023.

In addition to its state-of-the-art workshop facilities, Tamworth's Centre of Excellence gives MFS a genuine point of difference in the market providing a fully equipped training facility to ensure that its team of refrigeration engineers has access to regular hands-on product training.

As part of its further investment in building talent and capability, MFS continued its work in partnership with Liverpool University to deliver a 'Trailblazer' apprenticeship scheme, specific to refrigeration engineering, which it hopes to launch in 2023.

It was this forward-thinking approach, coupled with outstanding delivery for its customers, that saw MFS named Refrigerated Service Provider of the Year in the industry's Temperature-Controlled Storage and Distribution awards, which was last won over 10 years ago.

There is increasing demand for cold-chain capability driven by rising consumer demand for frozen food and fresh vegetables as well as cold-store pharmaceuticals. This is owing to shifting customer preferences on account of busy lifestyles and further accelerated by the expansion of supermarkets and quick-service restaurants.

With traditional Transport Refrigeration Systems being a major polluter, the race is on to provide zero CO₂ refrigeration solutions. Recent changes to legislation, to restrict the use of red diesel and to set longer-term carbon reduction goals, have resulted in the industry undergoing unprecedented change with the need to move away from the traditional power source of diesel to alternative and low carbon power solutions. Marshall has taken a leadership position in the UK market through its Titan VP application and continues to embrace advances in technology to lead the market in customer value and efficiency.

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

 Marshall Fleet Solutions Engineer working on Thermo King Fridge Unit



continued

Marshall Slingsby Advanced Composites

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

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

Operational performance

- Profit before tax £0.6m (9-month period); March 2022: £0.2m profit (15-month period).
- Profit before exceptionals and tax £0.6m (9-month period); March 2022: £0.2m profit (15-month period).

Order book

- Secured orders at December 2022 were £18.0m.

Marshall Slingsby Advanced Composites ('MSAC') performed ahead of expectation during 2022 to mark the culmination of a successful three-year turnaround programme.

This was driven, in the main, by a step-change in operational performance resulting from an ongoing programme of Continuous Improvement activity supported by an extensive investment in upskilling its people through its partnership with Sharing in Growth.

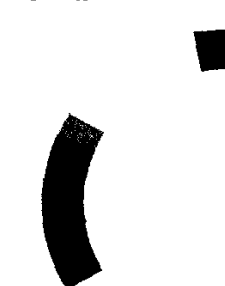
Having successfully turned around operational performance, MSAC's five-year business plan sees the business growing in production volume and efficiency, investing in research and development and embedding itself in the next generation of marine and aerospace defence procurements.

MSAC also achieved two notable accreditations during 2022; being awarded Gold Tier supplier status by BAE in recognition of 'exceptional performance' and in achieving National Aerospace and Contractors Accreditation Program ('NADCAP') accreditation. This makes MSAC one of fewer than 10 composites businesses in the UK to hold this industry standard and gives it access to a much wider range of new business opportunities in the aerospace sector.

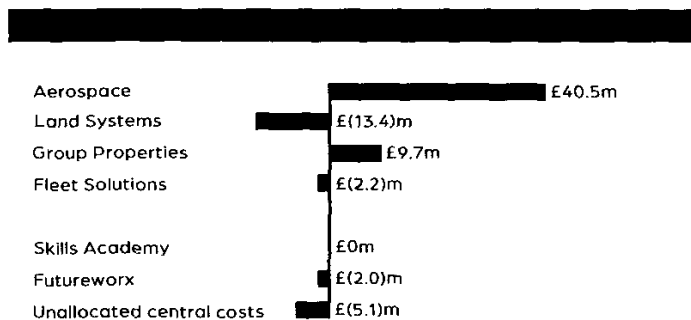
2022 saw the end of an era as MSAC's 20-year involvement with the Astute Prop Duct submarine programme concluded ahead of all seven vessels entering service in 2026. However, it was able to build on its heritage in the marine sector and was successful in winning new business with Thales UK and Atlas Elektronik to support design, development and production of composite submarine optronic masts, winch drums and doors, which will be used on the next-generation submarine programmes.

Other key wins included a significant contract increase with Lockheed Martin for the production of its composite cockpit panels for the C-130 aircraft with MSAC celebrating its 1,000th panel kit for the manufacturer in 2022 and is entering contract negotiations to extend production until 2029.

Revenue

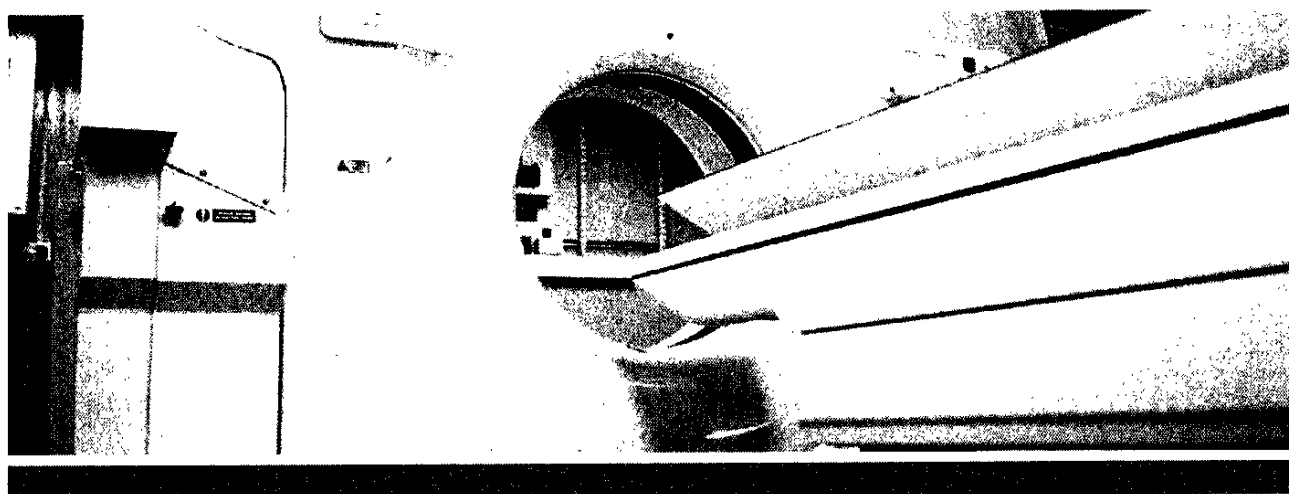


Profit/(loss) before tax



continued

Marshall Land Systems CT Scanner



Relations with MBDA continue to strengthen, and MSAC has secured a position on the FCASW (Future Cruise Anti-Ship Weapon) programme supporting the design and manufacture of prototypes on next-generation air-to-ship missiles systems, and have produced over 700 CAMM (Common Anti Air Missile) launch canisters with 300 remaining to be delivered against our existing contract and entering discussions with MBDA for follow-on contracts where potentially significant volumes may be required due to the change in global threats.

In addition to the new contracts secured during 2022, the business continued to cement its partnerships with long-standing customers including IrvineQC as they celebrated 10 years of collaborative work on Naval Decoy Systems, which provide crucial surface ship protection against anti-ship missiles.

Work also continues on the Future Combat Air Strategy programme where MSAC has now been recognised as an official Team Tempest supplier, providing engineering design support to BAE, and is the only partner, working on Workstream 5 to have Design Authority status.

Looking to the future, MSAC continued to partner with a number of leading academic institutions on research and development activity related to stealth/smart materials, which it expects to generate valuable IP, which will give Marshall a competitive edge in the emerging Unmanned Aerial Vehicles market.

With a very strong new business pipeline for 2023, MSAC will remain focused on achieving Operational Excellence to ensure that it can continue to deliver world-class service to its growing global customer base. As a result, it is assessing investment options in both capex and an extension to provide much-needed production capacity and facilities to support next generation programmes during 2024/2025.

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

Advanced composites within the global defence market is expected to grow at 8.1% per annum between now and 2035, with military aircraft expected to remain the most significant segment.

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

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

continued

Futureworx

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

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

Operational performance

- Cost before tax £2.0m (9-month period); March 2022: £1.4m cost (15-month period).
- Cost before exceptionals and tax £2.0m (9-month period); March 2022: £1.4m cost (15-month period).

2022 saw the first full year of operation for Futureworx and, in line with expectation, it required significant upfront R&D investment to support its work to build long-term revenue streams for the future.

The team, which includes a complementary mix of creative engineering talent assembled from within, and outside of, the Marshall business, moved into their new base at St John's Innovation Centre in July 2022, where they are co-located with some of Cambridge's leading tech start-ups.

This environment was chosen to be purposefully different to that of the core Marshall businesses, ensuring that Futureworx could move at the pace required of a start-up operation to develop technologies that solve problems of practical significance in the current focus areas of autonomy, renewable energy and hydrogen power.

During 2022, the team made great strides in the development of what it expects to be its first product to market, Lilypad – a ground-breaking ecosystem of multiple resident, autonomous Beyond Visual Line of Sight Uncrewed Aerial Vehicles, which provide dynamic and on-demand offshore inspection services with applications in the offshore wind, defence, security and industrial markets.

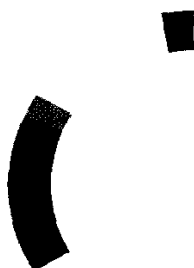
It also continued its collaboration with academia on a number of hydrogen-related solutions, which it expects will secure Marshall market-leading positions in both the aerospace and temperature-controlled distribution sectors.

While these two key projects are the primary focus, the team continues to research a wide range of future opportunities through its explore cycle methodology, which ensures that ideas are stress tested at the earliest viable opportunity, with only those with a high level of potential moving further through the development cycle.

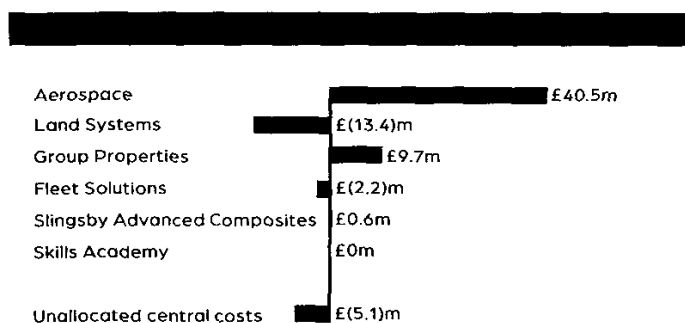
The UK Government recognises the importance of start-ups and SMEs in driving vibrant, business-led innovation within the defence sector and its adjacent markets. The ongoing events in Ukraine have increased focus in this area and opened up routes to new and valuable accelerator funding streams.

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

Revenue



Profit/(loss) before tax





"With a strong overall profit performance and cash generation from our continuing operations, we enter 2023 in a much stronger position to capitalise on the many new business opportunities we are working on."

Doug Baxter
Chief Financial Officer

The disposal of MMH had a significant financial impact in the period with a profit on disposal of £62.2m and a substantial reduction in overall Group revenue as this business is no longer part of the Group.

Due to a change in the accounting reference date, the financial review is for the 9-month period to 31 December 2022, with the comparative a 15-month period to 31 March 2022.

On an annualised basis, adjusting for the differing period lengths, revenue for the Core Group (the Group excluding MMH) grew strongly with an overall increase of 18% (£293m (9 months); March 2022 £415m (15 months)). This was driven by the HIOS price adjustment within Aerospace, with Aerospace's overall revenue increasing by 21%. Land Systems growth from its high volume deployable infrastructure projects, helped increase revenues by 41% and Advanced Composites revenues increased by 31% driven by new customers. Offsetting this was a small reduction in Fleet Solutions, where revenues declined by 2% driven by semi-conductor supply chain shortages impacting installations and follow on maintenance work.

On a statutory basis, the Group reported a profit before tax of £89.6m (March 2022: £91.9m), with the biggest single contributor being the exceptional profit on disposal of MMH (£62.2m; March 2022: £nil).

Profit before exceptionals and tax was £30.2m (March 2022: £100.7m), with the prior period being significantly enhanced by the financial performance of MMH, which benefited from pandemic-related tailwinds in the automotive industry. In the six weeks prior to disposal, MMH's profit before exceptionals and tax was £0.3m (March 2022: £96.8m).

Profit before exceptionals and tax from continuing operations was £29.9m (March 2022: £3.9m) with a strong performance from Aerospace driven by the HIOS price adjustment and the impact of the change in the mix of work as the contract ends. There was a loss associated with Aerospace's non-HIOS work of £3.1m (March 2022: profit £10.8m) as significant resale work completed in the prior period and work associated with current aircraft resale activity is traded at nil margin until the revenue can be reliably estimated. We anticipate that this and future resale work will make a significant contribution in coming periods.

The financial performance of Land Systems continued to be impacted by legacy contracts and the loss increased during the period to £13.1m (March 2022: £8.3m). There is a new leadership team in place in the business with significant progress being made to address the underlying issues within the business. After adjusting for the differing period lengths, Group Properties' result increased from the prior period, with a profit before exceptionals and tax of £9.7m (March 2022: £12.4m). This included a gain on investment properties of £3.0m (March 2022: £0.6m). Group Properties' continues to make good progress on both Marleigh and Cambridge East. Fleet Solutions were impacted by the global semi-conductor shortages and inflationary pressures within their supply chain producing a £2.0m loss before exceptionals (March 2022: loss £0.1m) and Advanced Composites saw a significant increase in profitability to £0.6m (March 2022: £0.2m) as result of their successful turnaround programme. The Group continues to invest in Futureworx and in creating technology and enterprise solutions for emerging global trends with expenditure increasing to £2.0m (March 2022: £1.4m).

Exceptional items

Separately disclosed exceptional items represent items that the Group considers to be non-routine or which warrant separate disclosure to aid an understanding of the underlying business. The main items in this respect were the profit on MMH's disposal £62.2m (March 2022: £nil) and restructuring costs of £1.8m (March 2022: £10.2m). All of the restructuring costs in the current period relate to the Core Group (March 2022: £2.5m) and are associated with a new organisation design and capability refresh being embedded into the business. Exceptional franchise and goodwill amortisation relates to MMH's acquisitions and was £1.0m (March 2022: £9.1m).

continued

Interest and tax

As a result of the disposal of MMH, there was net financial income for the period of £2.1m (March 2022: net financial expense £7.2m). Proceeds from the disposal were used to repay the Core Group's borrowings and only six weeks of MMH borrowing and stock finance costs were consolidated in the period. Bank interest and interest on short-term deposits were £2.0m (March 2022: £nil). Interest receivable from joint ventures was £0.6m (March 2022: £0.7m) with the relative increase, allowing for the shortening accounting period, due to the Group's continued funding of the Marleigh development.

The Group is expecting to pay tax relating to the 9-month period of £2.1m (March 2022: £17.2m), including local corporation tax paid in our overseas operations. The decrease from March 2022 is driven largely by the Group's disposal of MMH.

The effective tax rate has decreased significantly to 5.7% (March 2022: 26.3%) due to the non-taxable nature of the profit on disposal of MMH. Adjusting for this, the effective tax rate for the Group was 21.0% with a higher rate in the prior year (March 2022: 26.3%) caused by the prior year revaluation of the deferred tax assets/liabilities to a corporation tax rate of 25%. 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 revaluation to this rate done in the prior year.

Dividend

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

Following the sale of its shareholding in MMH, a Special Ordinary dividend of 76.0p to both Ordinary and NVPO shareholders was paid on 7 October 2022 (March 2022: £nil).

Two interim dividends were paid during the period and cumulatively equate to 4p per Ordinary share and 6p per non-voting priority Ordinary ('NVPO') share. As these two dividends are in line with previous periods, the Board is not recommending a final dividend in respect of December 2022.

Earnings per share

Earnings per share, on a statutory basis, were 103.2p (March 2022: 77.9p). Adjusting for separately disclosed exceptional items, as set out in note 3 for the disposal of MMH, earnings before exceptionals from continuing operations were 40.2p (March 2022: 4.0p).

Financial position

Net debt/cash flow

The Group closed the period with total net funds of £129.3m (March 2022 net debt: £21.5m).

Proceeds from the disposal of subsidiaries, net of costs, was £199.0m (March 2022: £0.4m) and relates to the disposal of MMH. Cash and debt disposed with the sale of MMH was £41.4m and £12.0m, respectively.

Capital expenditure totalled £20.2m (March 2022: £58.4m) with the Group continuing to invest in its infrastructure for the future. Fixed asset investment in the Core Group was £18.5m (March 2022: £18.8m), principally in the ongoing implementation of new enterprise-wide systems, preparatory works for Marshall Group Properties' developments and the new radar in Aerospace.

Receipts from the sale of tangible fixed assets and investments totalled £2.0m (March 2022: £29.8m) during the period and, principally, relate to the sale of Martlet Capital, which concluded in

the period. In the prior period, amounts include the proceeds from the sale of the land north of Cherry Hinton Road.

Financing

With the sale of MMH, the two major loan facilities that existed at 31 March 2022 have been repaid or removed. MMH's £60m revolving credit facility is no longer part of the Group and the proceeds from MMH's sale have been used to repay, and then cancel, the Core Group's unsecured £75m revolving credit facility.

Intangible assets

Goodwill and franchise agreements related to the acquisitions made by MMH and are amortised over 10 to 20 years. Total amortisation during the period was £3.0m (March 2022: £16.0m), with all amounts being disposed with the sale of MMH. Software intangible assets were £14.7m (March 2022: £13.9m) and largely relate to the new enterprise-wide systems.

Joint ventures

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

Sales activity in these joint ventures has been broadly in line with expectations with 47 unit sales achieved in the 9-month period (March 2022: 135 units for the 15-month period). A change in sales mix saw more houses and fewer flats and affordable houses sold. As a result, despite the lower overall unit sales, the Group's share of the net profit within the development remained similar, £3.7m (March 2022: £4.0m).

Pensions

The Group's defined benefit pension scheme, the 'Plan', as calculated under FRS 102, moved from a surplus of £4.0m (March 2022) into a deficit of £2.3m (December 2022). In accordance with FRS 102, the surplus was not recognised in the prior period's financial statements with a £2.3m liability being recognised in the current period. The expected liabilities decreased, primarily, due to an increase in the discount rate, while scheme assets reduced to due 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 £1.24m.

Treasury operations

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

Key performance indicators

The individual businesses use a number of Key Performance Indicators ('KPIs'), both financial and non-financial, to measure and monitor performance. The diversification of the Group's businesses means that few are applicable for every company. There is a small number of specific KPIs, against which individual or Group performance can be monitored. These are set out on page 15.

Managing our risks

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

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

Risk appetite

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

Risk framework

The Group has an established framework, structure and process for the management of its key risks, and the responsibility for risk identification, assessment, mitigation and reporting lies with the management of each of its businesses. During the period, the risk management process was reviewed by an internal audit to confirm its appropriateness and to make recommendations for best-practice enhancements. These have since been implemented, making improvements to the clarity and comparability of risks across the Group. Each business, and the Group overall, has its own risk register where risks and their relative likelihood and impact scores are reviewed and re-scored regularly by each risk owner. Routine review, monitoring and reporting by the businesses enables the Board to ensure its risk appetite remains appropriate and that the businesses act consistently within it.

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

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

Accountability

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

Principal strategic risks

The Board has identified 10 principal strategic risks, these are:

- Business interruption.
- Cyber attack.
- Contract completion.
- Geopolitical.
- Evolution of Aerospace.
- Resource and succession planning.
- Regulatory breach.
- Relocation from the Cambridge Airport site.
- Bribery and corruption.
- Property development experience.

Further details are set out on pages 34 to 39. With the cash receipt in May 2022 of circa £202m from the disposal of Marshall Motor Holdings, the Group liquidity risk was retired before the previous report and accounts concluded. It was, though, a principal risk at the start of the current period. As the impact and risk to the business is greatly reduced, Covid-19 was also retired as a principal risk. Given the need for the Aerospace business to adapt and change to life without one of its historically key contracts, the evolution of Aerospace was added to the Group's risk register.

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

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

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

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 (ITC and radar elements).
- 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 a two-day strategy and business planning meeting. While the level of disruption caused by Covid-19 has significantly reduced, the geopolitical risk continues to be monitored by the Board, as supply chain disruption continues, exacerbated by the war in Ukraine. Cambridge East 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. The bribery and corruption risk continued to be monitored by the Executive Ethics Committee with no issues requiring escalation to the Committee.

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

- The Risk Management process.
- Project and programme Lifecycle Management (embedding lessons learned back into the business).
- Key financial controls.
- IFS post implementation review.

Executive Risk Management Committee


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

The plan includes the following elements:

- Identification of key risks.
- Measurement of risk in terms of probability and impact in the context of current controls and strategies.
- Evaluation and prioritisation of risks including severe, but plausible scenarios.
- Development and implementation of risk control strategies.
- Monitoring and reviewing the effectiveness of the risk management system.

The ERMC is charged with the responsibility of reviewing and monitoring key risks, which are identified, assessed, reviewed and reported separately by the businesses. These risks are consolidated and form the 10 principal strategic risks detailed on pages 34 to 39. 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 operating company, with additional invitees at the Group's request, attend the ERMC to share best practice across the Group and to review and monitor new risks and procedures. The ERMC serves both to embed risk management procedures and advise the Audit and Risk Committee on current risk exposures and potential changes to future risk strategy.

 Marshall Aerostructures P-8 Fuel Tank Production Process



continued

Reporting

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

Risk assurance activity during the period

Risk assurance activity during the 9 months ended 31 December 2022 included the following:

- Confirmation of the Board's risk appetite to ensure risks are only taken in pursuit of strategy.
- Mapping of each risk on the Group's risk heat map to a risk appetite category.
- Re-evaluation by the ERM Committee at each meeting of the Group's top strategic risks and their position on the Group's risk heat map.
- Pre-review by the ERM Committee 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.

Communication

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

Board assessment of principal risks

The Board is satisfied that the risk management and assurance activity undertaken through the period conforms to the three lines of defence model and is sufficient for it to confirm that it has carried out an assessment of the principal risks facing the Group during the 9 months ended 31 December 2022, including those that would threaten its business model, future performance, solvency or liquidity.

The Group's risk profile evolves as changes in circumstances elevate risk, mitigating activities reduce net risk over time, or as new risks emerge. These new and emerging risks are identified through regular horizon scanning.

More detail on the risk activity can be found in the Audit and Risk Committee report on pages 78 to 80.

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

Marshall Land Systems Specialist EOD Vehicle



1 Business interruption

Likelihood **L**

Impact **H**

Risk movement

Responsibility Chief Executive Officer

Risk description

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

Context

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

Severe but plausible scenarios

Serious incident 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.

Mitigating activities

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

2 Cyber attack

Likelihood **M**

Impact **M**

Risk movement

Responsibility Chief Financial Officer

Risk description

Operational disruption, commercial penalties, and reputational damage associated with a successful cyberattack/breach of the Marshall IT infrastructure/Business Systems and/or sensitive information.

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.

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.

Mitigating activities

In May 2022, Marshall IT commissioned an external cybersecurity breach assessment, run across the Aerospace and Defence elements of the Group, including Marshall Aerospace Canada Inc. The review took around four weeks and was carried out by a top tier cybersecurity provider (Accenture) and involved intensive forensic level reviews of all current and some decommissioned windows servers, laptops and desktops. No artefacts or evidence of a previous network breach was found and the Marshall network was given a clean bill of health.

