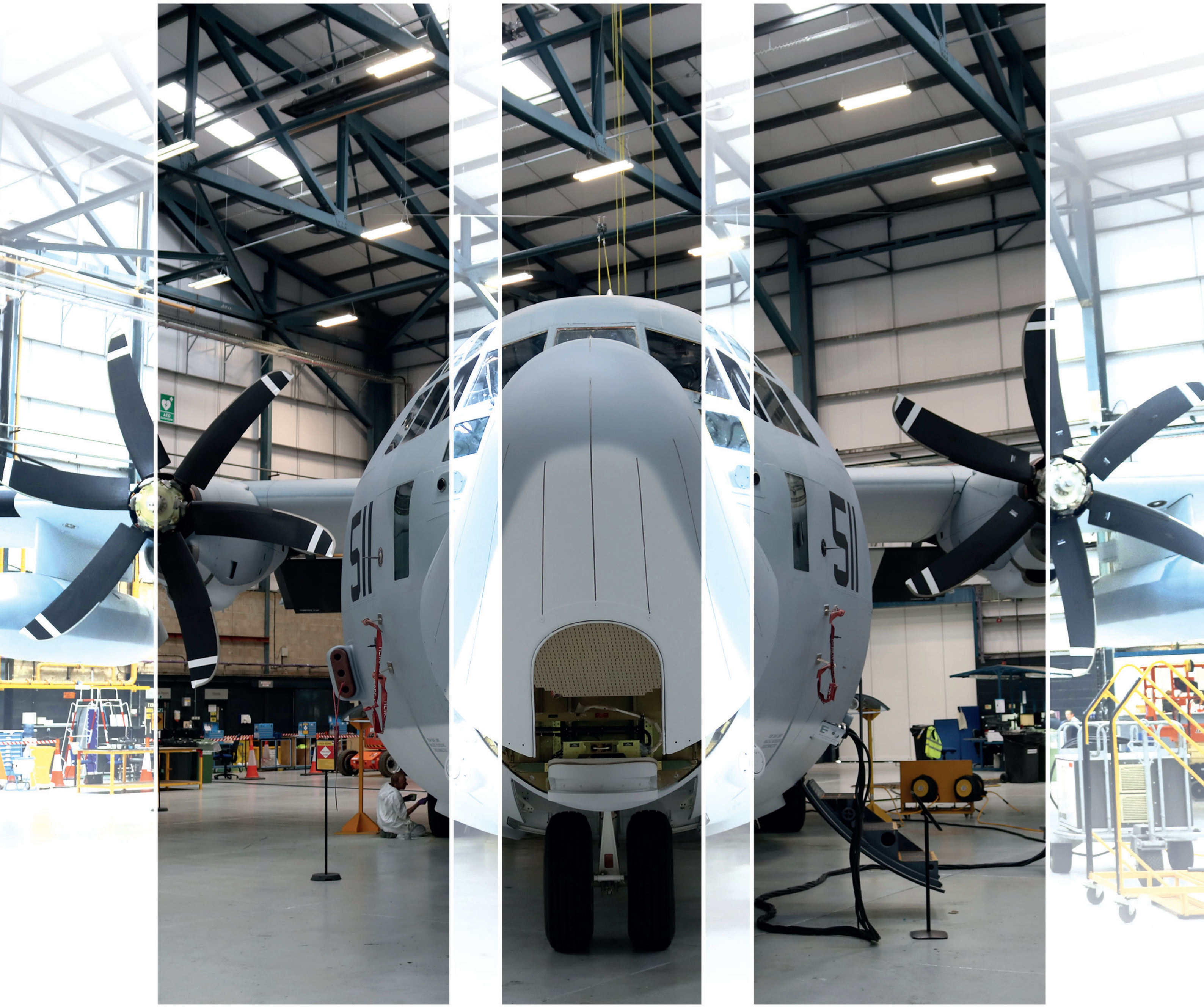
MARSHALL

Building Extraordinary Futures



Marshall of Cambridge (Holdings) Ltd
2023 Interim Report and Accounts

Contents

Headlines

For the six months ended 30 June 2023

Financial Summary

- This interim Report and Accounts covers the six months from 1 January 2023 to 30 June 2023 ("the Period") and excludes the trading results of Marshall Motor Holdings ("MMH"). Following the sale of MMH, the Group has reverted to its traditional 12-month accounting period for 2023.
- Revenue was £176.7 million (H1 2022: £166.4 million).
- Profit before tax was £12.8 million (H1 2022: £8.0 million). Profit before exceptional items and tax was £13.3 million (H1 2022: £7.8 million).
- The HIOS contract amendment for early termination, which compensated the Group for the loss of work and recovery of certain costs, was the dominant profit driver in the Period. Although the contract amendment was to support the business for lost activity over the next two years, the application of UK accounting standards has meant that all revenue and the resulting profit impact had to be taken in the period from the contract amendment agreement (March 2022) to the end of the contract in June 2023.
- The Board intends to pay in respect of 2023 an interim ordinary dividend of 1.0p on the 12.5p Ordinary Shares and the 12.5p Non-Voting Priority Ordinary Shares, together with the annual priority dividend of 2.0p on the 12.5p Non-Voting Priority Ordinary Shares. These dividends will be paid on 10 November 2023 to all shareholders who are on the register as at 20 October 2023.

Operational Highlights

- In Marshall Aerospace, hangar volumes were relatively low as the business approached the end of the HIOS contract in June. Going forward it will take time to replace this profit stream with high-margin maintenance, resale and equipment sales and this work is underway. In the meantime, the work to drive modernisation and efficiency progressed to plan.
- Marshall Land Systems continued to build its strong order pipeline. New programmes have performed to plan. However, financial performance continued to be impacted by major inefficiencies built into some of its larger legacy contracts and this will continue until the legacy contracts become a smaller proportion of total revenue. Despite its significant loss for the Period, the business is evidencing adaptation to the demand to handle high volumes through standardisation and modularisation of products. Plans to relocate to Alconbury by 2025 were confirmed.
- Marshall Fleet Solutions continued to deliver high quality service across all sectors served. The business made good progress in investing in sustainable products to meet market demand, with the acquisition of two FRIGOBLOCK (electrical refrigeration) dealers and the rollout of its 100% solar power Titan system. However, increasing competition in the traditional product market has resulted in reduced margins and lost installation contracts and this will impact the year's outturn.