Between October 2022 and February 2023, Marshall invested significant IT and business resource as part of its Cyber Essentials Plus accreditation. This involved decommissioning older machines, rolling out new Marshall managed devices and updating a number of key software applications.

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

Post mitigated risk score

L Low

M Medium

H High

Increasing

Decreasing

No change

continued

3

Contract completion

Likelihood **L**

Impact **L**

Risk movement **▼**

Responsibility Business Managing Directors

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.

Context

The Group continues to review each projects estimated costs to complete and monitor progress against the key milestones.

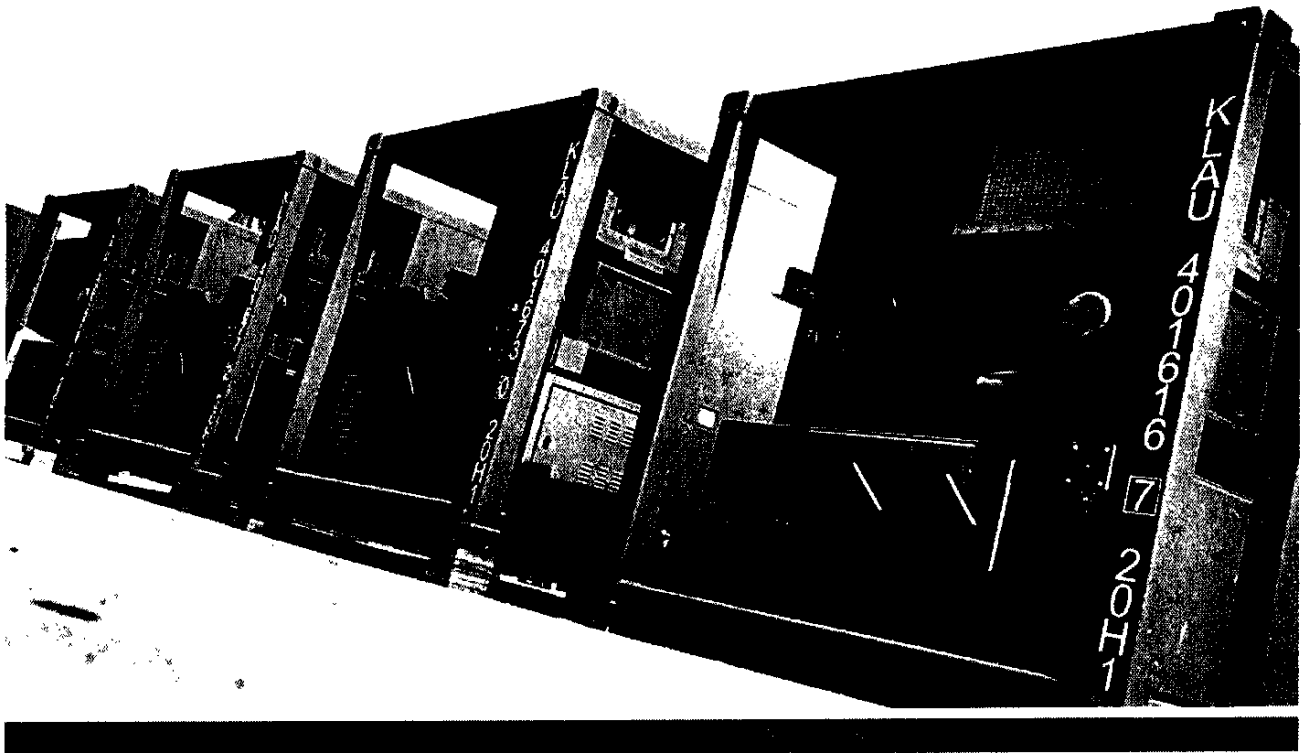
Severe but plausible scenarios

The core scenarios include cost overruns and programme delays, which give rise to the risk of an impact on reputation and brand, and a reduction in the ability to win new work.

Mitigating activities

The Group operates a standardised approach to contract management, tailored to the risk and complexity of individual projects. Each significant project or programme 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 with a higher degree of risk are subject to regular (monthly) oversight by the executive team.

Marshall Land Systems Deployable Infrastructure 



continued

4

Geopolitical

Likelihood **M**

Impact **M**

Risk movement 

Responsibility Chief Executive Officer and business Managing Directors

Risk description

Global events are creating political and economic uncertainty, which, in turn, is putting significant pressure on government spending in the UK and overseas. As a result, governments are increasingly considering supply chain resilience and the onshoring of capabilities for national security reasons.

Context

The changing security and economic situation creates opportunities and risks, including:

- The strengthening Russia–China axis is likely to prolong global uncertainty and disruption to supply chains.
- UK and other western support for Ukraine will divert defence spending towards equipping and training Ukrainian forces and replenishing UK stocks.
- Renewed focus on NATO and Five Eyes with an interest in pooling resources and R&D for new technology.
- Escalation of tensions between China and Taiwan over a possible invasion/annexation, which may draw in US and other western nations, and significantly threaten global semi-conductor supplies.

In the UK, a short-term government focus on the upcoming General Election could see key programmes stalled and funds diverted to more politically driven areas.

Severe but plausible scenarios

While the ongoing conflict in Ukraine 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. Technology is changing incredibly quickly as the needs change at the frontline in Ukraine. 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. An invasion of Taiwan, which accounts for the majority of global production of semi-conductors, would see a severe interruption in production impacting global supply chains more significantly than the recent Covid-related disruptions.

Mitigating activities

Strengthening engagement with the UK Government, the principal opposition parties and key officials across relevant departments to ensure a wide understanding of Marshall and recognition of our capabilities. The Group has been building its international customer base to reduce its reliance on the UK, harnessing the positive reputation of Marshall as an established independent UK mid-tier to grow into friendly markets. The Group's strategy to establish Marshall operations, backed by Marshall Skills Academies, overseas in key markets, such as Canada, the USA and the Middle East will enable the Company to support 'local' business and the building of national capability. Each operating business has reviewed and refreshed its critical supply chain approach to protect our production commitments.

Post mitigated risk score


L Low

M Medium

H High

 Increasing

 Decreasing

 No change

continued

5 Evolution of Aerospace

Likelihood **M** Impact **H** Risk movement 

Responsibility Marshall Aerospace Managing Director

Risk description

Failure to evolve the Aerospace business, to leverage its UK mid-tier position and grow global operations, resulting in financial underperformance and the need to restructure.

Context

With the retirement of the UK's C-130 fleet, the historic home market for Aerospace's C-130 MRO operations has been removed. To maintain and grow, the business needs to strategically evolve, developing its offerings and building on its global customer base.

Severe but plausible scenarios

The defined strategy hypothesis is disproven, resulting in the strategy process being re-started and with poor interim financial performance. The MRO activity planned makes market assumptions that are not valid, or scope of works are fundamentally changed by the customer resulting in a lack of operational efficiency. The strategic partnerships developed with market disruptors for engineering solutions do not deliver on new market-penetration opportunities.

Mitigating activities

Validation of strategy hypothesis with in-depth market analysis and flow-down of strategic objectives throughout the senior management team and wider business. Development of specific capture plans and owners for each strategic development. Transformation activity to focus on operational performance and to strategically critical activities.

6 Resource and succession planning

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

Responsibility HR Director

Risk description

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

Context

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

Severe but plausible scenarios

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

Mitigating activities

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

continued

7 Regulatory breach

Likelihood **L** Impact **M** Risk movement

Responsibility Business Managing Directors

Risk description

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

Context

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

Severe but plausible scenarios

The key scenarios include mechanical failure leading to loss of aircraft, health and safety incidents, resulting in fatalities or major injury, major product quality issue, and environmental contamination.

Mitigating activities

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

8 Relocation from the Cambridge Airport site

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

Responsibility Chief Executive Officer

Risk description

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

Context

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

Severe but plausible scenarios

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

Mitigating activities

In October 2020, the Group signed an Option Agreement for a 150-year lease on a parcel of land on Cranfield University's proposed Air Park development. Outline planning permission was granted by Central Bedfordshire Council in April 2023 and, while a detail planning application will be needed, the risk associated with site selection has significantly reduced. Activity continued during the period, providing a deeper analysis of the operational and socio-economic workforce impacts and to inform the cost model (capital, transitional and operational) and Aerospace business plan.

Post mitigated risk score

L Low **M** Medium **H** High Increasing Decreasing No change

continued

9 Bribery and corruption

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

Responsibility Company Secretary

Risk description

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

Context

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

Severe but plausible scenarios

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

Mitigating activities

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

10 Property development experience

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

Responsibility Group Properties Managing Director

Risk description

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

Context

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

Severe but plausible scenarios

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

Mitigating activities

The Advisory Group, established to steer the project team, has continued to provide advice and review of work to date on both planning and development strategy for Cambridge East. Additionally, the appointment of a Development Director, with extensive large scale development experience, has been added to the project team.

Following a strategic review of the development options, experienced agents Savills have been appointed to run the process to procure an internationally experienced Master Development Partner ('MDP'), which is now underway. It is envisaged the appointment of an MDP will be concluded in the latter half of 2023, following the publication of the Local Authorities Local Plan (Regulation 18), which will include Cambridge East as an important strategic site for the growth of Cambridge's sub region.

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

The Board ensures that all decisions are taken to drive long-term growth and prosperity, while recognising the requirement to understand and take into account the needs of the Company's shareholders and other stakeholders to whom it is accountable, as well as the environment in which it operates. The Board fulfils its duties, partly, through its robust governance framework with subsidiary boards responsible for the decision making and governance of subsidiary companies. Under this framework, day-to-day decision making is delegated to these leadership teams and their people without losing overall accountability. This framework includes a protocol, which provides detailed guidance for all Directors and management on the application and execution of their Section 172(1) duties. Marshall of Cambridge Aerospace Limited, Marshall Land Systems Limited and Marshall Thermo King Limited, being large subsidiaries, are subject to Section 172(1) of the Companies Act 2026. Details of how the Directors of the companies discharge their duties can be found in the strategic reports of these companies.

Methods the Directors have used to engage with stakeholders and understand the issues can be found in the Stakeholder Engagement report on pages 41 to 43.

Principal decisions

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

Dividend

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

During the period, the Board approved the payment of a second interim dividend payable in July 2022 in respect of the period ended 31 March 2022, and an interim dividend in December 2022 in respect of the period ended 31 December 2022.

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

HIOS price adjustment

Following the announcement that the UK Ministry of Defence ('MoD') intended to withdraw its C-130 Hercules fleet from service, the Group has been in discussions with the MoD in relation to Aerospace's Hercules Integrated Operational Support ('HIOS') contract. This had been due to run until at least 2030 and, in agreeing a price adjustment with the MoD, the Board took into account a number of important factors. These included the need to maintain key capabilities of the business, securing the continuity of employment for Aerospace's highly skilled workforce, and ensuring the Group had the ability to support the MoD during the wind down of the contract. Securing a position as official resale partner for the UK fleet, and to work in partnership with the Defence Equipment Sales Authority to manage the sale and entry into service of the aircraft with new operators, was an important consideration. It enables the Group to support a key customer in achieving best value as well as providing a significant revenue stream over the coming years.

Cancellation of the Group's revolving credit facility

Following the sale of its shareholding in Marshall Motor Holdings, the Group used the proceeds to repay the amounts outstanding under the Group's £75m revolving credit facility with its bankers. After considering the financial resources of the Group, its liquidity of funds, stability of earnings and long-term requirements, the Directors took the decision to cancel this facility and put in place a smaller set of arrangements, aligned to the ongoing needs of the business.

Pension scheme buy-in

With the support of the Directors, the Trustees of the Group's defined benefit pension scheme (the 'Plan'), entered into a buy-in policy with Aviva. Under this arrangement, an annuity was purchased to provide a return to match the liabilities of the Plan, reducing its inherent risk and volatility. In taking this decision, the Directors considered the Group's inability to control or influence the liabilities of the Plan, the historic commitments to former and current employees, and the impact of poor market performance or other actuarial changes on employees' retirement benefits. The arrangement transfers a significant amount of risk away from the Group, while obligations to employees are supported by a leading provider of insurance services.

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



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 emerging business performance, the decisions that are being taken and the Board's long-term vision for the Group.

How we engage

We continue to look for new, more effective ways to keep our shareholders better informed about the ongoing performance of the business, and it is our intention to share as much information as is practical given the commercial sensitivities that have to be observed. Having completed the disposal of MMH, we will now re-establish regular reporting timelines for the full year 2023.

After listening to shareholder feedback during 2022, 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 access to a news portal, which is updated on a weekly basis, providing exclusive insight into what's happening across all of Marshall, as well as providing ease of access to all shareholder documentation and share price information.

In addition, we continue to provide shareholders with the opportunity to attend 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 Hudson Sandler to support our investor relations programme, will ensure our commitment to disclosure and engagement with shareholders will be consistent with those of FTSE250 public company norms.



Employees

Why we engage

Our people have always been at the heart of Marshall's success and that remains as much the case today as it has for the past 114 years. It is important that we understand our employees' views on areas that impact their work, that they understand and embrace changes or improvements that we need to make and, importantly that they have a vehicle to share their great ideas.

How we engage

Post-Covid, Leadership Teams from each of the individual business units have reintroduced regular face to face briefings with their teams to ensure that all employees understand business strategy and the role they play in its delivery.

The Group Board uses quarterly CEO Roadshow events as a primary vehicle for cascading the Group's messaging and as an opportunity to hear directly from employees across the business.

These are supplemented by monthly Listening Breakfast events and regular 'shop floor' tours by the CEO and other Board members. These engagements are used as an opportunity to understand and, where practical, address any recurring issues or concerns and to ensure that the Board understands the potential impact of their decision making on Marshall employees. A good example of this is the implementation of a six-month cost-of-living payment introduced in October 2022 to help employees deal with the rising cost of energy through the winter months.

Both Marshall Aerospace and Marshall Land Systems have set up employee-led Working Groups to ensure that the employee voice is heard when making key decisions related to the relocation of both businesses.

In addition, we utilise a variety of other channels for employee communication to ensure that we are meeting the needs of a diverse workforce, most notably a Group-wide collaborative intranet, which employees can use to share ideas, ask questions or just build relationships outside of their direct team.

continued

Customers

Why we engage

We understand that, by developing long-term strategic partnerships with key customers across all areas of our business, we differentiate ourselves from our competitors and ensure that we are best placed to help our customers meet their growth objectives.

This enables Marshall to maintain, and capitalise on, its reputation for quality, integrity and innovation within the markets in which we choose to operate.

How we engage

In order to ensure that our customer relationships are embedded and enduring, we work hard to foster relationships at every level.

Where appropriate, our CEO holds relationships with her industry counterparts, attending regular 'Board to Board' meetings to drive strategic collaboration with similar touch points through the levels below, led by the relevant Business Units MDs, Sales Directors and Sales Teams.

As active members of ADS, Make UK, and the Cold Chain Federation, we attend regular industry events, including round-tables, dinners and industry days, which are attended by a range of Board Members and members of the Marshall Executive Team. These events provide valuable insight which, in turn, is used to help shape business strategy.

In addition, each of the Business Units participates 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, and we hope many of them will go on to enjoy long and successful careers in engineering.

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

During 2022, and in response for more information and assurances about plans for development of the airport land, we have introduced monthly 'drop-in' sessions for local councillors, who meet with members of the Marshall Group 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 through a regular monthly report.

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.

continued

Suppliers

Why we engage

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

How we engage

Post Covid-19, we now spend more time visiting existing and potential new suppliers in person and have also continued to host and attend regular supplier forums and events.

We have used the reintroduction of trade shows as an opportunity 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.

Futureworx Head Office 





Ambition 2030

Set against a difficult geopolitical backdrop at the end of 2022, the COP27 climate summit restated the global commitment to tackling climate change in the face of the energy crisis and reaffirmed the commitment to limit global temperature rise to 1.5 degrees Celsius above pre-industrial levels.

That commitment was strengthened by a package of decisions to cut greenhouse gas emissions and adapt to the inevitable impacts of climate change, as well as boosting the support of finance, technology and capacity building needed by developing countries.

Since the Marshall sustainability strategy roll-out in early 2022, each Marshall business unit has been embedding Ambition 2030 in its decision-making and operating practices. The Sustainability Committee's requirement for accredited environmental management systems within the Group will not only articulate the climate impact for each business, but also help provide the pathway to mitigating those impacts, enhancing the Group's sustainability performance and delivering the Ambition 2030 net zero goals.

Such management systems will also ensure Marshall compliance obligations are captured in the ever-evolving regulatory arena. HM Treasury launched the Transition Plan Taskforce ('TPT'), during 2022, to develop the gold standard for private sector climate transition plans, and 2023 is scheduled for many related policy

instrument reviews. The government's Green Finance Strategy allows for a UK Green Taxonomy, proposals on large company reporting on Scope 3 GHG emissions and the Task Force for Climate-related Financial Disclosures ('TCFD'). The EU is also aiming to improve the quality and comparability of sustainability disclosures through the Corporate Sustainability Reporting Directive ('CSRD').

The Ambition 2030 framework has been designed to accommodate Marshall activity today and adapt to business developments and other external influences to ensure the Group is resilient, healthy and sustainable beyond 2030. When considering appropriate investments to reduce emissions, the Committee takes account of future plans for business units, including relocation.

Ambition 2030 operates through three key pillars, each with set objectives. Progress against these is measured and reviewed at each Committee meeting.



Our three focus areas



Climate resilience

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

Priority topics

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

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 topics

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

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

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

continued

Carbon emission reduction targets

The overarching Ambition 2030 target is to have net zero carbon emissions from our operations by 2030.

The next interim target is a 30% reduction in carbon emissions from our operations by 2025 against the audited 2021 SECR baseline. Mitigation and investment are required for the business to be able to achieve this target. Further operational efficiencies were explored during 2023, alongside alternative energy sources, where capital investment into on-site measures does not make financial or business sense due to the expected relocation timelines.

As well as addressing options for reducing emissions in relation to operations at the Cambridge site, planning for decarbonising infrastructure and operations at the future Cranfield relocation continues to move ahead.

The sustainability activity of Marshall Motor Holdings, part of the Marshall Group until 11 May 2022, remained outside the remit of the Sustainability Committee and the Ambition 2030 programme. Overseas operations are also considered at a local level.

Sustainability Committee focus

A particular focus of the Sustainability Committee was on options to decarbonise existing operations, specifically renewable fuel alternatives, such as bio-gas, to drive down carbon emissions from natural gas consumption. It also considered the use of carbon pricing as a tool for future capital investment activity to assist with carbon emission reductions. A mechanism to evaluate carbon costs is being developed during 2023.

Business air travel off-setting was also highlighted as an area requiring further evaluation to better understand the options available, and their credibility, in an, as yet, unregulated off-set market. This is being progressed further during 2023. The return to face-to-face meetings following lockdown, and the expansion of overseas activities, makes reducing emissions from business air travel particularly challenging.

Sustainability and the social value performance of the Marleigh development are regularly reviewed, capturing a range of metrics such as water, fuel and energy consumption, waste management and the performance of the five Marleigh Active Homes, which have upgraded building specifications and improved energy efficiency.

The Hill Group, the Marshall-Hill LLP joint-venture developer, is signed up to the homebuilding NextGeneration Sustainability benchmark, a robust framework that assesses the UK's largest homebuilders on their sustainability performance and inspires those companies to report against a range of criteria relating to high-quality sustainable homebuilding.

While there has been a focus on energy during the last 12 months, broader sustainability benefits from water conservation, waste management, bio-diversity and nature safeguarding can also be realised. This co-benefit approach needs to be explored further and will be progressed during early 2024 to ensure natural resources and circular economy principles are fully understood. The Task Force on Nature-related Financial Disclosures ('TNFD'), is a new global initiative, which provides a framework for companies to develop a comprehensive understanding of the nature-related dependencies, impacts, risks and opportunities of their own operations and across their value chain. Its applicability will be reviewed once final guidance is available.

The Group's carbon accounting framework measures and tracks how much greenhouse gas ('GHG') the Marshall businesses emits. Energy data is directly captured from a number of departments within each business and the methodology for converting these fuels into carbon is explained in the Streamlined Energy and Carbon Reporting section on page 52. Data verification is performed by external consultants who specialise in low carbon and business energy.

These energy and carbon specialists help Marshall to navigate through the complex UK energy arena, providing a range of services from mandatory Streamlined Energy and Carbon Reporting ('SECR') and Energy Savings and Opportunities Scheme ('ESOS'), to Climate Change Agreements ('CCA') and Mineralogical-Metallurgical Climate Change Exemption ('Min-Met'). In addition, they provide market intelligence to positively influence the Group's energy purchasing strategy and capitalise on market volatility. This forecasting approach saved Marshall over £1m in gas and electricity commodities during 2022 (approximately £451,000 in gas and £625,000 in electricity against standard market performance).

Sustainability is a key feature of today's corporate culture and green finance is supporting the economy to accelerate transition from reliance on fossil fuels to ensure a more resilient future through climate change mitigation and adaptation investments. The Committee is keen to explore how green finance for environmentally sustainable investments can be used to help in the business' ongoing drive to decarbonise.

Working group focus

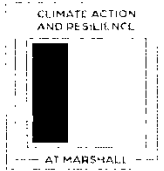
Specific working group activity during the 9-month period included:

- Setting the foundation for the implementation of each business unit ISO14001 system, and following Marshall Fleet Solutions certification to the standard during July 2023, Marshall Aerospace expects to be ISO14001 certified during Q1 2024.
- The Marshall Land System sustainable product group has focused on product carbon profiling, the results of which can be seen within the Ambition 2030 in Action section on page 50.
- Marshall Aerospace leads the materials group, working closely with Marshall Land Systems and Marshall Slingsby Advanced Composites, which met quarterly, focusing on material environmental compliance obligations.
- The Energy Committee comprises cross-company representation to ensure energy contract matters were discussed in an open forum and changes within each business unit were captured within each contract. Energy security and cost consumption continued to lead the discussions.

Climate related risks

Climate related risks are identified, assessed and managed within the Group's risk management policy outlined on page 31. No risks are considered principal risks.

continued



Climate resilience

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

Climate Resilience

1

Energy
management

2

Climate adaptation



Key objectives include

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

Progress in the 9-month period

- Aerostructures division successfully relocated to a more energy-efficient Hangar 21 following the hangar refurbishment in accordance with energy management principles (more detail can be found in Ambition 2030 in Action on page 51).
- The energy efficient refurbishment of Hangar 11 was completed during July for the Manufacturing Support relocation to South Works.
- Installation of eight additional Electric Vehicle 7kW fast-chargers at the Cambridge site.
- LED energy-efficient lighting upgrade throughout the Cambridge Airport Jet Centre.

continued

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

- 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.
-
- A new Community Orchard was planted in Teversham as part of the Queen's Green Canopy project (more detail can be found on Ambition 2030 in Action on page 51).
 - £100,000 donation to Marleigh's local primary school to help assist with community engagement projects.
 - Halon gas phase out and replacement with biodegradable alternative firefighting material for all Cambridge Airport Fire Tenders.
 - ISO14001 Environmental Management System ('EMS') planning resulted in certification for Marshall Fleet Solutions in July 2023 and Marshall Aerospace on track for certification in Q1 2024.



continued

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

- Sustainable design.
- Customer commitments.
- Sustainable supply chain.



- Marshall Land Systems' deployable shelter product carbon profiling project was completed, establishing a standard shelter embedded CO₂ footprint (more detail can be found on Ambition 2030 in Action on page 50).
- Futureworx development of the autonomous Lilypad Unmanned Aerial Vehicle ('UAV') product for real-time monitoring of off-shore wind farms (product launch due 2023).
- Hazardous Materials Group continues to monitor developments on emerging legislation on product eco-design requirements and the potential impact to Marshall products.
- Supply chain sustainability evaluation process created and trialled, and a wider rollout to be progressed during Q1 2024.
- Marshall Fleet Solutions continued its roll out of the 'Titan' 100% solar powered refrigerated trailer system, using power produced from solar panels. The environmental benefits of the Titan system, reducing fuel costs, noise and emissions attracted several new customers during the period.

 Marshall Fleet Solutions Engineer at work in New Tamworth Depot

continued

Lockheed Martin C-130 Cockpit Trim Panels in Production at
Marshall Slingsby Advanced Composites



continued

Ambition 2030 in action

Marshall Land Systems – Shelter Carbon Profiling

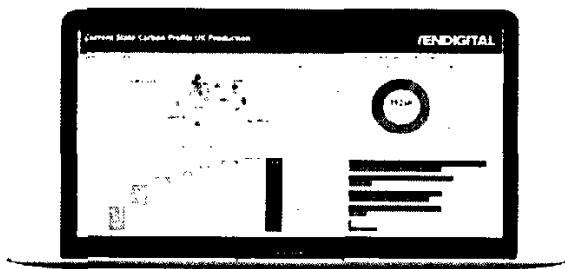
Marshall Land Systems ('MLS') has started to map a path to reduce the carbon footprint of its deployable infrastructure product in support of the Ambition 2030 carbon-reduction targets.


To understand the carbon footprint of a standard deployable 'B1 Container' product, and working closely with Vendigital consultants, the team focused on calculating Scope 3 emissions, taking account of a range of variables, including the extraction of raw materials, the production of parts, and the emissions generated by suppliers and transportation. The team also conducted in-depth reviews of engineering processes, the supply chain, build materials and CAD models to create a holistic picture of carbon emissions on a part-by-part basis.

From this analysis, a carbon baseline dashboard was created, displaying the data using a number of bespoke metrics, such as carbon intensity by material. This allowed MLS to examine and update the design, ensuring embedded carbon can be factored into all future engineering, manufacturing and supply chain decisions.

The increased data visibility means it is possible to identify areas where there is scope to reduce carbon emissions, find solutions and track progress against targets.

The project identified that each product unit contains 19 tonnes of embedded carbon. Through a number of identified opportunities, MLS have road mapped a path to reduce the carbon per unit by 10,000kg of CO₂e. Designing out carbon intensive materials and production methods will reduce the embedded carbon by 14%. The assessment of MLS's global manufacturing footprint, including Canada, should now provide an opportunity to reduce the product's embedded carbon by over 50%.



 Marshall Land Systems Medical Containers



continued

Energy efficiency improvements

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

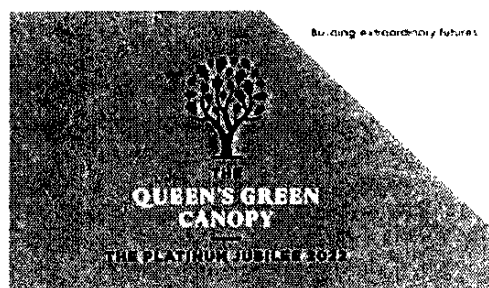
The most significant relocation project on the Cambridge site completed during 2022 was the Aerostructures relocation into the newly refurbished Hangar 21 in December. As part of the design brief, and alignment with Ambition 2030, technological solutions to improve energy performance, limit energy consumption and minimise their operational carbon emissions, were evaluated and built into the project process. As a result, LED lighting, 50kW of solar PV roof panels and air-source heat pumps were installed. The expected carbon footprint decrease is around 80%.

Sir Michael Marshall Award for Sustainability in Aviation

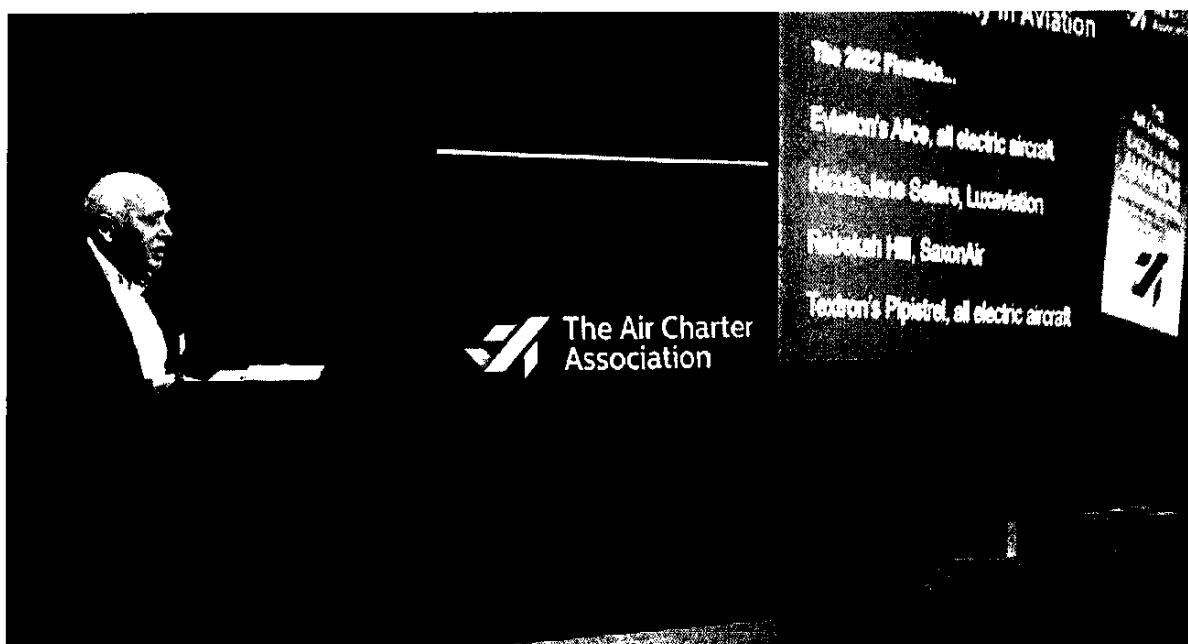
The Sir Michael Marshall Award for Sustainability, sponsored by Cambridge City Airport, recognises individuals who are raising awareness of sustainability and innovation in aviation. It was presented by Kevan Craske, Cambridge City Airport's Operations Director to Luxaviation's Nicola-Jane Sellers at the Air Charter Excellence Awards 2022, an event that recognises companies and individuals from the industry, awarding them for excellence in their field.

A new Community Orchard in Teversham

Marshall supported the planting of a new community orchard in Teversham, Cambridge, as part of an initiative celebrating the Queen's Platinum Jubilee, called 'The Queen's Green Canopy'. The Queen's Green Canopy ('QGC') was a unique tree planting initiative, which encouraged individuals, community groups, schools and businesses from across the United Kingdom to 'Plant a Tree for the Jubilee'.



Cambridge Airport Director Announcing Winner of Sir Michael Marshall Award for Sustainability in Aviation



continued

Streamlined energy and carbon reporting

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

Calculation methodology and Scopes

Energy consumption and greenhouse gas emissions data, as categorised by the GHG Protocol as Scope 1, 2 and 3 emissions, has been calculated in line with the 2019 UK Government environmental reporting guidance. Emission Factor Databases consistent with the 2022 UK Government Greenhouse Gas Conversion Factors have been used, utilising the current published kWh gross calorific value ('CV') and kgCO₂e emissions factors (and further converted into tonnes of CO₂e) relevant for the reporting year.

The calculations cover the following scopes:

- Scope 1 consumption and emissions relate to the direct consumption of natural gas used in 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.
- Scope 3 emissions relate to transport covered under 'grey fleet' (personal cars used for business purposes) and other relevant energy distribution.

Marshall procures 99% of its electricity supplies from Renewable Energy Guarantees of Origin, the Government approved REGO scheme. This allows for the proportion of electricity purchased via REGO to be discounted from its total greenhouse gas (CO₂e) reporting. The REGO reduction has been included below. If Marshall's electricity supply was not REGO backed, the Scope 2 greenhouse gas emissions would increase by 2,718 tonnes of CO₂e.

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 take place during 2023 with results reported to the Environment Agency by December 2023.

Results

The table overleaf shows the energy consumption and associated greenhouse gas emissions of the Group's operations during the 9-month reporting period from 1 April 2022 to 31 December 2022.

It excludes the emissions from Marshall Motor Holdings for the period of ownership from 1 April 2022 to 11 May 2022, due to the impracticalities of obtaining accurate information for such a short period of time. It also excludes the emissions from overseas operations which are outside the scope of the UK reporting requirements.

 Thermo King Fridge Unit on an M&S Trailer



"There has been a 25% decrease in emissions in the subsequent two-year period, as the Ambition 2030 actions begin to have an impact."

continued

	9 months to 31 December 2022	15 months to 31 March 2022 (Core Group)
Greenhouse gas emissions		
Consumption (kWh)		
Scope 1 – direct emissions (natural gas, transport, LPG, kerosene and gas)	17,021,108	40,902,170
Scope 2 – indirect emissions (electricity)	9,762,060	19,048,243
Scope 3 – other indirect emissions currently captured	13,511	16,062
Total (kWh)	26,796,679	59,966,475

	9 months to 31 December 2022	15 months to 31 March 2022 (Core Group)
Equivalent tonnes of carbon		
Emissions (tCO₂e)		
Scope 1 – direct emissions (natural gas, transport, LPG, kerosene and gas)	4,798	9,731
Scope 2 – indirect emissions (electricity)	27	39
Scope 3 – other indirect emissions currently captured	279	296
Total (tCO₂e)	5,104	10,066

Intensity metric		
Tonnes of CO ₂ per £m revenue	18.24	25.1

	9 months to 31 December 2022	15 months to 31 March 2022	Percentage change %
Emissions comparison*			
Equivalent tonnes of carbon (tCO ₂ e)	5,104	10,066	49% ↓
Intensity metric (Tonnes of CO ₂ per £m revenue)	18.24	25.10	27.33% ↓

* Excluding MMH.

To enable a like-for-like comparison, the table below shows the associated greenhouse gas emissions in equivalent tonnes of carbon from the Group's operations for the 12 months to 31 December 2021 and for the 12 months to 31 December 2022.

	12 months to 31 December 2021	12 months to 31 December 2022	Percentage change %
Equivalent tonnes of carbon*			
Scope 1 – direct emissions (natural gas, transport, LPG, kerosene and gas)	7,247	7,158	1.2% ↓
Scope 2 – indirect emissions (electricity)	32	36	12.5% ↑
Scope 3 – other indirect emissions currently captured	294	278	5.4% ↓
Total (tCO₂e)	7,573	7,472	1.3% ↓

Intensity metric			
Tonnes of CO ₂ per £m revenue	23.05	21.17	8.16% ↓

* Excluding MMH.

The equivalent tonnes of carbon for the 12 months to 31 December 2020 for the Group (excluding MMH) was 9,650 tCO₂e. There has been a 25% decrease in emissions in the subsequent two-year period, as the Ambition 2030 actions begin to have an impact.

Emissions data excludes the emissions from Marshall Motor Holdings for the period of ownership from 1 April 2022 to 11 May 2022, due to the impracticalities of obtaining accurate information for such a short period of time. It also excludes the emissions from overseas operations, which are outside the scope of the UK reporting requirements.

It should be noted that the Scope 3 emission data referenced above is limited to known indirect emission from grey fleet and energy distribution. Under Ambition 2030, we have begun to review the full Scope 3 emission activity associated with the Company's value chain.

BY ORDER OF THE BOARD



Group Company Secretary

22 November 2023





Governance

Board and Company Secretary	56
Corporate governance	60
Nomination Committee report	68
Remuneration Committee report	70
Sustainability Committee report	77
Audit and Risk Committee report	78
Statement of Directors' responsibilities in respect of the financial statements	81
Directors' report	82



Jonathan Flint

CBE FREng, FInstP
Non-Executive Chair

Skills and experience

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

Committee membership

Current external appointments

- Chair of QuantIC strategic advisory board.
- Chair of Refeyn.

Key former appointments

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



Kathy Jenkins

Chief Executive Officer

Skills and experience

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

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

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

Committee membership

- None.

Current external appointments

- None.

Key former appointments

- None.



Doug Baxter

FCMA
Chief Financial Officer¹

Skills and experience

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

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

Committee membership

- None.

Current external appointments

- None.

Key former appointments

- Chief executive officer 3SI Ltd.
- Chief executive officer of Survitec Group.
- Senior vice president Leonardo Ltd.
- Managing director at BAE Systems Avionics.
- Group finance director at GEC Marconi.

¹ On 1 October 2023 David Heaford was appointed Chief Financial Officer for the Group. As Doug Baxter was Chief Financial Officer during the period of the Report and Accounts he has been referred to as Chief Financial Officer throughout.

continued



Julie Baddeley

Senior Independent
Non-Executive Director

Skills and experience

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

Committee membership

Current external appointments

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

Key former appointments

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



James Buxton

DL FRICS
Non-Executive Director

Skills and experience

With over 45 years' experience, James is a well-recognised figure in the national property market, having advised landowners, developers and institutions on all aspects of property development and promotion. The depth and breadth of his knowledge and advice has been key in progressing the Group's major property developments in Cambridge. He was appointed a Deputy Lieutenant of Cambridgeshire in 2006.

Committee membership

Current external appointments

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

Key former appointments

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



John Crompton

Non-Executive Director

Skills and experience

John Crompton is a Trustee of the Marshall family settlements and is a shareholder-appointed non-executive director. He is an investment banker and spent the majority 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. 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 a Non-Executive Director of ICE Benchmark Administration.

Committee membership

Current external appointments

- Non-executive director ICE Benchmark Administration.
- Governor, Trinity Laban Conservatoire of Music & Dance.
- Senior adviser, XMS Capital Partners.

Key former appointments

- Global Head of Equity Capital Markets and Corporate Finance, HSBC.
- Head of Market Investments, UKF.
- Independent non-executive chairman, Wyelands Bank.

Key:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Committee Chair

continued



Roger Hardy

Independent
Non-Executive Director

Skills and experience

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

Committee membership

Current external appointments

- Chair, John Heathcoat & Company.

Key former appointments

- Chief executive, Aviation – Babcock.
- Chief executive, Defence and Security – Babcock.
- Managing director, Cavendish Nuclear.
- Managing director, Submarines – Babcock.



Justin Read

Independent
Non-Executive Director

Skills and experience

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

Committee membership

Current external appointments

- Senior independent non-executive director of Grainger plc.
- Non-executive director of Ibstock plc.
- Non-executive director of Affinity Water Ltd.
- Independent Investment Committee member of Logistis (AEW-managed €5bn real estate fund).

Key former appointments

- Group finance director, Segro plc.
- Group finance director, Speedy Hire plc.
- Managing director, Continental Europe Hanson plc.



Sarah Moynihan

FCA CRAeS
Group Company Secretary*

Skills and experience

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

Committee membership

Current external appointments

- Independent Trustee of the Royal Aeronautical Society.

Key former appointments

- None.

Key:

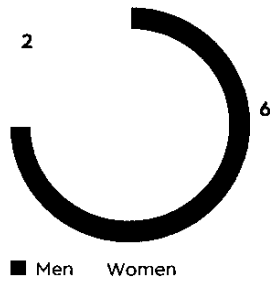
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Committee Chair

* Not a Board member.

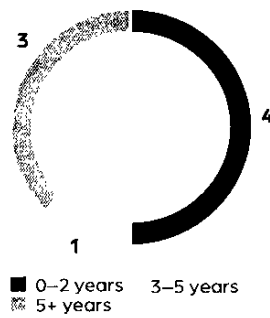
continued

Marshall Aerostructures Technician Inspecting Auxillary Fuel Tank

Board diversity



Board tenure



Organisational structure

Governance framework

Throughout the 9 months ended 31 December 2022, the Group and its subsidiaries continued to operate under high standards of corporate governance, which underpins the importance of the role of statutory directors, at both Company and subsidiary level. The Board has overall responsibility for the governance framework within which the Group operates.

The structure of the Board

Chair

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

Senior Independent Non-Executive Director

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

Non-Executive Directors

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

Designated Employee Engagement Non-Executive Director

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

Group Company Secretary

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

More detail on changes to the Board's composition during the 9-month period can be found in the Nomination Committee report on page 68.

Governance principles and applications

Although the Group is not subject to the UK Corporate Governance Code (the 'Code'), the Board has considered the Code and related guidelines when developing the appropriate governance structure for the Group and its values. The Group's governance framework

is driven through the full application of the Wates Principles and, where practical, its application of the Code to provide for a robust corporate governance framework. This is defined as the Marshall Group Corporate Governance Framework.

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

The role of the Board

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

The Schedule of Matters reserved for the Board

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

Division of responsibilities

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

Board focus and activities during the period

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

The Board's actions throughout the period reflected the strategic goals. The Board regularly discussed strategy, governance, risk management, business planning and the Group's financial performance, focusing on stakeholders and ensuring that the culture is aligned with its purpose, values and strategy. The Board made a number of principal decisions during the period, which are set out on page 40.

continued

Group Board

Attendance and contribution

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

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

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

The table below sets out details of Directors that have served during the 9-month period, and includes details of each member's attendance at the Board meetings held in the period. There are separate attendance statements for the Nomination, Remuneration, Sustainability and Audit and Risk Committees on pages 68 to 80, respectively.

Board member	Attendance
Julie Baddeley	7/7
Doug Baxter	7/7
James Buxton	7/7
Alex Dorrian ¹	5/5
Jonathan Flint	7/7
Roger Hardy ²	4/4
Kathy Jenkins	7/7
Justin Read	7/7

¹ Resigned 20 September 2022.

² Appointed 1 August 2022.

Sean Cummins did not attend any Board meetings in the period and resigned on 9 December 2022.

US Marine Corps Aircraft Undergoing Routine Maintenance in Cambridge



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

Principle 1 – Purpose and leadership

Purpose and leadership is the first of the Wates Principles:

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

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

Purpose – building extraordinary futures

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

Strategy

Despite a continued challenging business environment, the overarching strategic objective of the Group remains certain: to ensure sustainable growth in capital value, which preserves and enhances the value of shareholdings over the long term. The strategic enablers to this include growing profitable revenue, future-proofing the businesses, unlocking value within each business and ensuring the Group delivers an extraordinary future that stands up alongside its proud 114-year history.

continued

Ethics and policy

In line with the Group's culture and strategic objectives, the Group has several policies and procedures to support the Directors, employees and Group to continue to deliver its purpose. The Group Policy Control Framework defines the requirements for Group-wide policies and mechanisms for control, with the key policies set out below.

Ethics

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

Anti-Bribery and Corruption

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

Whistleblowing

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

Slavery and Human Trafficking

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

Diversity, Inclusion, Equality and Human Rights

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

continued

Group Tax Framework

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

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

Marshall Aerospace Technician Working on Aircraft Wing Repair 



continued

Principle 2 – Board composition

Board composition is the second of the Wates Principles:

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

Board membership

Information about Board members and their membership of Committees is on pages 56 to 58. The Board operates through clear protocols and governance processes, which allows for independent challenge and transparency in its decision making, and is supported through the Executive Management Team and its internal Executive Committees.

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

At the date of this report, the Board comprises the Chair (a non-independent Non-Executive Director), Chief Executive Officer, four independent and two non-independent Non-Executive Directors, an Executive Director and the Chief Financial Officer.

Independence

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

Board diversity

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

Board evaluation

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

Induction and training programme

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

The Board is kept up to date on legal, regulatory and governance matters through regular papers from the Group Company Secretary and by presentations from internal and external advisers. The Board has established procedures to allow individual Directors to seek independent professional advice at the Company's expense for the furtherance of their duties. All Directors have access to the Group Company Secretary, who is responsible for ensuring compliance with relevant procedures, rules and regulations.

Terms and conditions for Non-Executive Directors

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

continued

Principle 3 – Director responsibilities

Director responsibilities is the third of the Wates Principles:

“The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision making and independent challenge.”

Operation of the Board

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

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

The standing agenda items considered at every meeting include:

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

The Board devotes much of its time to strategy and business planning issues that have an impact on the Group. The Board also met in June 2022 for a two-day strategy and business planning meeting.

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

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

Directors’ duties

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

continued

Principle 4 – Opportunity and risk

Opportunity and risk is the fourth of the Wates Principles:

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

Opportunity

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

- Board review of all major projects' bids and tenders, with reference to the opportunities and risks they bring.
- Regular programme reviews.
- Establishment of Futureworx to focus on creating technology and enterprise solutions for emerging global trends.
- The sustainability strategy is an area of great opportunity as the aerospace and property development industries consider their actions to target net zero carbon.
- The transformational development, Cambridge East.
- Further investment opportunities and the benefits from recent cost rationalisations.

Review of principal risks

The principal strategic risks are set on pages 34 to 39, with the most significant risks being reviewed directly by the Board. This was at an individual risk level throughout the period, together with a detailed review of the whole Group risk register.

- While the level of disruption caused by Covid-19 has significantly reduced, the geopolitical risk continues to be monitored at Group level, as supply chain disruption continues, exacerbated by the war in Ukraine. This includes the strengthening of external relations and more in-depth engagement with UK and international governments.
- The impact on the business of the accelerated retirement date for the UK C-130 fleet set by the UK Government was considerable and was a regular Board risk topic, both before the contract price adjustment was agreed in May 2022 and after, as the business transitions towards a different operating model.

- The Board undertook a deep dive into succession planning and organisational capability as part of its a two-day strategy and business planning meeting.
- Cambridge East 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. The process of identifying a potential master development partner has begun in order to demonstrate deliverability to the Local Planning Authority and to secure a satisfactory planning permission.

Internal control

The Board has established an appropriate control environment. The internal control system is designed to facilitate the identification, assessment and management of risk, and the protection of shareholders' investments and Group's assets. The system is designed to manage, rather than eliminate, the risk of assets being unprotected, inaccuracies in financial reporting, and the failure to achieve business objectives. Internal controls only provide reasonable and not absolute assurance against material misstatement or loss. The Board delegates responsibility for reviewing and monitoring the Group's internal controls to the Audit and Risk Committee, and the key features of the Group's internal control systems are set out in the Audit and Risk Committee report on pages 78 to 80.

Principle 5 – Remuneration

Remuneration is the fifth principle of Wates:

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

Remuneration Policy

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

The Policy is focused on the attraction, motivation and retention of high-calibre executives, who have a track record of achievement in high performing businesses, and demonstrate behaviours in accordance with Group values, and can deliver the Group's strategic objectives consistently to its purpose and interests of shareholders. The Executive Remuneration Policy is set out on page 75 and is consistent with the requirements set out in principle five of Wates.

continued

Reporting on remuneration

Reporting on remuneration is a responsibility of the Remuneration Committee and is required to provide an annual, comprehensive form of assurance to the Company's members that remuneration levels for the various Board members have been reviewed and agreed. The Remuneration Committee report is set out on pages 70 to 74.

Principle 6 – Stakeholders

Stakeholder engagement is the sixth principle of Wates:

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

The Group defines its stakeholders as employees, customers, suppliers, shareholders and local communities. As detailed in the Group Corporate Governance Framework, the Board is, ultimately, responsible for delivering the Group's purpose and, in doing so, the Directors consider the various stakeholder interests as necessary. To ensure the Group can continue to deliver its purpose, the Group supports and retains its highly skilled workforce as it views these members as essential for its success. The Board Engagement with Stakeholders report can be found on pages 41 to 43.