- Marshall Slingsby Advanced Composites delivered good operational performance again in the first half and reported a 44% increase in revenue, with regular repeat contracts from Lockheed Martin and MBDA underpinning our results.
- Marshall Skills Academy is set to welcome its biggest apprenticeship programme cohort in September. It also announced plans to launch a new 'Earn as you Learn' programme in Canada in partnership with local education institutions and secured provincial government funding towards the project.
- Innovation and new product development remained a key focus. Notably, Aerospace's ARC-Radar product was unveiled, the first of the Marshall Adaptable Role-fit Capability (ARC) family of products in development. Futureworx carried out product trials and demonstrations for Lilypad, its ground-breaking unmanned offshore wind farm inspection system.
- Outline planning permission for the new Aerospace facility at Cranfield, Bedfordshire was granted, paving the way for the relocation of the Aerospace business and the development of Cambridge East. Good progress was made on the 1300-plus home Marleigh development in Cambridge with 37 property sales in the Period, bringing the total over 250, along with the first occupation in Phase 2.

Chairman's Statement

" We are mindful that to return to profitable growth we must invest, particularly in the areas where we have market-leading expertise but no significant investment for many years. We are already seeing a number of short-term as well as longer-term opportunities as we implement our plan. "

Jonathan Flint CBE, Chairman

It has been six months since we put in place our 5-year plan, which I believe is both ambitious and realistic. As part of this plan, our aim is to almost double revenue and improve margins by 2027, transforming the Group through targeted, disciplined and much needed investment to unlock value and deliver higher margins and profitability.

As we execute our plan and transition from an owner managed business, we recognise the importance of good governance and regular shareholder engagement.

Our aim is to keep all shareholders better informed, with disclosure comparable with that of UK-listed companies. We now report to shareholders four times a year, having started with the publication of our Q1 Trading Update in May. As we revert to our traditional 12-month reporting period, we will aim to publish our Annual Report in May. Further trading updates will be published in May (Q1), September (H1) and November (Q3). Equity Development, which provides investment research on Marshall, will increase the frequency of its research to reflect this new timetable, which will be available on the Investor Relations section of the Group's website. The Annual General Meeting and a Shareholder Update Meeting will take place in June and in November respectively. In addition, the Board will continue to regularly engage with Material Shareholders.