Responsibility for engagement

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

Section 172 protocol

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

Marshall Land Systems Power Solutions 



During the 9-month period, the Committee's principal focus has been to ensure that the new composition of the Board was appropriate for the future success of the business. It also reviewed the plans for an orderly succession to the Board and management team, and continues to oversee the development of a diverse pipeline of succession for the Group.

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

Governance, roles and responsibilities

Throughout the 9-month period, the members of the Committee continued to be the Chair and all Non-Executive Directors.

Committee attendance record

Alex Dorrian ¹	1/1
Julie Baddeley	2/2
James Buxton	2/2
Jonathan Flint	2/2
Roger Hardy ²	1/1
Justin Read	2/2

¹ Resigned September 2022.

² Appointed 1 August 2022.

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

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

Key matters considered in the 9-month period

The key matters considered during the 9-month period are detailed below.

The Committee met twice in the 9-month period to evaluate how the composition and skills of the Board were responding to the challenges of the business, and how well the changes had embedded. This followed the appointment of Kathy Jenkins as CEO and Justin Read as Chair of the Audit and Risk Committee in the previous 15-month period, and the appointment of Jonathan Flint as Chair in this 9-month period. In addition, Roger Hardy was appointed as a Non-Executive Director on 1 August 2022, bringing significant aerospace and defence experience and strategic thinking.

Throughout the period there had been considerable engagement with the majority shareholders (the Trustees of the Marshall family settlements) over Board representation. The Committee was, therefore, pleased to recommend the appointment of John Crompton (one of the Trustees) as a shareholder-appointed Non-Executive Director, who has extensive corporate finance experience across a wide range of industries.

Since the balance sheet date, the Chair and the SID 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.

In addition, since the balance sheet date, the Committee carried out an exercise to determine any gaps in experience or balance on the Board. 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. Amongst numerous other property development projects, as a director of Quintain, 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. Following a unanimous approval, Nick was appointed to the Board with effect from 1 October 2023.

Nomination Committee Chair

22 November 2023

continued

Marshall Fleet Solutions Service Vehicle 



Introduction

The Committee oversees how remuneration policy (comprising base pay, incentives, pension arrangements and other benefits) is applied to the Chair, Chief Executive Officer, Chief Financial Officer, Executive Directors, Group Company Secretary and other members of the Executive Management Team it is designated to consider. The Committee ensures remuneration arrangements remain competitive and appropriate, taking into account business performance, external market conditions and the broader approach to reward across the Company.

The Committee is responsible for ensuring that there is a formal and transparent process for developing and applying remuneration policy to attract, retain and motivate senior leaders that can deliver the Group's strategic ambitions in a manner consistent with its purpose, values and the interests of all its stakeholders, as well as against a background of uncertainty resulting from the global economic situation.

Governance, roles and responsibilities

Throughout the 9-month period, all members of the Committee were independent Non-Executive Director.

Committee attendance record

Julie Baddeley (Committee Chair)	2/2
Jonathan Flint ¹	2/2
Justin Read	2/2
Roger Hardy ²	1/1

¹ Appointed as Board Chair effective 1 July 2022.

² Member of Remuneration Committee from 1 August 2022.

The Board Chair, Chief Executive Officer and the Group Company Secretary attended each meeting at the invitation of the Committee Chair. The Committee also met separately without any executive management present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company, and may take independent professional advice on any matters covered by its Terms of Reference at the Company's expense. During the period, the Committee took advice from remuneration specialists at Deloitte and benchmark remuneration data from Korn Ferry. The Committee Chair reports the outcome of meetings to the Board at the meeting following a Committee meeting. Deloitte act as independent remuneration consultants to the Committee and provide the Committee with executive remuneration advice as needed. External benchmark data is provided to the Committee by Korn Ferry and Willis Towers Watson. The Committee is also supported by the Chief People Officer and Head of Reward.

Attendees are not present for any discussions relating to their own remuneration.

Key responsibilities of the Committee

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

- Determining and agreeing with the Board the framework for the remuneration of the Chair, Chief Executive Officer, Chief Financial Officer, Executive Directors, Group Company Secretary and other members of executive management it is designated to consider.
- Based on benchmarks and performance, determining the total individual remuneration package of each Executive Director and specified senior executives including bonuses, incentive payments and any other elements of remuneration.
- Reviewing the ongoing appropriateness, relevance and efficiency of remuneration policy and practice.
- Reviewing the design of performance-related pay schemes and Long-Term Incentive Plans.
- 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 conduct 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.

Key activities in the 9-month period from April 2022 to December 2022

The key matters considered during the 9-month period encompass the responsibilities set out in the Terms of Reference and are set out below:

Remuneration for the period under review

- Decisions on Directors' remuneration in the period were taken within the framework of the Terms of Reference.
- The Committee believes that the outcomes of the annual bonus for 2022, 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 2022 annual bonus.

Base salaries

- In the first quarter of the period, the Committee agreed to apply base salary increases of 3% to annual salaries effective 1 April 2022, in line with the pay review settlement agreed for the wider workforce.

continued

2022 bonus scheme

(January 2022 to December 2022)

Following a recommendation from the Chief Executive Officer, the Committee agreed to harmonise the bonus arrangements for the Directors and Senior Executives for 2022, in most cases reducing the quantum available, and to simplify the targets.

Bonus scheme: Chief Executive Officer

The on-target and maximum bonus available for the Chief Executive Officer for the 12-month period of 2022 is 50% and 100% of salary, respectively, and is allocated as follows:

Element of bonus	On-target percentage of salary	Maximum (stretch) percentage of salary
Group operating profit (before exceptional items)	25%	37.5%
Group net operating cashflow (less capex) excluding exceptional items	25%	37.5%
Personal objectives (agreed with in advance with the Committee)	—	25%
Total bonus as a percentage of salary	50%	100%

Bonus scheme: Other Executives

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 2022 is 20% 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 operating profit (before exceptional items)	10%	20%
Group or relevant business unit net operating cashflow (less capex) excluding exceptional items	10%	20%
Personal objectives (agreed with in advance with the Committee)	—	10%
Total bonus as a percentage of salary	20%	50%

There was no element of the 2022 bonus scheme based on Marshall Motor Holdings, be it financial or personal elements for either the Chief Executive Officer or the Chief Financial Officer, Executive Directors, Group Company Secretary or other members of the executive management team.

The financial targets for the 2022 bonus scheme and actuals achieved are as follows:

2022 Group Operating Profit Target before exceptional items (£)	2022 Group Stretch Operating Profit Target before exceptional items (£)	Actual Group Operating Profit achieved before exceptional items (£)	Group Net Operating Cashflow less capex (excluding exceptional items) (£)	Group Stretch Net Operating Cashflow less capex (excluding exceptional items) (£)	Actual Group Net Operating Cashflow achieved less capex (excluding exceptional items) (£)
23,800,000	28,560,000	28,309,000	(7,700,000)	2,300,000	11,251,000

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 February 2023, the Committee approved payments based on the rigorous assessment of the personal objective element.

continued

2023 bonus scheme

The bonus scheme for 2023 has been 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.


The on-target and maximum bonus available for the 12-month period of 2023 is as follows:

Role	Element of bonus	On-target percentage of bonus	Maximum (Stretch) percentage of bonus
Chief Executive Officer	Group operating profit (before exceptional items)	16.88%	49.36%
	Group net operating cashflow (less capex) excluding exceptional items	16.88%	16.88%
	Group order intake	16.88%	16.88%
	Personal objectives	–	16.88%
	Total bonus percentage	50.64%	100%
All other Executive roles	Group or business unit operating profit (before exceptional items)	6.75%	29.75%
	Group or business unit net operating cashflow (less capex) excluding exceptional items	6.75%	6.75%
	Group order intake	6.75%	6.75%
	Personal objectives	–	6.75%
	Total bonus percentage	20.25%	50%

As the table details, the bonus percentage for the Group net operating cashflow, Group order intake and personal objectives, remains the same at the on-target and stretch level, but the Group operating profit level has a steep line between on-target and stretch.

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; therefore, there is no LTIP to trigger in the 12-month period of 2022.
- As a result of carefully reviewing the previous LTIP awards, the 2022–2024 LTIP is constructed as follows:
 - 30% based on underlying Group profit before tax (before exceptional items).
 - 20% based on cumulative Return on Capital Employed ('ROCE') – excluding exceptional items.
 - 30% based on cumulative net operating cashflow less capex for the Group (excluding exceptional items).
 - 20% based on sustainability targets.
 - No element of the 2021–2023 or 2022–2024 LTIP is based on Marshall Motor Holdings targets.
- 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 2022 to 2024 and any potential payment vests following a two-year holding period commencing at the end of the performance period.

 Marleigh – a Vibrant and Thriving New Community



continued

2023 pay review

Pay increases were applied to the Executives effective 1 April 2023, with an average increase of 4%, which was below the pay settlement applied to the wider workforce.

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 period, 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 2022:

Role	2022 annual salary details	2022 annual car allowance	2022 annual pension allowance	2022 annual benefits	Bonus outcome 2022	LTIP outcome 2022
Chair	Non-Executive fee of £48,000 per annum effective 1 January 2022. Additional Principal Adviser to Enterprise fee of £60,000 per annum effective 1 September 2021 Chair fee of £300,000 per annum effective from 30 June 2022 with the Non-Executive fee of £48,000 and Principal Adviser Enterprise fee of £60,000 ceasing from this date	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	£400,000 per annum from 1 January 2022 £412,000 per annum from 1 April 2022	Car allowance of £13,400 per annum	Company pension contribution of £65,440 during 2022	Company paid Private Medical Insurance of £2,003 for the 2022/23 tax year	£353,870 bonus payment (85.89% of salary). On target bonus = 50% Stretch bonus = 100%	No LTIP scheme was issued for the 2020–2022 period
Chief Financial Officer	£395,000 per annum from 31 January 2022*	Not applicable	Not applicable	Not applicable	£167,546 (46.27% of salary). On target bonus = 20% Stretch bonus = 50%	Not applicable as not a participant of LTIP

* The Chief Financial Officer is on a fixed-term contract and, therefore, is not a participant of any Long-Term Incentive Plan and does not receive a car allowance, private medical insurance or pension contribution in addition to salary. He does participate in the bonus schemes.

continued

Summary of fixed and variable remuneration:

Role	Proportion of fixed remuneration in 2022	Proportion of variable remuneration in 2022
Chair	100%	–
Chief Executive Officer	58%	42%
Chief Financial Officer	68%	32%

CEO pay ratio

The table below shows how the CEO's single total figure of remuneration for the full year of 2022 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 period-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
2022	Option A	26:1	20:1	15:1

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.

Our CEO's single figure is made up of a higher proportion of incentive-based pay than that of our employees, in line with the expectations of our shareholders and the Company's remuneration approach. This introduces a higher degree of variability each year, which affects the ratio. It should be noted that all employees in the Company who meet the service requirement are eligible to receive a bonus based on the same broad Company performance conditions. The CEO remuneration details for 2022 do not include any LTIP earnings as no LTIP was granted in 2020. The 2021–2023 LTIP incorporated the 2020–2022 LTIP.

Non-Executive Director remuneration

The table below shows a single annual remuneration figure for all qualifying services for 2022 for each Non-Executive Director.

Name	Annual fees in 2022	Annual benefits in 2022
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 £60,000 for Property Adviser fee Total annual fee £108,000	n/a
Roger Hardy*	£20,000 Non-Executive Director fee Total annualised fee £48,000	n/a
Justin Read	£48,000 Non-Executive Director fee £8,000 Chair of Audit and Risk Committee fee Total fee £56,000	n/a

* Roger Hardy was appointed a Non-Executive Director on 1 August 2022.

Non-Executive Directors' fees were not increased in 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 Committee Chair

22 November 2023

continued


Remuneration Policy for Executive Directors

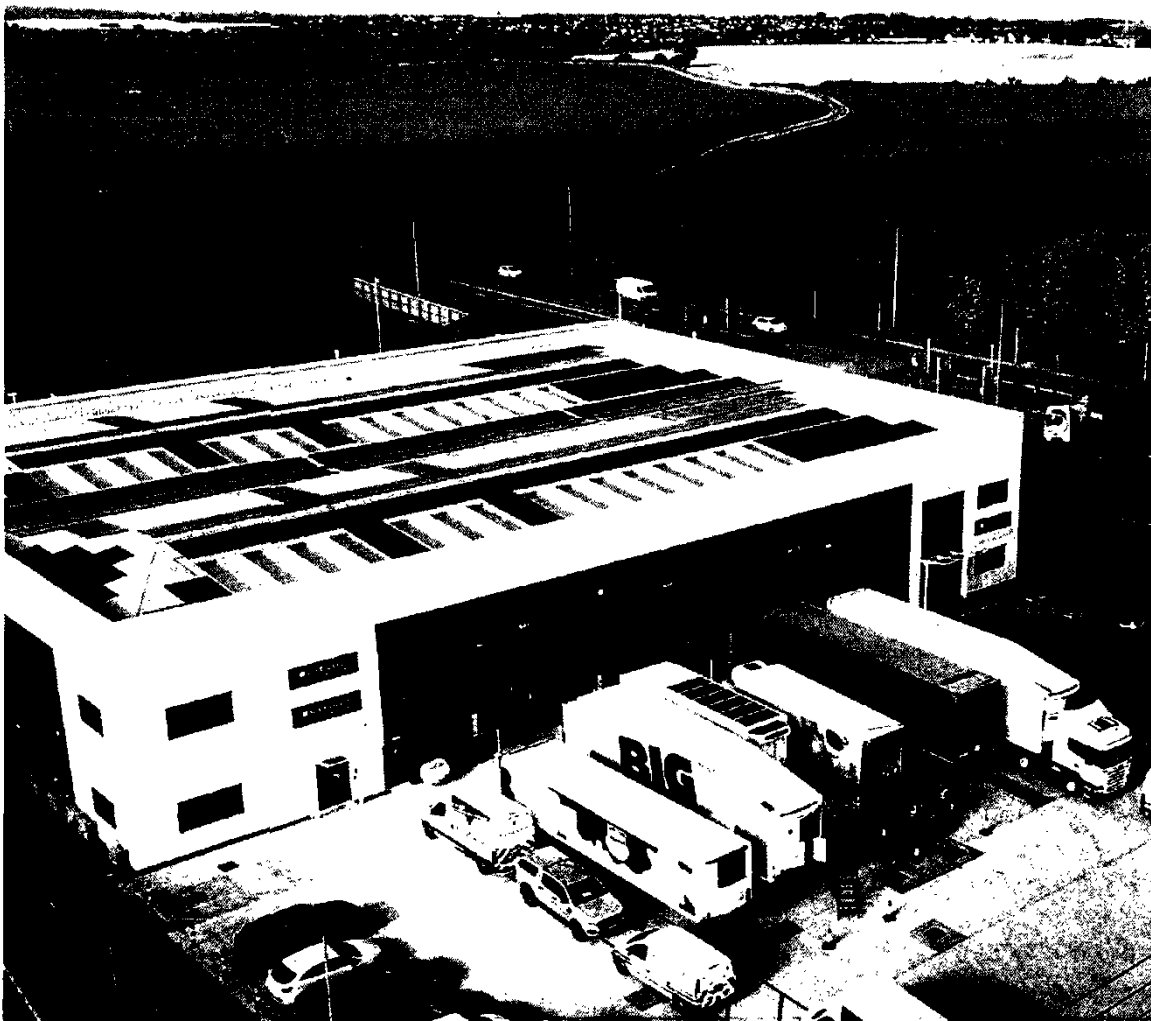
	Objectives and link to organisational strategy	Operational and performance conditions	Opportunity
Base salary	Aims to provide a fair and competitive base for the total pay level to attract and retain qualified leaders. Annual review based on the market movement for peer companies and wider workforce. 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 Report and Accounts have been signed.	75% of salary, for stretch financial targets, with on-target achievement realising 50%. Financial targets are based equally on Group operating profit before exceptional items and Group net operating cashflow (less capex) excluding exceptional items. Up to 25% of salary based on achievement of specified personal objectives bringing the total opportunity to 100%.
Long-Term Incentive Plan ('LTIP')	To focus on longer-term performance and growth and align Executive Director interests with those of shareholders. Performance goals are based on Company strategy, driving long-term value creation. 80% of the LTIP target 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 operating 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.
Other benefits	To provide competitive levels of employment benefits.	Benefits include: <ul style="list-style-type: none"> ■ 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.

continued

Remuneration Policy for Non-Executive Directors

Objectives and link to organisational strategy	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.

 Aerial View of Marshall Fleet Solutions Tamworth Super-Site



The Sustainability Committee oversees the execution of the Group's Ambition 2030 sustainability strategy and reviews the overall performance of the Group against its sustainability goals and targets.

The Committee considers the emergence of new sustainability risks and opportunities and ensures the Group puts plans in place to mitigate or capitalise on these.

This report sets out the governance, roles and responsibilities of the Committee, together with the key matters considered by the Committee during the 2022 reporting period.

Governance, roles and responsibilities

At the end of 2022, the Committee comprises four Non-Executive Directors, one of whom Chairs the Committee.

Committee attendance record

Julie Baddeley (Chair)	2/2
Jonathan Flint	2/2
James Buxton	2/2
Roger Hardy	1/1

During 2023, both Justin Read and John Crompton have joined the Committee, highlighting how seriously the Board takes its responsibilities.

The Committee met twice during the 9-month period. The Chief Executive Officer, Group Company Secretary, Head of Sustainability and other relevant people from the business also attended meetings upon invitation, so that the Committee could discharge its duties. The Committee is also supported by an external sustainability expert.

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

- Reviewing the sustainability risks and opportunities for the business.
- Setting strategies and agreeing a management approach.
- Reviewing the performance and progress against plans and goals.
- Driving leadership and best practices regarding sustainability.

Key matters considered in the 9-month period

Particular focus of the Committee was on options to decarbonise existing operations, specifically through energy efficiency measures, onsite renewable energy sources and renewable energy alternatives available from energy providers such as biogas.

The Committee oversaw the implementation of a process for embedding sustainability issues when making capital expenditure decisions and continued to discuss the use of carbon pricing as a tool for future capital and operational expenditure activity to enable carbon emission reductions and drive investments towards cleaner, more sustainable alternatives.

The Committee received updates on ISO14001 implementation – which covers environmental management and the processes required to manage risks and realise opportunities for improvements in environmental performance – to keep track of the commitment for all the major operating companies to be certified to the environmental

standard by the end of 2023. This commitment enables the principles of the Healthy Environment pillar to be implemented for the benefit of our employees, local communities and customers.

Energy and carbon data were regularly reviewed to ensure visibility of energy consumption and carbon reduction performance against Ambition 2030 targets and to identify further energy efficiency opportunities.

Climate policy changes and trends, especially climate-related financial disclosures, were closely monitored for their future impact upon the Company. Consultation on the UK Treasury's Transition Plan Taskforce ('TPT') gold standard for private sector climate transition plans began during the year and developments will be further monitored to ensure alignment with recommended best practices.

The Committee also receives 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 core 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. In addition, eight new Electric Vehicle fast-chargers were installed at the Cambridge site and mechanisms to evaluate supply chain sustainability are being rolled out.

Two areas of particular challenge for our Ambition 2030 goal were identified and will be considered further in 2023:

- Business air travel has increased significantly following the reduction at the height of the pandemic, albeit management attention continues to ensure all flights are essential. Offsetting was highlighted as an area requiring further evaluation to better understand the options available and their credibility, in an, as yet, unregulated offset market.
- Some of Marshall's least energy-efficient buildings may not be in use by 2030. With this in mind, the Committee will look closely at which investments are most effective in achieving Ambition 2030, and delivering a long-term sustainable future.

The Marshall-Hill LLP joint-venture Board regularly reviews sustainability performance of the development, which includes the Marleigh Active Homes project. The project aims to reduce whole life-cycle carbon emissions so that the approach can be scaled up and delivered across future phases of development. The lessons learnt from their sustainable design, construction and use will be fed into the Cambridge East development, to support adherence to more stringent future planning obligations on sustainability.

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

Sustainability Committee Chair

22 November 2023

During the 9-month period, the Committee's principal focus has been to ensure the integrity of the Group's financial reporting and audit processes and to maintain sound internal control and risk management processes, by providing independent challenge and oversight. The Committee has also overseen the statutory audit of the Group, the change in external auditors from BDO LLP to PricewaterhouseCoopers LLP and the subsequent letter to shareholders explaining the transition.

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

Governance, roles and responsibilities

Throughout the 9-month period, all members of the Committee continued to be Non-Executive Directors.

Committee attendance record

Justin Read (Chair)	4/4
Jonathan Flint	4/4
Roger Hardy ¹	2/2
Alex Dorrian ²	2/2

¹ Member from 1 August 2022.

² Member until 30 September 2022.

The Committee met four times during the 9-month period. The Chief Executive Officer, Chief Financial Officer, Group Company Secretary, external audit partner, members of the Grant Thornton internal audit team, and other relevant people from the business also attended meetings upon invitation to assist the Committee in discharging its duties. The Committee Chair also met separately with the external audit partner, the internal auditor, the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller without others being present.

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

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

- Reviewing the effectiveness of the Group's internal controls.
- Reviewing the effectiveness of the Group's risk management systems.
- Overseeing the rolling cycle of deep dives into the identified principal risks.
- Reviewing whistleblowing arrangements.
- Reviewing the effectiveness of the internal audit function.
- Overseeing the Treasury Committee.
- Recommending the appointment of the external auditor.
- Reviewing the external and internal audit plan.
- Monitoring the integrity of the financial statements, including both the period end and interim reports.

- Challenging the accounting policies and methodology, and the clarity of disclosure in the period end and interim reports.
- Reviewing going concern.
- Recommending the period-end and interim reports to the Board for approval.

Key matters considered in the 9-month period

During the 9-month period, the key matters considered encompass the responsibilities as set out in the Terms of Reference, and in more detail below.

Internal control

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

During the period, the Committee carried out a review of the overall effectiveness of the internal financial control framework. This noted the strengthening of the finance teams, targeted use of internal audit, the improvement in systems controls from the new ERP system, IFS, and the documentation of the financial control matrix. In light of Internal Audit findings, the Committee also approved an ongoing improvement plan to ensure continuous monitoring, feedback and corrective action as required.

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

Financial controls

- Board-approved budgets for a three-year period for the Group and operating companies.
- Board-approved five-year strategic business plan for the Group and operating companies.
- Monthly strategic and financial reports from the Chief Executive Officer and the Chief Financial Officer, with written commentary, including key developments for each business stream.
- Financial performance is monitored through monthly reporting cycles together with formal quarterly forecasts prepared by each business and then consolidated to provide an update of the Group's expected current year performance. This is presented to MET and to the Board.
- Corporate governance framework for the Group and at operating Company level, which clearly defines responsibilities and delegated authority levels.
- Independent internal audit function.
- Board approval of acquisitions and disposals, significant tenders and long-term contracts.

Operational controls

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

continued

Compliance controls

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

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

Risk management framework

The Group's risk management process is set out on pages 31 to 33. The Board has delegated responsibility for reviewing the effectiveness of the Group's risk management systems to the Committee. Any matters of particular concern are escalated for presentation to the Board.

Principal risks rolling deep dive programme

The Group's principal risks are set out on pages 34 to 39. The Committee receives and debates risk reports that outline the areas of focus of the Executive Risk Management Committee. The reports highlight key changes in risks since the previous meeting, and which risks should undergo a deep dive. The programme of rolling deep dives to ensure each principal risk undergoes sufficient scrutiny has continued. Each deep dive is presented by the relevant risk owner and includes a review of actions taken and planned, together with mitigations.

The risks reviewed by the Committee and the Board during the period are set out on page 31.

Internal audit

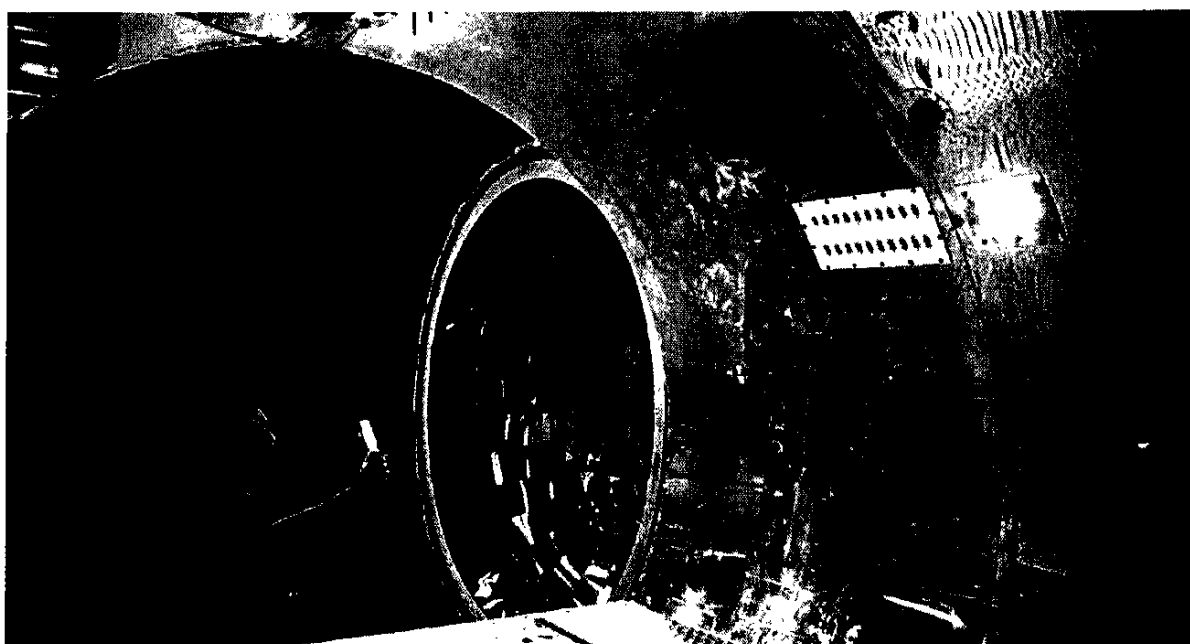
The Board maintains its ongoing commitment to operating an internal audit function to provide the Board with relevant, timely and independent assurance on the Group's activities. Recognising the benefits of access to a broad range of skills and experience, as well as a fully flexible resource, the Committee continues to outsource the function to Grant Thornton UK LLP.

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

During the period, the Committee approved the annual plan of internal audits to be undertaken and received progress reports at each meeting. Planned activities for 2023 include a review of key internal financial controls, projects and activities in Canada. The progress reports summarised audit findings, management responses and ongoing internal audit activity within the Group. These reports were scrutinised and contributed to the Committee's view on the effectiveness of the Company's internal control and risk management framework. The internal auditors also attended the Steering Committee meetings for the implementation of the ERP system and provided an independent report to the Committee at each meeting.

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

Technician inspects Autoclave at Marshall Slingsby Advanced Composites



continued

Treasury Committee

The Board has adopted a treasury management policy, which sets out the policies and strategies that the Group follows to manage its cash resources, minimise financial and operational risks, and establish and manage relationships with financial institutions. The Treasury Committee, which comprises the Chief Financial Officer, Group Company Secretary and Group Treasurer, met twice in the 9-month period and reported to the Committee on banking relationships, hedging contracts, foreign currency management and covenant compliance.

External auditor and audit plan

By the conclusion of the audit of the 15-month period to 31 March 2022, the Committee and the Board had agreed to change the external auditor from BDO LLP to PwC LLP. BDO LLP resigned as auditor from all the subsidiary undertakings on 19 October 2022 and from the Group on 14 December 2022. PwC LLP were appointed as external auditor to all subsidiary undertakings and the Group at the same time.

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

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

The Committee reviewed the report and accounts for the 9 months to 31 December 2022, to ensure that they were fair, balanced and understandable, and provided the information necessary for shareholders and other stakeholders to assess the Company's performance, strategy and business model. To enhance its review, the Committee also considered reports from the Chief Financial Officer and the external auditor.

In the preparation of the report and accounts, several areas required the exercise of management judgement or a degree of estimation. The key judgement areas considered by the Committee in relation to the 9-month period, and how these were addressed, were:

HIOS contract price amendment

The Committee took external advice on the accounting and disclosure of the commercially sensitive contract price amendment on the HIOS contract. This resulted in the adjustment being taken over the length of the remaining contract and not being treated as exceptional. PwC LLP confirmed agreement with this treatment, including not disclosing the amount separately in line with the contractual terms with the UK Government.

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 attend 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. PwC LLP also reported its audit findings on the key judgements used in material contracts.

Recoverability of property development 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 were satisfied with the nature and amounts capitalised and the recoverability of these balances.

Useful economic life of assets

Significant development is anticipated in relation to Cambridge Airport and the Committee reviewed the assumptions around the carrying value of assets held on this site. 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 was judged to be still valid. The Committee noted that this would need to be kept under review for future periods.

Exceptional items

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

Recommendation of the Report and Accounts for Board approval

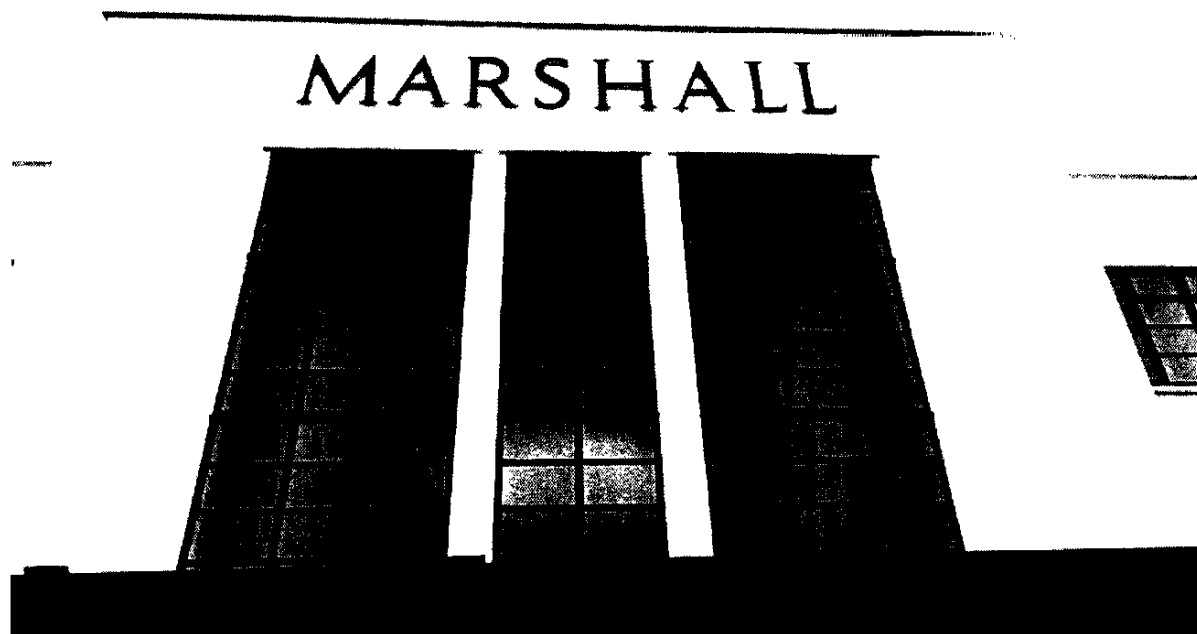
Following the relevant meeting, the Committee, unanimously, recommended the Report and Accounts to the Board for approval.

Focus for 2023

During 2023, 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 2023 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.

Audit and Risk Committee Chair

22 November 2023



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.

Group Company Secretary

22 November 2023

Marshall of Cambridge (Holdings) Limited
Registered Number: 2051460

The Directors present their report, together with the audited consolidated financial statements, for the 9-month period ended 31 December 2022. The prior year period was for the 15 months ending 31 March 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 £61,706,000 (March 2022: £46,789,000).

On the 7 October 2022, the Board paid a Special Ordinary dividend of 76.0p to both Ordinary and NVPO shareholders following the sale of the Group's shareholding in Marshall Motor Holdings. 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 the 16 December 2022. A further interim dividend of 3.0p per share for both Ordinary and NVPO shareholders was paid on 7 July 2023. The Directors have not recommended a final dividend for the period ended 31 December 2022.

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

Future developments and risk management

The Group Strategic Report gives further details on future developments and the Group's risk management framework, as set out on pages 08 to 53.

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 31 to 39.

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 (see note 4 to the financial statements). The total amount of research and development for the period was £3.7m (March 2022: £2.5m).

Fixed assets

The Group invested £20.2m (March 2022: £58.4m) in new fixed assets, but made no investments in the acquisition of new businesses (March 2022: £54.4m). The Group's existing freehold investment properties were revalued by the Directors as at 31 December 2022, resulting in a valuation at the period-end date of £9.1m (March 2022: £5.5m). A revaluation surplus of £3m (March 2022: £0.6m) 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 £38,000 (March 2022: £152,000) during the period.

Political contributions

There were no political donations in either period.

Health and safety

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

Employees 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 40 to 43.

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

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

Directors

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

Jonathan Flint	(appointed Non-Executive Chair 30 June 2022)
Alex Dorrian	(resigned 20 September 2022)
Julie Baddeley	
James Buxton	
Kathy Jenkins	
Justin Read	
Sean Cummins	(resigned 9 December 2022)
Doug Baxter	(appointed 17 February 2022)
Roger Hardy	(appointed 1 August 2022)
John Crompton	(appointed 1 March 2023)
David Heaford	(appointed 1 October 2023)
Nick Shattock	(appointed 1 October 2023)

continued

In accordance with the Articles of Association of the Company, John Crompton retired on his first appointment and, being eligible, offered himself for re-appointment as Director at the Annual General Meeting, held on 18 September 2023. Julie Baddeley retired by rotation, and, being eligible, offered herself for appointment. Both were reappointed.

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 April 2022 and 31 December 2022 were:

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

Directors' indemnities

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

S172 Companies Act 2006 and stakeholder engagement and employee engagement

The Board's application of s172 of the Companies Act 2006 and the principal decisions made during the period are set out on page 40. Further details on how the Group engages with customers, suppliers, shareholders and communities can be found in the stakeholder engagement section of the Strategic Report on pages 41 to 43.

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 44 to 53. The Streamlined Energy and Carbon Report itself is presented on pages 52 to 53.

Corporate governance

The Group's corporate governance framework and its application of s172 of the Companies Act 2006 is set out on pages 60 to 67.

Board engagement

The Board's engagement with stakeholders and the principal decisions made during the period are set out on pages 40 to 43.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are described within the Group Strategic Report on pages 8 to 53. Included within this, the financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 29 and 30, while the principal risks and uncertainties facing the Group are set out in the Group Strategic Report and, specifically, on pages 34 to 39.

At 31 December 2022, the Group reported net current assets of £192m (March 2022: net current liabilities £4.4m). This, substantially, improved during the period due to the receipt of proceeds from the disposal of MMH. As a result, the Group's net debt position was extinguished and, at the year end, the net cash position was £129.3m.

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

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

Foreign branches

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

Disclosure of information to the auditor

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

Post balance sheet events

The audited financial statements take into consideration events occurring between the period end date and the date of approval by the Board of Directors on 22 November 2023. Note 31 to the financial statements provides details of non-adjusting post balance sheet events.

BY ORDER OF THE BOARD



Group Company Secretary

22 November 2023



Financial statements

Independent auditors' report	86
Consolidated income statement	89
Consolidated statement of comprehensive income	90
Consolidated balance sheet	91
Consolidated statement of changes in equity	92
Consolidated statement of cash flows	93
Notes to the consolidated financial statements	94
Company balance sheet	131
Company statement of changes in equity	132
Notes to the Company financial statements	133
Recent financial history	142
Shareholder information	143
Advisers and registered office	144

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 2022 and of the group's and parent company's profit and the group's cash flows for the 9 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, which comprise: the consolidated and company balance sheets as at 31 December 2022; 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.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

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 2022 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.

continued

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.

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 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;
- Evaluating the reasonableness of key accounting estimates and judgements made by management to identify any deliberate misstatements in the financial statements; and
- Testing the appropriateness of key accounting estimates made by management.

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.



for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

22 November 2023



9 months ended 31 December 2022

		9 months 31 December 2022 £000	9 months 31 December 2022 £000	9 months 31 December 2022 £000	15 months 31 March 2022 £000	15 months 31 March 2022 £000	15 months 31 March 2022 £000
	Notes	Continuing operations	Discontinued operations¹	Total	Continuing operations	Discontinued operations ¹	Total
Revenue	2	292,526	389,379	681,905	415,222	3,760,882	4,176,104
Cost of sales		(198,779)	(348,808)	(547,587)	(326,422)	(3,303,604)	(3,630,026)
Gross profit		93,747	40,571	134,318	88,800	457,278	546,078
Administrative expenses		(75,272)	(40,271)	(115,543)	(110,585)	(367,626)	(478,211)
Profit/(loss) on disposal of land and buildings		—	—	—	23,317	(409)	22,908
Other operating income	4	2,859	—	2,859	4,417	—	4,417
Operating profit	6	21,334	300	21,634	5,949	89,243	95,192
Profit on disposal of operations		—	62,239	62,239	—	—	—
Share of profit in the period in joint ventures		3,662	—	3,662	3,993	—	3,993
Net finance income/(expense)	7	3,034	(955)	2,079	969	(8,214)	(7,245)
Profit before taxation		28,030	61,584	89,614	10,911	81,029	91,940
Analysed as:							
Profit before exceptionals		29,872	347	30,219	3,859	96,827	100,686
Separately disclosed exceptional items	3	(1,842)	61,237	59,395	7,052	(15,798)	(8,746)
Tax on profit	8	(5,054)	(22)	(5,076)	(2,097)	(22,072)	(24,169)
Profit for the financial period		22,976	61,562	84,538	8,814	58,957	67,771
Attributable to:							
Owners of the Parent		22,976	38,730	61,706	8,814	37,975	46,789
Non-controlling interest		—	22,832	22,832	—	20,982	20,982
		22,976	61,562	84,538	8,814	58,957	67,771
Basic and diluted earnings per share	9	37.6p	65.6p	103.2p	13.6p	64.3p	77.9p
Basic and diluted earnings before separately disclosed exceptional items per share	9	40.2p	0.2p	40.4p	4.0p	78.9p	82.9p

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

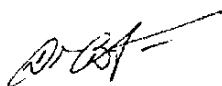
9 months ended 31 December 2022

		9 months 31 December 2022 £000	15 months 31 March 2022 £000
	Notes		
Profit after taxation		84,538	67,771
Exchange differences on retranslation of subsidiary undertakings		(24)	420
Fair value (loss)/gain recognised on cash flow hedges		(5,446)	1,509
Taxation on cash flow hedges	8c	1,141	(287)
Actuarial (loss)/gain recognised on defined benefit pension scheme	30	(3,330)	3,462
Deferred tax credit/(charge) relating to defined benefit pension scheme	30, 8c	832	(587)
Total other comprehensive (expense)/income		(6,827)	4,517
Total comprehensive income		77,711	72,288
Total comprehensive income for the period/year attributable to:			
Owners of the Parent		54,879	51,306
Non-controlling interest	23	22,832	20,982
		77,711	72,288

as at 31 December 2022

		31 December 2022 £000	As restated 31 March 2022 £000
	Notes		
Fixed assets			
Intangible fixed assets	17	15,774	145,087
Tangible fixed assets	13	96,998	311,502
Investments	14	8,083	5,582
Total fixed assets		120,305	462,171
Current assets			
Stocks	15	34,200	483,337
Debtors			
Amounts falling due within one year	16	108,332	222,703
Amounts falling due after more than one year	16	54,927	55,287
Investments	14	45,000	–
Cash at bank and in hand		86,331	30,712
Total current assets		328,790	792,039
Creditors: amounts falling due within one year	17	(137,038)	(796,486)
Net current assets/(liabilities)		191,752	(4,447)
Total assets less current liabilities		312,057	457,724
Creditors: amounts falling due after more than one year	18	(23,338)	(49,771)
Provision for liabilities	20	(14,440)	(53,361)
Pension liability	30	(2,268)	–
Net assets		272,011	354,592
Capital and reserves			
Called-up share capital	21	15,785	15,785
Share premium		611	611
Capital redemption reserve	22	130	130
Cash flow hedge reserve	22	(1,313)	2,992
Profit and loss account		256,798	246,540
Total shareholders' funds		272,011	266,058
Non-controlling interest	23	–	88,534
Total equity		272,011	354,592

The audited financial statements of Marshall of Cambridge (Holdings) Limited on pages 89 to 130 were approved by the Board of Directors and authorised for issue to the shareholders on 22 November 2023.



Director

9 months ended 31 December 2022

	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 January 2021	15,785	611	130	1,770	197,812	216,108	68,636	284,744
Profit for the financial period	—	—	—	—	46,789	46,789	20,982	67,771
Other comprehensive income	—	—	—	1,222	3,295	4,517	—	4,517
Total comprehensive income for the period	—	—	—	1,222	50,084	51,306	20,982	72,288
Equity dividends paid (notes 10 and 23)	—	—	—	—	(3,858)	(3,858)	(2,466)	(6,324)
Share-based payment credit (note 28)	—	—	—	—	3,215	3,215	1,776	4,991
Change in interest in subsidiary net assets	—	—	—	—	(713)	(713)	(394)	(1,107)
At 31 March 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 income	—	—	—	(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 (notes 10 and 23)	—	—	—	—	(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

9 months ended 31 December 2022

		9 months 31 December 2022 £000	15 months 31 March 2022 £000
	Notes		
Operating activities			
Net cash inflow from operating activities	11a	45,947	76,751
Investing activities			
Interest received		1,547	64
Payments to acquire intangible fixed assets	12	(3,627)	(6,049)
Payments to acquire tangible fixed assets	13	(16,538)	(51,390)
Payments to acquire fixed asset investments	14	—	(975)
Receipts from sales of tangible fixed assets – excluding property		1,999	2,075
Receipts from sales of tangible fixed assets – property		465	17,108
Receipts from sales of businesses/subsidiaries (including disposal costs)		198,968	350
Receipts from sales of fixed assets investments		1,800	10,593
Acquisition of businesses (including acquisition costs)		—	(78,128)
Net cash disposed on sale of business		(41,399)	—
Net cash acquired on acquisitions		—	20,300
		143,215	(86,052)
Financing activities			
Interest paid		(482)	(2,767)
Stock finance and other interest paid	7	(845)	(6,132)
Dividends paid to preference shareholders	10	(744)	(744)
Equity dividends paid	10	(48,182)	(3,269)
Acquisition of shares from non-controlling interest		—	(535)
Settlement of exercised share options	28	—	(638)
Dividends paid to non-controlling interest	23	—	(2,466)
Proceeds from loans and borrowings	19	—	45,602
New overdrafts	19	—	1,483
Repayment of overdrafts	19	(576)	—
Repayment of loans and borrowings	19	(37,605)	(34,213)
		(88,434)	(3,679)
Increase/(decrease) in cash and cash equivalents		100,728	(13,480)
Effect of exchange rates on cash and cash equivalents		(109)	272
Cash and cash equivalents at period beginning	11c	30,712	43,920
Cash and cash equivalents at period end	11c	131,331	30,712
Cash and cash equivalents consist of:			
Cash at bank and in hand		86,331	30,712
Short-term deposits	14	45,000	—
Cash and cash equivalents at period end	11c	131,331	30,712

1a. Accounting policies

Statement of compliance

Marshall of Cambridge (Holdings) Limited is a private company limited by shares incorporated in England, United Kingdom under the Companies Act 2006. The registered office is Airport House, The Airport, Cambridge CB5 8RY.

The Group's financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006 as they apply to the financial statements of the Group for the 9-months ended 31 December 2022. The comparative period is the 15-month period ending 31 March 2022.

Basis of preparation

The audited consolidated financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the Board of Directors on 22 November 2023. 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.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are described within the Group Strategic Report on pages 8 to 53. 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 29 and 30, while the principal risks and uncertainties facing the Group are set out in the Group Strategic Report, specifically on pages 34 to 39.

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

At 31 December 2022, the Group reported net current assets of £191,752,000 (March 2022: net current liabilities £4,447,000).

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

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Parent Company and all of its subsidiary undertakings for the 9-month period up to 31 December 2022. For the preceding period, the Group's financial statements consolidate the 15-month period up to 31 March 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 136 and 137. Certain of the Group's subsidiaries, listed below, have taken the exemption from an audit for the period ended 31 December 2022 by virtue of s479A of the Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the Parent Company, Marshall of Cambridge (Holdings) Limited, has given a statutory guarantee of all the outstanding liabilities as at 31 December 2022 of the subsidiaries listed below:

The Cambridge Aeroclub Limited (reg no 00454656)
Marshall Fleet Solutions Limited (reg no 00563027)
Marshall Specialist Vehicles Limited (reg no 05976316)

Revenue recognition

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

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

continued

1a. Accounting policies (continued)

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.

Intangible assets

Other intangible assets, when acquired separately from a business combination, include computer software and 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 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.

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.

Tangible fixed assets

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

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

Freehold properties	20–50 years 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.

continued

1a. Accounting policies (continued)

Impairment of assets

If any such indication exists, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the 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.
- After initial recognition, investment properties are recorded at fair value. The surplus or deficit on revaluation is recognised in the consolidated income statement and accumulated in the non-distributable reserve. The Company engages independent valuers to assist the Directors in determining fair value.
- Expenditure to improve the rentals or capital appreciation are recorded as additions to investment properties. Where a substantial development is commenced with a view to a sale, the property is transferred to inventory.
- Properties currently rented to third parties, 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 paragraph 11.3(d)(iv) and (v), such investments are held at cost less impairment, as no reliable fair value estimate can be determined given limited or no active market for such investments. If a reliable measure of fair value is no longer available, the instrument's fair value on the last date the instrument was reliably measured is treated as the cost of the instrument.

Investment in joint ventures

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

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.
- 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.

continued

1a. Accounting policies (continued)

Stocks, work in progress and long-term contracts (continued)

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

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

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

Debtors

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

Convertible Loan Notes

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

Supplier income

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

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

Research and development

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

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

Research and development expenditure credit

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

Government grants

Grants are 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.

continued

1a. Accounting policies (continued)

Taxation (continued)

- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities, compared with the amounts that are recognised for those assets and liabilities in a business combination, a deferred tax liability/(asset) is recognised.
- The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised.
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted, or, substantively, enacted at the balance sheet date.