In March, we welcomed John Crompton to the Board as a shareholder-appointed non-executive director. He is also a trustee of the five settlement trusts established by Sir Arthur and Lady Marshall, which together form our largest shareholding block. John's background in investment banking, HM Treasury and his corporate finance experience make him a valuable addition to the Board.

We launched our new Asset Match online platform in February 2023. This share-trading platform aggregates NVPO share sale or purchase requests into a single quarterly transition. We are monitoring the performance closely to ensure shareholders and potential investors have the best access to the market that can be provided. Our enhanced communication plan ensures that all prospective buyers and sellers of shares have the same up-to-date, relevant information on which to base their decisions.

Kathy will cover in greater detail the activity in our business units but here I would like to touch on the headline numbers. Revenue for the six months to June 2023 increased by 6% to £176.7 million on the comparable six months to 30 June 2022 and profit before tax increased by 59% to £12.8 million. It is important to note that the Hercules Integrated Operational Support ("HIOS") contract in Aerospace concluded at the end of June and represented a significant element of the profit of the Group, which will not be repeated in future periods. Additionally, we continue to manage the legacy issues from a number of contracts within the Aerospace and Land Systems business units which will take time to unwind.

We are mindful that to return to profitable growth we must invest, particularly in the areas where we have market-leading expertise but no significant investment for many years. We are already seeing a number of

Chairman's Statement (cont.)

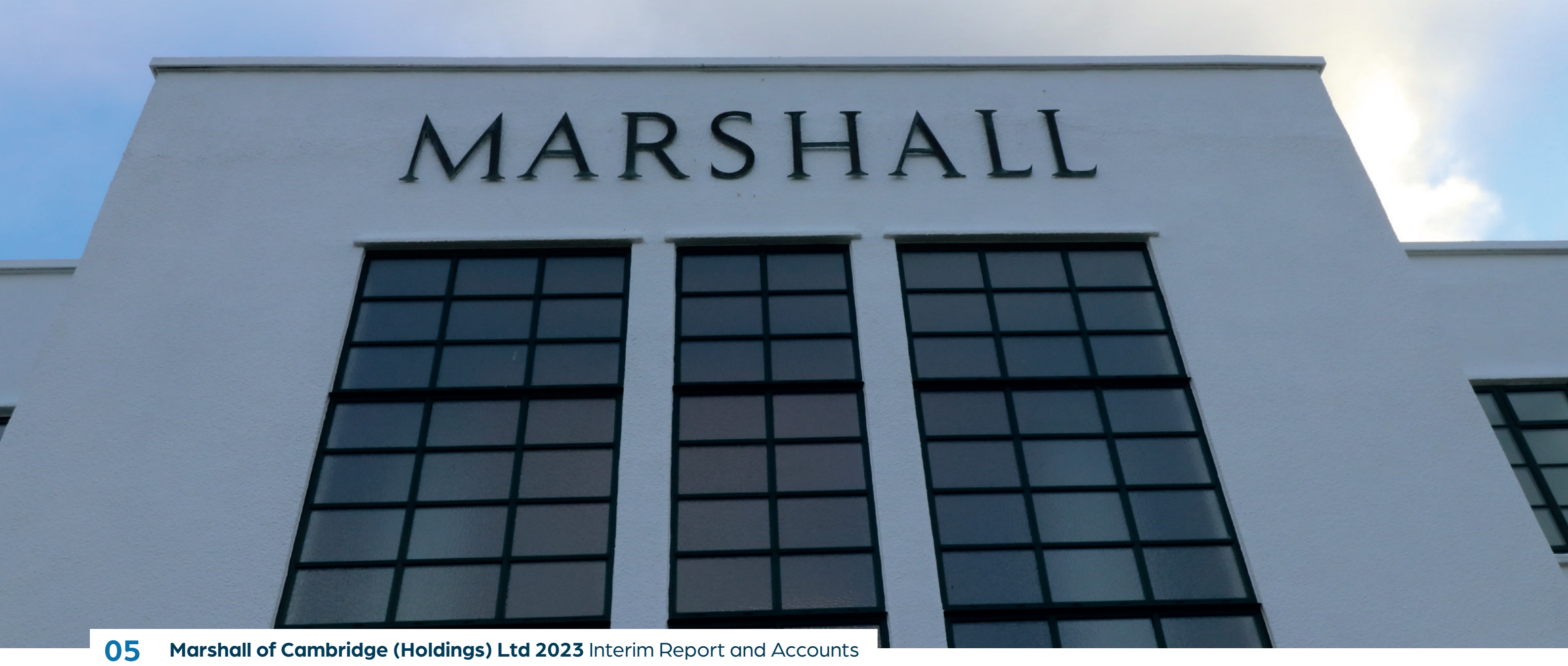
short-term as well as longer-term opportunities as we implement our plan. For example, the proposed move of Marshall Aerospace from Cambridge Airport to Cranfield in Bedfordshire represents the twin opportunities to enhance our Aerospace business in more modern facilities whilst realising the financial benefits from the development of the Cambridge Airport site, working alongside the people of Cambridge to create a complementary urban quarter for the city.