Pensions

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

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

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

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

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

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

Leases

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

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

Foreign currencies

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

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

continued

1a. Accounting policies (continued)

Financial instruments

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

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 and are, subsequently, measured at fair value through other comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by using counterparty valuation reports as the basis of the fair value recorded. In 2022, the currency derivatives in some of the subsidiaries met the requirements for hedge accounting in full and qualify for fair value hedge accounting.

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

continued

1a. Accounting policies (continued)

Provision for liabilities

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

Cash and cash equivalents

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

Share-based payments

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

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

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

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

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

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

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

Separately disclosed exceptional items

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

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.

continued

1a. Accounting policies (continued)

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. Following the disposal of MMH on 11 May 2022, the net book value of these assets at the balance sheet date was £nil (March 2022: £132,639,000). Further details can be found in note 12.

Recoverability of property development costs

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

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

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

Included within freehold land and buildings are costs and net book value of £12,274,000 (March 2022: £8,407,000), which relate to costs incurred on planning applications submitted and to be submitted.

HIOS price adjustment

During the period, 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.

continued

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

Sources of estimation uncertainty

Useful economic lives

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

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

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged independent valuation specialists to assist the Directors in determining fair value at 31 December 2022. The valuer determines fair value by considering comparable local market data such as rental yields, location, condition and nature of the property. At 31 December 2022, the fair value of investment properties was £9,066,000 (March 2022: £5,541,000).

Long-term contracts

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

These assessments are, inherently, highly judgemental and, 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 period ended 31 December 2022 was £220,420,000 (March 2022: £324,165,000).

Impairment of goodwill and intangible assets

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

The impairment review is performed by projecting the future cash flows, excluding finance costs and tax, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a recognised rate, which takes into account prevailing market interest rates and 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 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.

continued

2. Revenue and profit before tax analysis

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

	9 months 31 December 2022 £000	As restated 15 months 31 March 2022 £000
Revenue		
Aerospace – HIOS	125,890	118,281
Aerospace – non-HIOS	78,008	161,427
Land Systems	44,858	53,025
Group Properties	7,135	9,901
Fleet Solutions	39,400	67,221
Slingsby Advanced Composites	8,153	10,349
Skills Academy	1,948	2,807
Motor retail (sold during the period)	389,379	3,760,882
Aeropeople (sold during the prior period)	—	3,383
Other	542	624
Internal sales	(13,408)	(11,796)
Total	681,905	4,176,104

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.

In the consolidated financial statements for the period ended 31 March 2022, the segmentation of revenue between Other, Aerospace and Land Systems was incorrectly stated. Due to an error, a total amount of £16,572,000 was included in Other and has been restated to be included within Aerospace, £11,015,000 and Land Systems £5,557,000, with a corresponding reduction in Other. Total revenue remains unchanged and there is no impact on the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet or consolidated statement of changes in equity.

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
Profit before taxation		
Aerospace – HIOS	44,089	(3,110)
Aerospace – non-HIOS	(3,606)	437
Land Systems	(13,446)	(8,317)
Group Properties (including share of profit in joint ventures)	9,678	34,431
Fleet Solutions	(2,221)	(108)
Slingsby Advanced Composites	640	241
Skills Academy	—	(312)
Futureworx	(2,015)	(1,362)
Motor retail (sold during the period)	(655)	81,029
Profit on sale of Marshall Motors	62,239	—
Aeropeople (sold during the prior period)	—	(34)
Unallocated central costs	(5,089)	(10,955)
Total	89,614	91,940

continued

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
Profit before separately disclosed exceptional items and before taxation		
Aerospace – HIOS	44,800	(440)
Aerospace – non-HIOS	(3,131)	10,771
Land Systems	(13,075)	(8,317)
Group Properties (including share of profit in joint ventures)	9,678	12,424
Fleet Solutions	(1,968)	(108)
Slingsby Advanced Composites	640	241
Skills Academy	–	(312)
Futureworx	(2,015)	(1,362)
Motor retail (sold during the period)	346	96,827
Aeropeople (sold during the prior period)	–	(34)
Unallocated central costs	(5,056)	(9,004)
Total	30,219	100,686

	Revenue by destination		Revenue by origin	
	9 months 31 December 2022 £000	15 months 31 March 2022 £000	9 months 31 December 2022 £000	15 months 31 March 2022 £000
Geographical areas				
UK	580,113	3,989,815	671,469	4,161,265
Rest of Europe	39,873	63,951	877	714
North America	36,863	54,205	9,559	14,125
Rest of World	25,056	68,133	–	–
	681,905	4,176,104	681,905	4,176,104

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

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
Sale of goods	273,492	3,388,119
Rendering of services	186,239	462,123
Long term contracts	220,420	324,165
Rents received	1,754	1,697
Revenue	681,905	4,176,104
Interest received	3,251	2,269
Research and development expenditure credit	647	479
Other income	2,212	3,938
Total income	688,015	4,182,790

continued

3. Separately disclosed exceptional items

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
Profit before separately disclosed exceptional items	30,219	100,686
Separately disclosed exceptional items:		
Restructuring costs ¹	(1,842)	(2,490)
Contract loss provision ^{1,2}	–	(6,930)
Intangible fixed-asset impairment ²	–	(4,352)
Covid-19 expenses ^{1,2}	–	(1,183)
Profit on disposal of property ¹	–	22,007
From continuing operations	(1,842)	7,052
Amortisation of intangible fixed assets – franchise agreements and goodwill	(1,002)	(9,065)
Profit on disposal of subsidiary undertaking ²	62,239	–
Restructuring costs ¹	–	(7,732)
Profit on disposal of property ¹	–	999
From discontinued operations	61,237	(15,798)
Profit before tax	89,614	91,940

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

² Considered by management to be non-recurring.

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

- 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 2023. Restructuring costs within discontinuing operations relate to MMH.
- Provision for losses on the completion of a major complex project.
- Impairment of an ERP system as a result of implementation inefficiencies.
- Covid-19 costs relating to the incremental costs of providing testing, personal protective equipment and any exceptional cleaning, sanitisation and other costs required to keep colleagues and visitors safe.
- Profit on disposal of property relate to land, property and investment property. For continuing operations £nil (March 2022: £22,007,000), the most significant transaction completed during the prior period was the sale of land north of Cherry Hinton Road in Cambridge. Discontinued operations £nil (March 2022: £999,000) relate to MMH.
- Charges for amortisation of acquired intangible assets relating to franchise agreements and goodwill. These charges have arisen from accounting for MMH's acquisitions in previous periods and are not directly attributable to operating activities.
- Profit on disposal of a subsidiary relates to the disposal of MMH.

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

continued

4. Other income

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
Research and development expenditure tax credit	647	479
Rent receivable	18	191
Deferred land profit	2,120	3,519
Trademark licence income	74	228
	2,859	4,417

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.

5. Disposals

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, MMH contributed post-tax loss of £677,000 (period to 31 March 2022: post-tax profit £58,957,000). 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 was £248,095,000 and a profit on disposal of £62,239,000, was recognised in the profit and loss account after costs.

6. Operating profit

	9 months 31 December 2022 £000	Restated 15 months 31 March 2022 £000
Operating profit is after charging/(crediting):		
Depreciation	7,586	25,529
Amortisation	2,975	12,001
Impairment	1,422	4,352
Operating lease rentals	5,193	25,704
	483	2,048
Net foreign exchange (gain)/loss	690	(370)
Profit on disposal of property	—	(21,995)
Profit on disposal of investment property	—	(913)
(Profit)/loss on disposal of tangible fixed assets (excluding property)	(1,332)	369
Research and development	3,688	2,521
Research and development expenditure credit included in other income	(647)	(479)
Gain on revaluation of investment properties	(3,036)	(623)
Net gain on revaluation of investments	(112)	(809)
Profit on disposal of investments	—	(222)
(Profit)/loss on disposal of subsidiaries	(62,239)	—
Auditors' remuneration		
— audit of the Parent Company and the Group's consolidated financial statements	295	745
— audit of subsidiary undertakings	750	941
— review of subsidiary's interim financial statements	—	39
— tax compliance services	11	—
— pension and legal services	263	—

In the consolidated financial statements for the period ended 31 March 2022, the operating lease rentals were incorrectly stated. These have restated to be £25,704,000 for land and buildings and £2,048,000 for plant and machinery. There is no impact on the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet or consolidated statement of changes in equity.

continued

7. Net finance income/(expense)

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
(a) Finance income		
Bank interest receivable	1,581	49
Interest on short-term deposits	397	–
Interest receivable from joint ventures	556	708
Other interest receivable	22	15
Interest on defined benefit scheme asset	11	–
Unwind of discounting – related party debtor balances (note 16)	373	948
Unwind of discounting – deferred land debtor balances (note 16)	311	549
	3,251	2,269
	9 months 31 December 2022 £000	15 months 31 March 2022 £000
(b) Finance expense		
Bank loans and overdrafts – interest and charges	(327)	(3,028)
Interest payable to joint ventures	–	(390)
Stock financing charges and other interest	(845)	(6,132)
Interest on defined benefit scheme liabilities	–	(55)
Present value adjustment – deferred receivable on land sale	–	91
	(1,172)	(9,514)
Net finance income/(expense)	2,079	(7,245)

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

continued

8. Tax on profit

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
a) Analysis of tax charge/(credit) for the period		
UK corporation tax charge on the profit for the period	4,603	16,974
UK corporation tax adjustment in respect of prior periods	(2,534)	31
Overseas tax on profit for the period	21	246
Overseas tax adjustment in respect of prior periods	–	(5)
Current tax charge	2,090	17,246
Deferred tax charge (see note 20b)	2,986	6,923
Total tax credit/(charge) on profit	5,076	24,169

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
b) Factors affecting the total tax charge for the period		
Profit before taxation	89,614	91,940
Profit before taxation at 19% (March 2022: 19%)	17,027	17,469
Effects of:		
Expenses not deductible for tax purposes	1,658	2,716
Overseas tax	(328)	112
Non-taxable income	(13,745)	(241)
Deferred tax rate change	117	4,578
Difference in rate between corporation tax and deferred tax	636	(149)
Utilisation of brought forward losses on which no deferred tax asset recognised	6	4
R&D enhanced claims	158	(60)
Adjustments in respect of prior periods	(453)	(260)
Total tax charge for the period	5,076	24,169

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

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
c) Tax included in the statement of other comprehensive income		
Taxation on cash flow hedges	1,141	(287)
Deferred tax on actuarial pension gain/(loss)	832	(587)
Tax (credit)/charge included in the Statement of Other Comprehensive Income	1,973	(874)

d) Factors that may affect future tax charges

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

The standard rate of tax applied to reported profit is 19% (March 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 £424,000 (March 2022: £707,000) 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 2023, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the period by £496,000. This is due to the anticipated change of deferred tax on fixed asset timing differences and utilisation of brought-forward tax losses.

e) Close company

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

continued

9. Earnings per share

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
Profit after taxation	84,538	67,771
Non-controlling interest	(22,832)	(20,982)
Dividends on preference shares	(744)	(744)
Basic earnings	60,962	46,045
Separately disclosed exceptional items – continuing operations (note 3)	1,842	(7,052)
– tax impact	(350)	1,340
Separately disclosed exceptional items – discontinued operations (note 3)	(61,237)	15,798
– tax impact	(128)	(2,381)
– non-controlling interests impact	22,762	(4,775)
Profit on discontinued operations before separately disclosed items	(348)	(96,827)
– tax impact	150	24,453
– non-controlling interest impact	70	25,757
Earnings before separately disclosed exceptional items – continuing operations	23,723	2,358
Weighted average number of shares in issue during the period ('000)	59,082	59,082
Basic and diluted earnings per share	103.2p	77.9p
Basic and diluted earnings per share – continuing operations	37.6p	13.6p
Basic and diluted earnings per share – discontinued operations	65.6p	64.3p
Basic and diluted earnings before separately disclosed exceptional items per share	40.4p	82.9p
Basic and diluted earnings before separately disclosed exceptional items per share – continuing operations	40.2p	4.0p
Basic and diluted earnings before separately disclosed exceptional items per share – discontinued operations	0.2p	78.9p

Basic 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 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 and are not intended to comply with the requirements of FRS 102.

continued

10. Dividends

	31 December 2022 £000	As restated 31 March 2022 £000
Dividends on Ordinary shares:		
3.00p per Ordinary share of 12.5p each paid on 8 July 2022 (9 July 2021 – 3.0p)	399	415
76.00p per Ordinary share of 12.5p each paid on 7 October 2022 (period to 31 March 2022 – nil)	10,100	–
1.00p per Ordinary share of 12.5p each paid on 16 December 2022 (17 December 2021 – 1.0p)	133	138
	10,632	553
Dividends on NVPO shares:		
3.00p per NVPO share of 12.5p each paid on 8 July 2022 (9 July 2021 – 3.0p)	1,374	1,358
76.00p per NVPO share of 12.5p each paid on 7 October 2022 (period to 31 March 2022 – nil)	34,802	–
3.00p per NVPO share of 12.5p each paid on 16 December 2022 (17 December 2021 – 3.0p)	1,374	1,358
	37,550	2,716
Dividends on preference shares:		
8.00p per A preference share	384	384
10.00p per B preference share	360	360
	744	744
Reversal of accrual for preference dividends	–	(155)
Aggregate dividends declared and paid during the period	48,926	3,858

In the consolidated financial statements for the period ended 31 March 2022, the dividends on Ordinary shares paid on 9 July 2021 was incorrectly stated as 1p per Ordinary share, £138k in total. This has been restated to 3p per Ordinary share, £415k in total. Similarly, dividends on Ordinary shares paid on 17 December 2022 was incorrectly stated as 3p per Ordinary share, £415k in total and has been restated to 1p per Ordinary share, £138k in total. Total dividends on Ordinary shares remain unchanged and there is no impact on the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet or consolidated statement of changes in equity.

continued

11. Notes to the consolidated statement of cash flows

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
a) Reconciliation of profit to net cash inflow from operating activities		
Group profit before taxation	89,614	91,940
Profit on disposal of tangible fixed assets	(1,332)	(21,626)
Share of profit in the period in joint venture	(3,662)	(3,993)
Profit on disposal of investment property	—	(1,134)
(Loss)/profit on disposal of subsidiaries/businesses	(62,239)	252
Gain on investment properties at fair value through consolidated income statement	(3,036)	(623)
Gain on investments at fair value through consolidated income statement	(112)	(809)
Net finance income/(charges)	(2,079)	7,245
Foreign exchange movement	88	1,658
Depreciation of tangible fixed assets and impairment charges	9,008	25,529
Amortisation of intangible fixed assets	2,975	16,353
Research and expenditure credit	(647)	(479)
Decrease/(increase) in stocks	57,588	(2,051)
Increase in debtors	(16,483)	(39,117)
(Decrease)/increase in provisions	(4,171)	3,932
(Decrease)/increase in creditors	(16,701)	12,578
Share-based payment charge	—	6,700
Pension funding	(1,051)	(1,226)
UK corporation tax paid	(1,462)	(18,772)
Overseas tax paid	(351)	(106)
Net cash inflow from operating activities	45,947	76,251

		9 months 31 December 2022 £000	15 months 31 March 2022 £000
b) Reconciliation of net cash flow to movement in net funds/(debt)			
	Notes		
Increase/(decrease) in cash and cash equivalents		100,619	(13,208)
Acquisitions – debt acquired	19	—	(8,300)
Disposal – debt	19	12,006	—
Cash inflow from new loans	19	—	(45,602)
Cash inflow from new overdrafts	19	—	(1,483)
Repayment of overdrafts	19	576	—
Repayment of loans	19	37,605	34,213
Decrease/(increase) in net funds/(debt)		150,806	(34,380)
Net (debt)/funds at period beginning 1 April		(21,463)	12,917
Net funds/(debt) at period end		129,343	(21,463)

	1 April 2022 £000	Cash movement £000	Disposals £000	Change in maturity £000	Foreign exchange £000	31 December 2022 £000
c) Analysis of net (debt)/funds						
Cash at bank and in hand	30,712	97,127	(41,399)	—	(109)	86,331
Short-term deposits	—	45,000	—	—	—	45,000
Cash and cash equivalents	30,712	142,127	(41,399)	—	(109)	131,331
Bank overdrafts	(2,564)	576	—	—	—	(1,988)
Short-term loans	(38,928)	37,605	1,437	(114)	—	—
Long-term loans	(10,683)	—	10,569	114	—	—
Loans and overdrafts	(52,175)	38,181	12,006	—	—	(1,988)
Net (debt)/funds	(21,463)	180,308	(29,393)	—	(109)	129,343

continued

12. Intangible fixed assets

	Franchise agreements £000	Goodwill £000	Software £000	Capitalised Development Costs £000	Total £000
Cost:					
At 1 April 2022	123,238	79,175	22,677	–	225,090
Additions	–	–	3,136	491	3,627
Disposals	(123,238)	(71,939)	(3,206)	–	(198,383)
Transfers from tangible fixed assets	–	–	1,435	–	1,435
At 31 December 2022	–	7,236	24,042	491	31,769
Accumulated and impairment:					
At 1 April 2022	27,708	42,066	10,229	–	80,003
Provided during the period	675	326	1,974	–	2,975
Disposals	(28,383)	(35,156)	(2,894)	–	(66,433)
At 31 December 2022	–	7,236	9,309	–	16,545
Net book amount:					
At 31 December 2022	–	–	14,733	491	15,224
Net book amount:					
At 1 April 2022	95,530	37,109	12,448	–	145,087

Included within the software is £19,838,000 (March 2022: £15,611,000) of cost relating to an ERP system that is being implemented across the Core 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 £8,801,000 (March 2022: £2,417,000) 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.

Transfers from tangible fixed assets relates to software assets included within assets under development within tangible fixed assets (note 13) in the prior period. These have been reclassified to intangible assets to better reflect the nature of these items.

continued

13. Tangible fixed assets

	Land and buildings			Plant and machinery	Assets under construction	Total
	Freehold properties	Investment properties	Short leasehold			
	£000	£000	£000	£000	£000	£000
Cost or valuation:						
At 1 April 2022	253,432	5,541	33,909	202,248	14,962	510,092
Additions	9,216	–	683	2,960	3,679	16,538
Disposals	(1,245)	–	(65)	(984)	(142)	(2,436)
Disposal of subsidiary	(201,590)	(1)	(33,099)	(55,171)	(3,447)	(293,308)
Eliminated on transfer to investment properties	–	(6,414)	–	–	–	(6,414)
Transfers	(5,796)	6,904	1,275	1,543	(3,926)	–
Transfers to intangible fixed assets	–	–	–	–	(1,435)	(1,435)
Revaluation	–	3,036	–	–	–	3,036
At 31 December 2022	54,017	9,066	2,703	150,596	9,691	226,073
Depreciation:						
At 1 April 2022	47,394	–	13,657	137,539	–	198,590
Provided during the period	914	–	1,022	5,650	–	7,586
Impairment	–	–	–	–	1,422	1,422
Eliminated on disposals	(604)	–	(145)	(554)	–	(1,303)
Disposal of subsidiary	(19,259)	–	(13,384)	(38,163)	–	(70,806)
Eliminated on transfer to investment properties	–	(6,414)	–	–	–	(6,414)
Transfers	(6,074)	6,414	–	(340)	–	–
At 31 December 2022	22,371	–	1,150	104,132	1,422	129,075
Net book value:						
At 31 December 2022	31,646	9,066	1,553	46,464	8,269	96,998
Net book value:						
At 1 April 2022	206,038	5,541	20,252	64,709	14,962	311,502

Included within freehold land and buildings are costs and net book value of £12,274,000 (March 2022: £8,407,000), 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 £9,066,000 (March 2022: £5,541,000). Each year, the Group engages independent valuers to assist in determining fair value. A revaluation surplus of £3,036,000 (March 2022: £623,000) has been taken to the consolidated income statement.

The historical cost of the investment properties held at valuation in land and buildings is £9,867,000 (March 2022: £2,963,000), with accumulated depreciation of £8,703,000 (March 2022: £2,298,000) and a net book value of £1,164,000 (March 2022: £674,000).

On the disposal of Marshall Motors, the owner occupied properties that were owned by the Core 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.

Transfers to intangible fixed assets relates to software assets included within assets under development in the prior period. These have been reclassified to intangible assets (note 12) to better reflect the nature of these items.

continued

14. Investments

a) Fixed-asset investments

	Joint ventures £000	Unlisted investments £000	Total £000
Cost or valuation:			
At 1 April 2022	4,421	1,161	5,582
Additions	3,662	—	3,662
Disposals	—	(1,271)	(1,271)
Fair value increase	—	110	110
At 31 December 2022	8,083	—	8,083

Unlisted investments represent indirect minority interests in small private companies, primarily in their 'start-up' phase. These are carried at fair value.

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

At 31 December 2022, the investment in joint ventures was £8,083,000 (March 2022: £4,421,000), representing the initial share capital of £20 and the Group's share of cumulative profits.

At 31 December 2022, the joint ventures had capital commitments of £54,467,000 (March 2022: £18,513,000).

b) Current asset investments

Investments in short-term deposits have an original maturity of three months or less. At the balance sheet date the average maturity of deposits was one month (March 2022: £nil). The average rate of interest was 3.38% (March 2022: nil%).

15. Stocks

	31 December 2022 £000	31 March 2022 £000
Raw materials, components and consumables	25,509	21,495
Work in progress	3,779	9,683
Finished goods and goods for resale	4,912	452,159
	34,200	483,337

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

As at 31 December 2022, £nil (March 2022: £412,973,000) of finished goods are held under vehicle funding agreements (see note 17).

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

Stock is stated after provisions for impairment of £5,597,000 (March 2022: £25,158,000).

continued

16. Debtors

	31 December 2022 £000	As restated 31 March 2022 £000
Amounts falling due within one year		
Trade debtors	38,911	99,111
Amounts recoverable on long-term contracts	41,646	33,654
Derivative financial instruments	1,632	1,735
Corporation tax recoverable	231	22
Other taxes recoverable	1,569	121
Convertible loan notes	1,079	710
Deferred land debtor	7,407	7,407
Other debtors	4,867	44,286
Prepayments and accrued income	10,990	35,657
	108,332	222,703
Amounts falling due after more than one year		
Amounts owed by joint ventures	38,611	37,309
Derivative financial instruments	945	2,275
Convertible loan notes	540	1,183
Deferred land debtor	14,831	14,520
	54,927	55,287
	163,259	277,990

Amounts owed by joint ventures comprise £21,340,000 (March 2022: £20,595,000), representing the outstanding fair value of land transferred to Hill Marshall LLP ('LLP1') and £17,271,000 (March 2022: £16,714,000) comprising costs settled by the Company on behalf of the LLP.

Deferred land debtor £7,407,000 (March 2022: £7,407,000) represents the fair value of deferred proceeds for the sale of land to LLP1 and LLP2.

The land value balance transferred to LLP1 will attract interest at a rate of 4.75% as land payments are received by the joint venture entity. The loan of £10,625,000 (March 2022: £10,276,000) to cover the costs incurred on behalf of LLP1 attracts interest at a rate of 4.75%. The loan of £6,646,000 (March 2022: £6,438,000) to cover the costs incurred on behalf of LLP2 also attracts interest at a rate of 4.75% per annum.

Convertible loan notes are unsecured, non-interest bearing and are repayable in 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 accrued supplier income of Enil (March 2022: £14,805,000) and £3,026,000 (March 2022: £nil), which relates 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.