While there is no quick fix, and it will take time for the Group to reap the full benefits of our transformational plan, there are many opportunities ahead and the Board remains confident.

The Board is pleased to confirm its intention to pay an interim ordinary dividend for the year ended 31st December 2023 of 1.0p on the 12.5p Ordinary Shares and the 12.5p Non-Voting Priority Ordinary Shares, together with the annual priority dividend of 2.0p on the 12.5p Non-Voting Priority Ordinary Shares. It is expected that these dividends will be paid on 10 November 2023 to all shareholders who are on the register as at 20 October 2023.

I would like to thank all our colleagues and the Board for their unstinting commitment to growing the business over the coming years.

Jonathan Flint CBE
Chairman
7 September 2023



Chief Executive Officer's Statement

" While challenges persist, our unwavering commitment to innovation and operational discipline underscores our steady course towards growth. "

Kathy Jenkins, Chief Executive Officer

In the first half of 2023 we continued to build on the revived interest in our business with increasing opportunities borne out of our core capabilities. This is in all areas and is a testament to the engineering solutions we have delivered in the last two years. This being said, there is no doubt there is still work to do to secure operational performance. The scale of the modernisation challenge, thrown into sharp relief by the end of HIOS, is more significant than foreseen.

In order to turn around historical under-performance, we will need to embed the operational improvement initiatives which form part of our transformational 5-year plan. As a result, we are in a crucial turnaround phase, characterised as much by exciting new opportunities as by legacy issues we are in the process of unwinding. Already, it is clear the plan we have embarked on will continue to enhance our operational resilience and build new capabilities aimed at fostering profitable long-term growth.

Our financial performance included the contract amendment agreed with the MOD as part of the wind up of the HIOS programme. Consequently, on an underlying basis, we expect to make a single digit loss during the second half of the year (concentrated in Q3), until we secure a resale contract for the UK MOD C-130 aircraft. This was originally planned for the second half of this year, but is now prudently forecast for 2024.

Before elaborating on the early progress made during the first half of this year on our 5-year plan, we have set out specific near term headwinds currently impacting Marshall's financial performance:

- Marshall Aerospace has hangar capacity to fill following the early expiry of the HIOS contract. Whilst we do so, some of this space is being dedicated to the refurbishment of the MOD's C-130 fleet as part of Marshall's principal resale partner role in the reselling of these aircraft. This is currently traded at zero margin until we get more certainty on the selling price achieved by the MOD. It is also important to note that Aerospace continues to develop a good international order pipeline, though the nature of these opportunities, particularly with the US Marine Corps, will give us less month-on-month revenue than the fixed MOD contracts. This emphasises our focus on business winning and we are reinforcing the team to do so.

- Marshall Land Systems continues to face pressure as it delivers on legacy contracts that, despite effective remedial action, will remain unprofitable. We are mitigating the losses and are forecasting an improved position in the second half. It will take some time to turn around these contracts, but there is a plan in place to do so. Meanwhile, the order pipeline is strong, with contracts now being agreed on terms which will produce profitable returns. New business won continues to be delivered profitably.

- In Property, we are mindful of the market backdrop, linked to the high interest rate environment and the cost-of-living crisis in general. We completed 37 property sales in Marleigh during the first half year, in line with our expectations, and our sales pipeline remains robust, with the volume of sales as well as valuations pointing to greater resilience in the Cambridge market compared with the national average.

Chief Executive Officer's Statement (cont.)

- The Marshall Fleet Solutions business has maintained its 'Blue Track Select' (highest level) status in service delivery, creating a market leading reputation. However, intensifying competition on price led to the loss of an important installation contract, whilst fleet management activity margins have been reduced by the increased cost of servicing fixed price contracts. We are working closely with our partner, Thermo King, to respond to these unprecedented market conditions and taking steps to increase efficiencies.