In the consolidated financial statements for the period ended 31 March 2022 the deferred profit on land transfers to joint ventures of £23,632,000 was offset in error against the amounts owed by joint ventures, which were contained within debtors: amounts falling due after one year. In order to present these balances correctly, £2,120,000 and £21,512,000 have been reclassified to deferral of profit on land transfer to joint ventures contained within creditors falling due within one year and creditors falling due after one year, respectively. As a result, amounts owed by joint ventures contained within debtors: amounts falling due after one year has been restated to £37,309,000, deferral of profit on land transfer to joint ventures contained within creditors falling due within one year has been restated to £2,120,000, and deferral of profit on land transfer to joint ventures contained within creditors falling due after one year has been restated to £21,512,000. There has been no impact on the consolidated income statement, consolidated statement of comprehensive income or the consolidated statement of changes in equity.

continued

17. Creditors: amounts falling due within one year

	31 December 2022 £000	As restated 31 March 2022 £000
Bank loans and overdrafts (note 19)	1,988	41,492
Payments received on account	58,494	26,702
Trade creditors	23,023	185,232
Vehicle funding agreements	—	412,973
Derivative financial instruments	2,500	322
Amounts owed to joint ventures	—	1,386
Corporation tax payable	316	1,970
Other taxation and social security	8,327	14,889
Other creditors	857	21,052
Deferral of profit on land transfer to joint ventures	3,957	2,120
Accruals and deferred income	37,576	88,348
	137,038	796,486

While part of the Group, 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 are included within trade creditors and disclosed under vehicle financing arrangements. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle financing facilities 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 is included within finance costs and classified as stock finance charges. The interest cash flow is reported within cash flows from financing activities within the consolidated statement of cash flows.

The Group's controlling interest in MMH was sold on 11 May 2022 and MMH was not part of the Group at the period end.

Amounts owed to joint ventures relates to Homes England infrastructure loan drawn by Hill Marshall LLP, which funded the construction and commissioning of the Ground Running Enclosure. The loan was fully repaid in the period and bore an interest of 2.5% above the European Commission base rate.

The Directors have reassessed the presentation of the deferred consideration and associated gains in relation to the transfer of land to joint ventures. See note 16 for details of the restatement of the deferral of profit on land transfer to joint ventures balance at 31 March 2022.

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

	31 December 2022 £000	As restated 31 March 2022 £000
Bank loans and overdrafts (note 19)	—	10,683
Deferral of profit on land transfer to joint ventures	17,928	21,512
Derivative financial instruments	1,770	345
Accruals and deferred income		
— Other accruals and deferred income	—	12,670
— Other employee benefits	407	1,752
— Other post-employment benefits	3,233	2,809
	3,640	17,231
	23,338	49,771

The Directors have reassessed the presentation of the deferred consideration and associated gains in relation to the transfer of land to joint ventures. See note 16 for details of the restatement of the deferral of profit on land transfer to joint ventures balance at 31 March 2022.

continued

19. Loans, overdrafts and borrowings

	31 December 2022 £000	31 March 2022 £000
Overdrafts	1,988	2,564
Loans	–	37,500
Mortgages	–	12,111
Total loans, overdrafts and borrowings	1,988	52,175

Analysis of changes in loans, overdrafts and borrowings during the period	£000	£000
At 1 April 2022/1 January 2021	52,175	31,003
Acquisitions – debt acquired	–	8,300
Disposals – debt	(12,006)	–
New loans	–	45,602
New overdrafts	–	1,483
Overdrafts repaid	(576)	–
Loans repaid	(37,605)	(34,213)
Total loans, overdrafts and borrowings	1,988	52,175

	31 December 2022 £000	31 March 2022 £000
Amounts falling due:		
Within one year – loans and overdrafts	1,988	40,108
Within one year – mortgages	–	1,384
Between two and five years – mortgages	–	5,624
More than five years – mortgages	–	5,059
	1,988	52,175

Less: included in creditors: amounts falling due within one year	(1,988)	(41,492)
Amounts falling due after more than one year	–	10,683

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

During the period, the Group (excluding MMH) had a revolving credit facility amounting to £75,000,000 (March 2022: £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 the period end (March 2022: £40,303,000).

MMH had access to a separate revolving credit facility of £60,000,000, of which £nil was outstanding prior to its disposal on 11 May 2022 (March 2022: £nil). 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 at the period end.

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.

continued

20. Provision for liabilities

	31 December 2022 £000	31 March 2022 £000
Dilapidations and onerous leases	695	4,115
Onerous contracts	10,706	7,534
Land contamination	—	2,276
Warranty	467	366
Other	—	1,748
	11,868	16,039
Deferred tax (see note 20b)	2,572	37,322
	14,440	53,361

(a) Provisions excluding deferred tax

	Dilapidations, and onerous leases £000	Onerous contracts £000	Land contamination £000	Warranty £000	Other £000	Total £000
At 1 April 2022	4,115	7,534	2,276	366	1,748	16,039
Disposal	(4,384)	—	—	—	(1,748)	(6,132)
Arising during the period	1,062	5,710	—	307	—	7,079
Amounts utilised	(98)	(2,538)	(2,322)	(106)	—	(5,064)
Amounts released	—	—	46	(100)	—	(54)
At 31 December 2022	695	10,706	—	467	—	11,868

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.

Land contamination

A land contamination provision was previously recognised in relation to costs expected to be incurred in the remediation of land contamination. These costs were incurred during the period.

Warranty provision

A provision is recognised for expected warranty claims on products sold. It is expected that the warranty costs will be incurred by 31 December 2023.

Other

In the prior period, other provisions included a total amount of £1,167,000 in respect of the Group's estimated financial exposure under open insurance claims and for the potential output VAT payable arising from uncertain VAT treatment of specific vehicle purchases.

continued

20. Provision for liabilities (continued)

b) Deferred taxation liabilities/(assets)

	31 December 2022 £000	31 March 2022 £000
Accelerated capital allowances	1,668	3,499
Tax losses carried forward	(105)	(581)
Rolled over gains and investment properties	8,317	6,763
Deferred tax on defined benefit pension scheme	(567)	—
Deferred tax on unremitted earnings	—	384
Deferred tax arising on business combinations	—	34,499
Other timing differences	(6,741)	(7,242)
	2,572	37,322

	31 December 2022 £000	31 March 2022 £000
Shown as:		
Deferred tax liability	2,572	37,322

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

	£000	£000
At 1 April 2022/1 January 2021	37,322	19,556
Charge to the consolidated income statement for the period	2,986	6,923
Acquisitions during the period	—	15,230
Disposals during the period	(35,763)	(55)
Corporation tax payments on account	—	(5,206)
Deferred taxation in other comprehensive income	(1,973)	874
At 31 December 2022/31 March 2022	2,572	37,322

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

	31 December 2022 £000	31 March 2022 £000
Origination and reversal of timing differences	787	2,636
Rate change	118	4,577
Adjustments in respect of prior periods	2,081	(290)
	2,986	6,923

The unrecognised deferred tax asset comprises as follows:

	31 December 2022 £000	31 March 2022 £000
Trading losses	424	707

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

At 31 December 2022 these trading losses were £1,775,000 (31 March 2022: £2,282,000).

continued

21. Called up share capital

	Allotted, called up and fully paid			
	As restated		As restated	
	31 December 2022 No. '000	31 March 2022 No. '000	31 December 2022 £000	31 March 2022 £000
Ordinary shares of 12.5p each	13,289	13,289	1,661	1,661
Non-voting priority dividend ordinary NVPO shares of 12.5p each	45,793	45,793	5,724	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 April 2022/1 January 2021	1,661	1,726	5,724	5,659
Ordinary shares converted to NVPO shares	–	(65)	–	65
At 31 December 2022/1 April 2022	1,661	1,661	5,724	5,724

In the consolidated financial statements for the period ended 31 March 2022, details of a conversion of Ordinary shares to non-voting priority ordinary ('NVPO') dividend shares was omitted in error. As a result, the number and value of Ordinary shares and NVPO shares was incorrectly stated. These have been restated to be 13,289 and £1,661,000 for Ordinary shares and 45,793 and £5,724,000 for NVPO shares.

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, no Ordinary shares were converted into NVPO shares (March 2022: 522,000).

22. Other reserves

Share premium reserve

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

Capital redemption reserve

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

This reserve represents the nominal value of these shares.

Cash flow hedge reserve

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

continued

23. Non-controlling interest

	£000	£000
At 1 April 2022/1 January 2021	88,534	68,636
Non-controlling interest profit after taxation	22,832	20,982
Equity dividends paid by Marshall Motor Holdings plc to third parties	—	(2,466)
Share based payment credit	—	1,776
Adjustment to equity arising from MMH shares repurchased	—	(394)
Disposal	(111,366)	—
At 31 December 2022/31 March 2022	—	88,534

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 (31 March 2022: 64.41%).

24. Contingent liabilities

Performance guarantees granted by subsidiary undertakings amounted to £11,300,000 (March 2022: £1,401,000). The Group has access to a £15,000,000 and a €3,500,000 overdraft facility (note 19), 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.

25. Capital commitments

	31 December 2022 £000	31 March 2022 £000
Contracted but not provided for:		
Marshall of Cambridge (Holdings) Limited – excluding MMH	3,838	562
Marshall Motor Holdings plc	—	3,321
	3,838	3,883

26. Other financial commitments

Operating leases – Group as lessor

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

	31 December 2022 £000	31 March 2022 £000
Within 1 year	1,560	1,433
Between 1 and 5 years	1,853	4,660
After 5 years	509	2,375
	3,922	8,468

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 2022 £000	31 March 2022 £000	31 December 2022 £000	31 March 2022 £000
Within 1 year	3,146	24,647	1,179	1,568
Between 1 and 5 years	12,362	79,465	1,330	806
After 5 years	16,148	109,581	—	—
	31,656	213,693	2,509	2,374

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 liability at 31 December 2022 was £1,693,000 (March 2022: net asset £3,688,000). Changes in the fair value of cash flow hedges recognised in other comprehensive income amounted to a £5,446,000 loss (March 2022: £1,509,000 profit). 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 2022 £000	As restated 31 March 2022 £000
<i>Financial assets at fair value through the Profit and Loss account</i>		
Unlisted investments carried at fair value	–	1,161
<i>Financial assets at fair value through Other Comprehensive Income</i>		
Forward foreign exchange contracts – cash flow hedging instruments	2,577	4,010
<i>Financial assets measured at amortised cost</i>		
Trade debtors	38,911	99,111
Convertible loan notes	1,619	1,893
Amounts owed by joint ventures	38,611	37,309
Short-term deposits	45,000	–
Cash at bank and in hand	86,331	30,712
	210,472	169,025
<i>Financial liabilities at fair value through Other Comprehensive Income</i>		
Forward foreign exchange contracts – cash flow hedging instruments	(4,270)	(667)
<i>Financial liabilities measured at amortised cost</i>		
Bank loans and overdrafts	(1,988)	(52,175)
Trade creditors	(23,023)	(185,232)
Amounts due to joint ventures	–	(1,386)
Vehicle funding agreements	–	(412,973)
Other creditors	(857)	(21,052)
Accruals	(41,139)	(77,641)
	(67,007)	(750,459)

The Directors have reassessed the presentation of the deferred consideration and associated gains in relation to the transfer of land to joint ventures. See note 16 for details of the restatement of the deferral of profit on land transfer to joint ventures balance at 31 March 2022.

continued

28. Staff costs and Directors' emoluments

	31 December 2022 £000	31 March 2022 £000
(a) Group staff costs		
Wages and salaries	99,776	336,773
Social security costs	10,476	34,886
Other pension costs (see note 30)	5,646	13,947
Share-based payment charge	–	6,700
	115,898	392,306

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 2022 No.	31 March 2022 No.
Aerospace	1,169	1,270
Land Systems	363	319
Fleet Solutions	339	340
Slingsby Advanced Composites	91	91
Skills Academy	26	31
Futureworx	15	10
Motor retail (sold during the period)*	893	5,356
Property and head office	44	41
	2,940	7,458

* MMH was sold on 11 May 2022 and as a result the average number of employees reduced significantly.

	31 December 2022 £000	31 March 2022 £000
(b) Directors' remuneration		
Emoluments – continuing	1,522	1,630
– leavers	350	86
Long-term incentive payments – continuing	137	504
– leavers	246	–
Company contributions to defined contribution pension schemes – continuing	51	49
	2,306	2,269

One Director (March 2022: one Director) was a contributing member of the defined contribution pension scheme.

	31 December 2022 £000	31 March 2022 £000
Remuneration of highest-paid Director		
Emoluments	674	543
Long-term incentive payments	137	394
Company contributions to defined contribution pension schemes	51	–
	862	937

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 9-months ended 31 December 2022 is £2,568,000 (March 2022: £2,642,000).

continued

28. Staff costs and Directors' emoluments (continued)

Share-based payments

Marshall Motor Holdings plc ('MMH'), one of the Group's subsidiaries until its disposal on 11 May 2022, operated an equity-settled share option scheme (the 'Performance Share Plan') for certain senior managers and Executive Directors of MMH. As at 11 May 2022, seven share grants had been awarded under the scheme being: (a) IPO Performance Awards (vesting in two tranches); (b) 2016 Performance Awards; (c) 2017 Performance Awards; (d) 2018 Performance Awards; (e) 2019 Awards; (f) 2020 Awards; and (g) 2021 Performance Awards. All of these awards vested and were exercised during the period on disposal of the subsidiary. Details of the awards during the period are outlined below.

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

The total share-based payment charge recognised during the 9 months ended 31 December 2022 was £nil (March 2022: £6,700,000), with the charge being materially recorded in the prior year. This is split as £nil (March 2022: £1,709,000) in accruals and deferred income and £nil (March 2022: £4,991,000) in retained earnings.

If an option remained unexercised after a period of 10 years from the date of grant, the option expired. There was no weighted average remaining contractual life of options outstanding on 31 December 2022 (March 2022: 7.9 years).

The fair value of share options was determined by reference to the market value of MMH's shares at the date of grant. No valuation model was required to calculate the fair value of awards on the basis that the employees receiving the awards are entitled to receive the full value of the shares and there were no market-based performance conditions attached to the awards. The weighted average fair value of options outstanding on 31 December 2022 was £nil by virtue of no options being outstanding (March 2022: £1.85). No options were granted during the period. The fair value of options granted during the prior period to March 2022 was £2.57. The fair value of equity-settled share options granted during the prior period was based on market value on 8 September 2021 when the share options were granted.

Options were forfeited if the employee leaves MMH before the options vest. All options issued were £nil cost options and all awards had an exercise price of £nil.

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

All options were exercised during the period ended 31 December 2022, after the disposal of the subsidiary.

In April 2021, the 2018 Performance Awards became exercisable. On 27 May 2021, all option holders exercised these options. As such, 156,114 existing Ordinary shares were acquired from the market to satisfy the exercise of these options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £365,000.

In September 2020, the 2017 Performance Awards became exercisable. On 27 May 2021, all option holders exercised these options. As such, 146,385 existing Ordinary shares were acquired from the market to satisfy the exercise of these options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £273,000.

As at 31 December 2022, there were no outstanding share options.

continued

28. Staff costs and Directors' emoluments (continued)

2017 Performance Awards

The 2017 Performance Awards were subject to non-market performance conditions as detailed below, as well as the service condition of continuous employment. The options vested for achieving growth in underlying, basic EPS from 2017 to 2019; 25% vested for achieving growth of CPI plus 1% per annum and the percentage of options that vests increased on a straight-line basis up to 100% vesting for achieving growth of CPI plus 5% per annum. These performance criteria were not met due to unprecedented adverse market conditions. The MMH Remuneration Committee exercised its discretion in light of the circumstances; therefore, 50% of these options became exercisable on the third anniversary of the grant date. The options were exercised on 27 May 2021.

The 2017 Performance Awards were subject to a holding period, which started on the grant date and ordinarily ended on the fourth anniversary of the grant date.

2017 Performance Awards	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022/1 January 2021	–	–	577,690	–
Exercised during the period	–	–	(293,044)	–
Expired during the period	–	–	(284,646)	–
Forfeited during the period	–	–	–	–
Outstanding at 31 December 2022/31 March 2022	–	–	–	–
Exercisable at 31 December 2022/31 March 2022	–	–	–	–

2018 Performance Awards

The 2018 Performance Awards were subject to non-market performance conditions as detailed below, as well as the service condition of continuous employment. The options vested for achieving growth in underlying, basic EPS from 2017 to 2020, 25% vested for achieving growth of 1.3% per annum and the percentage of options that vested increased on a straight-line basis up to 100% vesting for achieving growth of 6% per annum. These performance criteria were not met due to unprecedented adverse market conditions. The MMH Remuneration Committee exercised its discretion in light of the circumstances; therefore, 50% of these options became exercisable on the third anniversary of the grant date. The options were exercised on 27 May 2021.

The 2018 Performance Awards were subject to a holding period that started on the grant date and ordinarily ended on the fourth anniversary of the grant date.

2018 Performance Awards	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022/1 January 2021	–	–	644,760	–
Exercised during the period	–	–	(304,640)	–
Expired during the period	–	–	(340,120)	–
Forfeited during the period	–	–	–	–
Outstanding at 31 December 2022/31 March 2022	–	–	–	–
Exercisable at 31 December 2022/31 March 2022	–	–	–	–

2019 Awards

The 2019 Awards were subject to the service condition of continuous employment. These options vested and became exercisable on change of control and ownership of the MMH Group.

2019 Awards	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022/1 January 2021	661,560	–	668,577	–
Granted during the period	–	–	17,544	–
Forfeited during the period	–	–	(24,561)	–
Exercised during the period	(661,560)	–	–	–
Outstanding at 31 December 2022/31 March 2022	–	–	661,560	–
Exercisable at 31 December 2022/31 March 2022	–	–	–	–

continued

28. Staff costs and Directors' emoluments (continued)

2020 Awards

The 2020 Awards were subject to the service condition of continuous employment. These options vested and became exercisable on change of control and ownership of the MMH Group.

2020 Awards	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022/1 January 2021	1,067,632	–	1,035,632	–
Granted during the period	–	–	32,000	–
Forfeited during the period	–	–	–	–
Exercised during the period	(1,067,632)	–	–	–
Outstanding at 31 December 2022/31 March 2022	–	–	1,067,632	–
Exercisable at 31 December 2022/31 March 2022	–	–	–	–

2021 Performance Awards

The 2021 Performance Awards were subject to the service condition of continuous employment. These options vested and became exercisable on change of control and ownership of the MMH Group.

2021 Performance Awards	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022/1 January 2021	1,299,616	–	–	–
Granted during the period	–	–	1,315,180	–
Forfeited during the period	–	–	(15,564)	–
Exercised during the period	(1,299,616)	–	–	–
Outstanding at 31 December 2022/31 March 2022	–	–	1,299,616	–
Exercisable at 31 December 2022/31 March 2022	–	–	–	–

continued

29. Related parties

	Sales to related party £000	Purchases from related party £000	Amounts due from/(to) related party £000
Entities over which the Group has significant influence			
31 December 2022	173	37	—
31 March 2022	357	1,042	84

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 £21,340,000 (March 2022: £20,595,000).

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

	Purchases from £000	Net interest received/ (paid) £000	As restated Amounts receivable £000	As restated Amounts payable £000
31 December 2022				
Hill Marshall LLP	—	349	32,040	—
Hill Marshall (Phase 2) LLP	—	207	6,646	—
31 March 2022				
Hill Marshall LLP	—	(202)	30,870	(1,386)
Hill Marshall (Phase 2) LLP	—	648	6,439	—
Equiniti Group plc	(17)	—	—	—

As set out in note 14, the Directors have reassessed the presentation of deferred consideration and associated gains in relation to the transfer of land to joint ventures. As a result, for the period ended 31 March 2022, the amounts receivable balances with Hill Marshall LLP has been restated to £30,870,000, the amounts receivable balance with Hill Marshall (Phase 2) LLP has been restated to £6,439,000, the amounts payable balance with Hill Marshall (Phase 2) LLP has been restated to £nil.

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 2022, the Group and Parent Company have not made any provision for doubtful debts relating to amounts owed by related parties (March 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 period ended 31 December 2022 was £2,568,000 (15 months ended 31 March 2022: £2,642,000).

P Yea was Chairman of Equiniti Group plc, which acts as registrar to the Company. Details of the transactions during the previous period, until he resigned as a Director on 30 September 2021, are shown above.

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

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

continued

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 period, in respect of all defined contribution schemes in the UK, was £5,157,000 (March 2022: £13,537,000). A further £298,000 (March 2022: £410,000) was paid into defined contribution schemes overseas. The total defined benefit charge for the Group in respect of the Plan was £177,000 (March 2022: £61,000) under FRS 102 Chapter 28, of which £189,000 (March 2022: £14,000) has been charged to operating profit and £12,000 has been credited (March 2022: £47,000 charged) to other finance expense.

The Plan was assessed by a qualified independent actuary from Buck Consultants, as at 31 December 2019, using the projected unit method and indicated a funding deficit of £4,999,000. To address the past service deficit, the Parent Company and the Trustees agreed that the Parent Company will remove the deficit over a period of four years, by 31 December 2023. Annual instalments of £1,240,000 commenced in 2020.

The valuation of the defined benefit section of the Plan under FRS 102 Chapter 28 has been based on the actuarial valuation, updated by the actuary from Buck Consultants in order to assess the assets and the liabilities of the scheme as at 31 December 2022. The assets and liabilities shown exclude those relating to defined contribution pensions.

	31 December 2022	31 March 2022
The major assumptions used by the actuary were:	%	%
Discount rate	4.79	2.71
Retail price inflation rate	3.10	3.87
Consumer price inflation rate	2.61	3.37
Pension increase rate:		
– price inflation, capped at 5.0%	3.10	3.81
– as above, but for those pensions subject to 3.0% floor	3.10	3.87
– as above, but for those pensions subject to 2.7% floor	3.10	3.81
– as above, but for those pensions subject to 8.5% cap	3.10	3.87
	31 December 2022	31 March 2022
Life expectancy at 65	Years	Years
– for males aged 65	24.10	24.10
– for females aged 65	26.80	26.80
– for males aged 45	25.80	25.80
– for females aged 45	28.20	28.20

The post-retirement longevity assumption uses 80% of S3PMA/75% of S3PFA base tables, with CMI 2021 table with A=0.75 and 1.5% (December 2022: 1.5%) per annum and 1.25% (March 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.

continued

30. Pensions and other retirement benefit costs (continued)

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

	31 December 2022 £000	31 March 2022 £000
Fair value of plan assets at end of period	32,135	53,366
Present value of defined benefit obligations at end of period	(34,403)	(49,343)
Surplus not recognised in accordance with FRS102	–	(4,023)
Deficit in the scheme as at 31 December/31 March	(2,268)	–
Related deferred tax asset	567	–
Net defined benefit obligation	(1,701)	–
	31 December 2022 £000	31 March 2022 £000
Reconciliation of defined benefit obligations:		
Present value of obligations at start of period	49,343	56,640
Interest cost	981	981
Actuarial gains	(14,127)	(5,873)
Benefits paid	(1,794)	(2,405)
Present value of obligations at end of period	34,403	49,343
	31 December 2022 £000	31 March 2022 £000
Reconciliation of fair value of assets:		
Fair value plan assets at start of period	53,366	52,007
Interest income on plan assets	1,074	935
Return on plan assets in excess of interest income	(21,562)	1,602
Contributions by the employer	1,240	1,240
Benefits paid	(1,794)	(2,405)
Administration expenses	(189)	(13)
Fair value of assets at end of period	32,135	53,366
	31 December 2022 £000	31 March 2022 £000
Analysis of amount charged against profit		
Administration expenses	189	14
Net interest on net defined benefit liability	(93)	47
Interest income limitation on surpluses not recognised	81	–
Total expense recognised in the consolidated income statement	177	61
	31 December 2022 £000	31 March 2022 £000
Analysis of amount (charged)/credited against other comprehensive income:		
Remeasurement (loss)/gain recognised on defined benefit pension scheme	(3,330)	3,462
Deferred tax charge relating to defined benefit pension scheme	832	(587)
	(2,498)	2,875

The remeasurement loss recognised on defined benefit pensions scheme takes into the release of a prior year surplus restriction of £4,104,000 (March 2022: £4,023,000 surplus not recognised). This remeasurement loss was £7,430,000 (March 2022: £7,485,000 gain) without this restriction.

continued

30. Pensions and other retirement benefit costs (continued)

	31 December		31 March	
	Value	2022	Value	2022
	£000	% Total	£000	% Total
Breakdown of value of plan assets				
UK equities	–	0.00%	3,347	6.27%
Overseas equities	–	0.00%	12,624	23.66%
Property	–	0.00%	8,818	16.52%
Insight Broad Opportunities Fund	–	0.00%	5,205	9.75%
Corporate bonds	–	0.00%	2,291	4.29%
Private corporate debt	2,974	9.25%	3,005	5.63%
LDI	–	0.00%	5,783	10.84%
Cash and net current assets	(5,242)	(16.31%)	11,408	21.38%
Insured pensions – Aviva	34,403	107.06%	885	1.66%
Total fair value of plan assets	32,135	100.00%	53,366	100.00%

	December	March			
	2022	2022	2020	2019	2018
	£000	£000	£000	£000	£000
The five-year history of experience adjustments is as follows:					
Experience adjustments on scheme assets	(21,562)	1,602	2,401	3,572	(1,536)
Experience adjustments on scheme liabilities	(6)	1,011	(149)	50	(1,470)
Changes in assumption	14,132	4,863	(5,053)	(3,701)	2,346
Adjustment excluding interest in accordance with the limit in FRS 102 paragraph 28.22	4,106	(4,014)	–	–	–
Total recognised in other comprehensive income	(3,330)	3,462	(2,801)	(79)	(660)
Fair value of scheme assets	32,135	53,366	52,007	39,385	38,764
Present value of scheme liabilities	(34,403)	(49,343)	(56,640)	(49,245)	(51,097)
Surplus not recognised in accordance with FRS 102	–	(4,023)	–	–	–
Deficit in the scheme	(2,268)	–	(4,633)	(9,860)	(12,333)

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

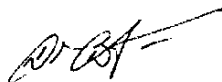
On 4 May 2023 Marshall Fleet Solutions acquired the entire share capital of Michael Ward Limited and the Peter Staines group of companies (Peter Staines Refrigeration Limited, PSR Bromley Limited, PSR Contracts Limited and Roadfridge Limited), two UK dealers in vehicle refrigeration products.

as at 31 December 2022

	Notes	31 December 2022 £000	31 March 2022 £000
Fixed assets			
Intangible fixed assets	7	2,833	2,883
Tangible fixed assets	8	506	498
Investments	9	44,548	45,978
Total fixed assets		47,887	49,359
Current assets			
Debtors			
– Amounts falling due within one year	10	116,030	57,956
– Amounts falling due after more than one year	10	540	1,183
Investments	9	45,000	–
Cash at bank and in hand		66,538	7,814
		228,108	66,953
Creditors: amounts falling due within one year	12	(70,706)	(55,523)
Net current assets		157,402	11,430
Total assets less current liabilities		205,289	60,789
Creditors: amounts falling due after more than one year	13	(3,640)	(4,561)
Net assets before pension liability		201,649	56,228
Pension liability	14	(2,268)	–
Net assets		199,381	56,228
Capital and reserves			
Called up share capital	15	15,785	15,785
Share premium		611	611
Capital redemption reserve	17	130	130
Profit and loss account		182,855	39,702
Total equity		199,381	56,228

The profit for the financial period dealt with in the financial statements of the Parent Company was £194,577,000 (March 2022: profit £11,141,000).

The Company audited financial statements on pages 131 to 141 were approved by the Board of Directors and authorised for issue on 22 November 2023.



Director

	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021	15,785	611	130	29,544	46,070
Profit for the financial period	–	–	–	11,141	11,141
Other comprehensive income	–	–	–	2,875	2,875
Total comprehensive income for the period	–	–	–	14,016	14,016
Equity dividends paid (note 5)	–	–	–	(3,858)	(3,858)
At 31 March 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

1. Statement of compliance

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

The Company's financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Companies Act 2006 as it applies to the financial statements of the Company for the 9 months ended 31 December 2022.

2. Basis of preparation

The audited financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the Board of Directors on 22 November 2023. The financial statements have been prepared in accordance with applicable accounting standards and under the historic cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value. They have been prepared in sterling, which is the functional currency of the Company and are rounded to the nearest £000.

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

Going concern

Treasury arrangements

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are described within the Group Strategic Report on pages 8 to 53. 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 29 and 30, while the principal risks and uncertainties facing the Group are set out in the Group Strategic Report and, specifically, on pages 34 to 39.

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

At 31 December 2022, the Company reported net current assets of £157,402,000 (March 2022: assets £11,430,000).

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

On this basis, the Directors of the Company have concluded that no material uncertainty exists that may cast significant doubt about the ability of MCH Group to continue as a going concern for at least 12 months from the approval of these financial statements.

Exemptions adopted

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. The Company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

- The requirements of Section 7, Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- The requirements for certain financial instrument disclosures.
- The requirements of Section 26, Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23.
- The requirements of Section 33, Related Party Disclosures paragraph 33.7.

Company profit/(loss)

As permitted under section 408 of the Companies Act 2006, the Company has elected to neither present a Company Income Statement nor a Company Statement of Comprehensive Income. The profit for the financial period in the financial statements of the Parent Company was £194,577,000 (March 2022: profit £11,141,000) and other comprehensive income was an expense of £2,498,000 (March 2022: income £2,875,000).

3a. Accounting policies

Except where disclosed otherwise in this note, the accounting policies adopted in the preparation of the Company financial statements are consistent with those applied when preparing the consolidated financial statements. Details of the policies are disclosed on pages 94 to 101.

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.

continued

3b. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The Directors have determined that there are no judgements that require disclosure in the financial statements and have identified the following estimates.

Unlisted investments

Please refer to note 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 £32,135,000 (March 2022: £53,366,000) and gross liabilities are £34,403,000 (March 2022: £49,343,000), resulting in a net liability of £2,268,000 (March 2022: asset £4,024,000). In accordance with FRS102, the prior year asset was not recognised.

4. Auditors remuneration

The auditors' remuneration for audit services was £55,000 (March 2022: £30,000). The Company also paid £241,000 (March 2022: £715,000) for the audit of the consolidated financial statements of the Group.

5. Equity dividends

	31 December 2022 £000	As restated 31 March 2022 £000
Dividends on Ordinary shares:		
3.00p per Ordinary share of 12.5p each paid on 8 July 2022 (9 July 2021: 3.0p)	399	415
76.00p per Ordinary share of 12.5p each paid on 7 October 2022 (period to 31 March 2022: 0p)	10,100	–
1.00p per Ordinary share of 12.5p each paid on 16 December 2022 (17 December 2021: 1.0p)	133	138
	10,632	553
Dividends on NVPO shares:		
3.00p per NVPO share of 12.5p each paid on 8 July 2022 (9 July 2021: 3.0p)	1,374	1,358
76.00p per NVPO share of 12.5p each paid on 7 October 2022 (period to 31 March 2022: 0p)	34,802	–
3.00p per NVPO share of 12.5p each paid on 16 December 2022 (17 December 2021: 3.0p)	1,374	1,358
	37,550	2,716
Dividends on preference shares:		
8.00p per A preference share	384	384
10.00p per B preference share	360	360
	744	744
Reversal of accrual for preference dividends	–	(155)
Aggregate dividends declared and paid during the period	48,926	3,858

In the consolidated financial statements for the period ended 31 March 2022, the dividends on Ordinary shares paid on 9 July 2021 was incorrectly stated as 1p per Ordinary share, £138k in total. This has been restated to 3p per Ordinary share, £415k in total. Similarly, dividends on Ordinary shares paid on 17 December 2022 was incorrectly stated as 3p per Ordinary share, £415k in total and has been restated to 1p per Ordinary share, £138k in total. Total dividends on Ordinary shares remain unchanged and there is no impact on the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet or consolidated statement of changes in equity.

continued

6. Staff costs and Directors' emoluments

	9 months 31 December 2022 £000	15 months 31 March 2022 £000
(a) Staff costs		
wages and salaries	5,058	8,508
Social security costs	709	990
Other pension costs	256	443
	6,023	9,941

The average number of employees during the period was 62 (March 2022: 62).

(b) Directors' emoluments

Details of the Directors' emoluments are set out in note 28 of the consolidated financial statements.

7. Intangible fixed assets

	Software Total £000
Cost:	
At 1 April 2022	3,027
Additions	279
At 31 December 2022	3,306
Accumulated:	
At 1 April 2022	144
Provided during the period	329
At 31 December 2022	473
Net book value:	
At 31 December 2022	2,833
Net book value:	
At 31 March 2022	2,883

8. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost:			
At 1 April 2022	1,081	66	1,147
Additions	92	—	92
Disposals	(29)	—	(29)
At 31 December 2022	1,144	66	1,210
Accumulated:			
At 1 April 2022	583	66	649
Provided during the period	81	—	81
Disposals	(26)	—	(26)
At 31 December 2022	638	66	704
Net book value:			
At 31 December 2022	506	—	506
Net book value:			
At 31 March 2022	498	—	498

continued

9. Investments

	Subsidiary undertakings £000	Unlisted investments carried at fair value £000	Total £000
Cost or valuation:			
At 1 April 2022	46,051	1,161	47,212
Additions	30,000	—	30,000
Transfer to fair value	—	—	—
Disposals	(30,269)	(1,271)	(31,540)
Fair value movement	—	110	110
At 31 December 2022	45,782	—	45,782
Provision:			
At 1 April 2022	1,234	—	1,234
Transfer to fair value	—	—	—
At 31 December 2022	1,234	—	1,234
Net book value:			
At 31 December 2022	44,548	—	44,548
Net book value:			
At 31 March 2022	44,817	1,161	45,978

The Company's indirect 50% interest in two joint venture partnerships is held by Marshall Group Properties Limited. The registered address of the joint venture Hill Marshall LLP is The Power House, Gunpowder Mill, Powdermill Lane, Waltham Abbey, Essex EN9 1BN. The registered address for Hill Marshall (Phase 2) LLP is Airport House, The Airport, Cambridge CB5 8RY.

The Company's direct investments in subsidiary undertakings at 31 December 2022 are shown below.

	Proportion held %	Nominal value £	Ordinary shares No.	Principal activity	Cost £000
Marshall ADG Limited	100%	1.00	14,001,000	Holding company	14,001
MGP Limited	100%	1.00	30,500,000	Property holding	31,734
Marshall Fleet Solutions Limited*	100%	1.00	12,000	Holding company	20
The Cambridge Aero Club Limited (reg no 07019961)*	100%	1.00	5,000	Flying instruction & aircraft charter	17
Marshall Group Properties Limited	100%	1.00	10,000	Farming and property holding	10
Marshall of Cambridge (Engineering) Limited	100%	1.00	100	Dormant	—
					45,782

* Subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the period ended 31 December 2022.

The registered office for the subsidiaries listed above is Airport House, The Airport, Cambridge CB5 8RY.

continued

9. Investments (continued)

Other indirect wholly owned subsidiary undertakings are detailed below:

Name of Undertaking	Country of incorporation	Registered office
Aeroacademy Limited	England and Wales	Cambridge**
Marshall of Cambridge Aerospace Limited	England and Wales	Cambridge**
Marshall Middle East Limited	England and Wales	Cambridge**
Slingsby Holdings Limited	England and Wales	Cambridge**
Marshall Land Systems Limited	England and Wales	Cambridge**
Marshall Aerospace Canada, Inc.	Canada	30470 Approach Drive, Abbotsford, BC V2T 6H5, Canada
Marshall Aerospace Netherlands B.V.	Netherlands	Haagse Schouwweg BM, 2332KG Leiden, Netherlands
Marshall Aerospace and Defence France SAS	France	6 place de la Madeleine 75008 Paris
Marshall Specialist Vehicles Limited (reg no 05976316)*	England and Wales	Cambridge**
Slingsby Advanced Composites Limited	England and Wales	Cambridge**
Marshall Tail Lift Limited	England and Wales	Cambridge**
Marshall Thermo King Limited	England and Wales	Cambridge**
Marshall Norway AS	Norway	Hangarveien 21, 3241 Sandefjord, Norway
Marshall of Cambridge (Airport Properties) Limited	England and Wales	Cambridge**
Marshall USA LLC	USA	1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA

* Subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the period ended 31 December 2022.

** The registered office for these companies is Airport House, The Airport, Cambridge CB5 8RY.

All of the above subsidiaries are included in the consolidated financial statements.

10. Debtors

	31 December 2022 £000	31 March 2022 £000
Amounts falling due within one year		
Trade debtors	42	153
Amounts owed by subsidiary undertakings	108,962	53,488
Corporation tax recoverable	—	326
Other taxes recoverable	—	658
Other debtors	3,026	—
Convertible loan notes	1,079	710
Prepayments and accrued income	1,223	1,406
Deferred tax asset (note 11)	1,698	1,215
	116,030	57,956
Amounts falling due after more than one year		
Convertible loan notes	540	1,183
	540	1,183
	116,570	59,139

Amounts owed by subsidiary undertakings are repayable on demand. Throughout the 9-month period ended 31 December 2022, where amounts relate to the Group treasury arrangement, interest is charged at the Bank of England base rate plus 3%. In the prior period, from 1 January 2021 to 31 December 2021, these amounts were charged at the Bank of England base rate plus 0.25%. From 1 January 2022, interest was charged at the 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 £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.

continued

11. Deferred tax asset

The movement in the deferred tax asset during the period was:

	31 December 2022 £000	31 March 2022 £000
At 1 April 2022/1 January 2022	1,215	1,615
(Charge)/credit to the Consolidated Income Statement for the period	(349)	187
Deferred taxation in Other Comprehensive Income	832	(587)
At 31 December 2022/31 March 2022	1,698	1,215

The deferred tax asset provided in the financial statements comprises as follows:

	31 December 2022 £000	31 March 2022 £000
Accelerated capital allowances	19	24
Defined benefit pension scheme	567	–
Other timing differences	1,112	1,191
	1,698	1,215

The deferred tax credit in the Income Statement comprises as follows:

	31 December 2022 £000	31 March 2022 £000
Origination and reversal of timing differences	(332)	(142)
Rate change	–	255
Adjustments in respect of prior years	(17)	74
	(349)	187

The deferred tax asset not recognised comprises as follows:

	31 December 2022 £000	31 March 2022 £000
Trading losses	324	553

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 2022 these trading losses were £1,295,000 (31 March 2022: £2,212,000).

12. Creditors: amounts falling due within one year

	£000	£000
Bank loans and overdrafts	115	47,389
Trade creditors	902	446
Amounts owed to subsidiary undertakings	64,986	1,481
Other taxation and social security costs	327	–
Accruals and deferred income	4,376	6,207
	70,706	55,523

Amounts owed to subsidiary undertakings are repayable on demand. No interest was paid on amounts owed to subsidiary undertakings during the period. In the prior period, from 1 January 2021 to 31 December 2021, where an amount owed to subsidiary undertakings relates to the Group treasury arrangement, interest was charged at the Bank of England base rate plus 1.0%. No interest was charged on amounts after 1 January 2022.

Details in relation to loans and overdrafts can be found in note 19 of the consolidated financial statements.

continued

13. Creditors: amounts falling due after one than one year

	31 December 2022 £000	31 March 2022 £000
Accruals and deferred income:		
– Other employee benefits	407	1,752
– Other post employment benefits	3,233	2,809
	3,640	4,561

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			
	As restated		As restated	
	31 December 2022 No. '000	31 March 2022 No. '000	31 December 2022 £000	31 March 2022 £000
Ordinary shares of 12.5p each	13,289	13,289	1,661	1,661
Non-voting priority dividend Ordinary NVPO shares of 12.5p each	45,793	45,793	5,724	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 April 2022 / 1 January 2021	1,661	1,726	5,724	5,659
Ordinary shares converted to NVPO shares	–	(65)	–	65
At 31 December 2022 / 31 March 2022	1,661	1,661	5,724	5,724

In the Company financial statements for the year ended 31 March 2022 details of a conversion of Ordinary shares to non-voting priority ordinary ('NVPO') dividend shares was omitted in error. As a result, the number and value of Ordinary shares and NVPO shares was incorrectly stated. These have been restated to be 13,289 and £1,661,000 for Ordinary shares and 45,793 and £5,724,000 for NPVO shares.

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, no Ordinary shares were converted into NVPO shares (March 2022: 522,000).

continued

16. Related parties

	Dividends received from/(to) related party £000	Sales to related party £000	Purchases from related party £000	Amounts due from/(to) related party £000
Entities over which the Group has significant influence				
31 December 2022	–	–	–	–
31 March 2022	–	11	52	–

The above transactions were 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 £21,340,000 (March 2022: £20,595,000).

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

	Purchases from £000	Net interest received/ (paid) £000	As restated Amounts receivable £000	As restated Amounts payable £000
31 December 2022				
Hill Marshall LLP	–	349	32,040	–
Hill Marshall (Phase 2) LLP	–	207	6,646	–
Equiniti Group plc	–	–	–	–
31 March 2022				
Hill Marshall LLP	–	(202)	30,870	(1,386)
Hill Marshall (Phase 2) LLP	–	648	6,439	–
Equiniti Group plc	(17)	–	–	–

As set out in note 29 of the consolidated financial statements, the Directors have reassessed the presentation of deferred consideration and associated gains in relation to the transfer of land to joint ventures. As a result, for the period ended 31 March 2022, the amounts receivable and amounts payable balances with Hill Marshall LLP and Hill Marshall (Phase 2) LLP have been restated.

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 2022, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (March 2022: £nil).

The Directors of the Company are the Company's key management personnel defined by FRS 102.

In the judgment 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. £182,855,000 (March 2022: £39,702,000) of the profit and loss reserve is distributable and £nil (March 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.

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 2022. 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 £19,955,000 (March 2022: £9,596,000) and net liabilities of £12,751,000 (March 2022: £8,916,000).

continued

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 2022 £000	31 March 2022 £000
Within 1 year	14	22
Between 1 and 5 years	10	19
	24	41

20. Capital commitments

	31 December 2022 £000	31 March 2022 £000
Authorised by the Board and contracted but not provided for	—	281

	12 months 31 December 2018 £000	12 months 31 December 2019 £000	12 months 31 December 2020 £000	15 months 31 March 2022 £000	9 months 31 December 2022 £000
Revenue	2,483,942	2,637,961	2,488,114	4,176,104	681,905
Operating profit – as restated ¹	43,667	33,600	37,275	95,192	21,634
Profit on disposal of operations	–	–	–	–	62,239
Share of profit in the year in joint ventures	–	–	428	3,993	3,662
Earnings before interest and tax – as restated ¹	43,667	33,600	37,703	99,185	87,535
Net finance (expenses)/income	(5,710)	(6,413)	(7,243)	(7,245)	2,079
Profit before tax – as restated¹	37,957	27,187	30,460	91,940	89,614
Shown as:					
Profit before separately disclosed exceptional items and tax	36,038	35,159	39,064	100,686	30,219
Separately disclosed exceptional items – as restated¹	1,919	(7,972)	(8,604)	(8,746)	59,395
Taxation – restated ¹	(9,473)	(6,051)	(8,469)	(24,169)	(5,076)
Profit/(loss) after tax – as restated¹	28,484	21,136	21,991	67,771	84,538
Non-controlling interest – as restated ¹	(1,987)	(3,905)	(3,519)	(20,982)	(22,832)
Profit/(loss) for the financial period/year – as restated¹	26,497	17,231	18,472	46,789	61,706
Dividends per ordinary share paid and proposed for the period/year	4.00p	1.00p	7.00p	4.00p	80.00p
Dividends per NVPO share paid and proposed for the period/year	6.00p	3.00p	9.00p	6.00p	82.00p
Dividend cover for ordinary and NVPO shares	7.9	11.0	3.5	14.8	1.2
Underlying earnings per share – as restated ¹	35.9p	35.3p	30.3p	82.9p	40.2p
Net (debt)/funds	(2,397)	(24,943)	12,917	(21,463)	129,343
Movement in net (debt)/funds	(8,314)	(22,546)	37,860	(34,380)	150,806
Capital expenditure, acquisitions, investment and disposals (net)	40,509	73,865	27,167	(86,116)	141,668
Net current (liabilities)/assets – restated ³	(12,931)	(10,071)	(4,583)	(4,447)	191,752
Capital employed – restated²	342,392	356,469	372,627	457,724	312,057
Return on average capital employed – restated²	13.0%	9.6%	10.3%	23.9%	22.7%

¹ In the preparation of the financial statements for the year ended 31 December 2020, certain changes were made leading to the restatement of balances for 2018 and 2019. Details of these prior year adjustments can be found in note 31 of the Annual Report and Accounts for 31 December 2020.

² In the current period, the Group updated its definition of return on capital employed ('ROCE') to be the ratio of earnings before interest in a period, and tax and the average capital employed. The definition of average capital employed was also updated to be calculated as the average of the opening and closing total assets less current liabilities. This change has been brought about to better show the returns generated from the capital used in the business and aligns with more traditional measures of ROCE.

³ During the period, the Directors reassessed the presentation of the deferred consideration and associated gains in relation to the transfer of land to joint ventures. See note 16 for details.

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

Registration details
Registered in England and Wales
Company Number 2051460

Group Company Secretary
Sarah Moynihan

Report and Accounts

Copies of the Report and Accounts will be published on the Group website marshallgroup.co.uk. Printed copies can be requested by writing to the Company Secretary at the registered office or direct by email to the enquiry email address, 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

Share type	Period of payment	Pence per share					Total paid in period
		Reference period					
		2018	2019	2020	March 2022	December 2022	
NVPO	2019	3.00p	3.00p	–	–	–	6.00p
	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
Ordinary	2019	3.00p	1.00p	–	–	–	4.00p
	2020	–	–	4.00p	–	–	4.00p
	March 2022	–	–	3.00p	1.00p	–	4.00p
	December 2022	–	–	–	3.00p	77.00p	80.00p
	2023	–	–	–	–	3.00p	3.00p

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
PriceWaterhouseCoopers LLP

Property advisers

Bidwells
Savills

Solicitors

Bird & Bird
Greenwoods
Mills & Reeve
Travers Smith

Tax advisers

Deloitte LLP

Registered office

Airport House
The Airport
Cambridge
CB5 8RY

Registered number

2051460
marshallgroup.co.uk



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.



Marshall of Cambridge (Holdings) Limited
The Airport Cambridge, CB5 8RY England
+44 (0)1223 373737 marshallgroup.co.uk