Despite current challenges, we remain confident in the delivery of our 5-year plan which is the first time we have developed a longer term business plan in such depth and detail. This confidence is borne out by the opportunities we now have and the results yielded by modernisation. Our 5-year plan is ambitious, but deliverable and, while it will take time for many of our initiatives to culminate, six months into the plan it is already delivering progress on new capabilities.

Behind the scenes a lot of work has been undertaken to implement our ERP system which will support us in our broader drive for greater efficiencies, particularly helping us better manage our business units' workflows. By optimising processes and harnessing better data and insights captured, we are making informed operational decisions and cutting complexity. Resource has therefore been unlocked and diverted into driving sales, improving margins, and increasing new bid conversion rates.

The result is a Group order book (contracts won not yet delivered) in excess of £490 million and an unweighted new business pipeline (opportunities identified but not yet won) of close to £4 billion, focused on driving revenue growth and margin improvement. A breakdown by business unit is included in the Operating Review but in summary the order book at 30 June 2023 comprises:

Order book at 30 June 23	£million
Aerospace	**215.8**
Land Systems	**210.7**
Fleet Solutions	**43.9**
Advanced Composites	**19.8**
	490.2

In Aerospace, we are reshaping the business and positioning ourselves for opportunities that far exceed the initial scope of the RAF's HIOS programme. Our expanding customer base is testament to our growing capabilities and Marshall Aerospace's contract with the US Marine Corps exemplifies our class-leading approach, leaving us well-positioned for further collaboration which will be made possible in part by our forthcoming new North American facilities.

Land Systems has been restructured to drive further efficiencies. We have invested in people, including scale manufacturing expertise, as we position ourselves for future growth. This business has the strongest potential on orders and the earliest evidence of performance improvements on new programmes.

I am also pleased to highlight the momentum coming from the now profit-making Marshall Slingsby Advanced Composites, following its successful turnaround programme. The business saw an almost 50% increase in revenue, with regular repeat contracts from OEMs such as Lockheed Martin for its composite cockpit panels underpinning our performance, reinforced by other follow-on contracts for composite materials used by navies around the world.

Our commitment to innovation has manifested itself in tangible products, such as the ARC-Radar, which delivers roll-on/roll-off intelligence, surveillance and reconnaissance (ISR) capabilities. This capability provides customers with tremendous flexibility in operation. Having secured CAA certification for our Global 6000 programme in October 2022, this has enabled us to offer our expertise in platform integration to new potential customers and leverage our reputation and ISR capability on the world stage in the first half of this year. I would also like to highlight the achievements coming from Futureworx, our venture-building arm, with products such as its offshore unmanned inspection ecosystem, Lilypad, coming to market after only two years of development.

Chief Executive Officer's Statement (cont.)

The Group's capabilities extend beyond engineering solutions to address a critical skills shortage that hampers the aerospace industry's competitiveness in the UK and beyond. Marshall Skills Academy is up to the task of addressing this problem. We continued to expand this part of our business during the first half of the year as we build our capability as an industry leader in skills development. Not only did we announce plans to launch a Skills Academy in Canada, but we also managed to secure CAD$7 million of funding towards the programme in New Brunswick and we continue to provide global OEMs including Bombardier with access to our skills programme.

All of the transformational initiatives described are vital and necessitate investment and patience. Our focus on R&D, innovation, and skills development is an investment in our future. We aim to commercialise these aspects to reap returns in the coming years. We are also building a team that has the capacity and expertise to deliver on these initiatives, and together we are determined to build a long-term track record worthy of Marshall's heritage.

We continue to underpin our initiatives with our commitment to taking climate action and ensuring a healthy environment for our employees and communities. Each business unit has been embedding Ambition 2030, our sustainability strategy, in its decision-making across innovation and product development, operating practices, sites and facilities.

While challenges persist, our unwavering commitment to innovation and operational discipline underscores our steady course towards growth. We are confidently navigating our strategic roadmap and we will provide further insights during our upcoming investor update presentation and Annual General Meeting in September.

As always, I would like to thank all stakeholders and colleagues for your support.

Kathy Jenkins
Chief Executive Officer
7 September 2023

Operating review

Marshall Aerospace

Marshall Aerospace's financial performance significantly benefited from the HIOS contract amendment to compensate for the loss of work and the recovery of certain costs in respect of the MOD's decision to withdraw the UK's C-130 fleet from service in June 2023. As the HIOS contract concluded at the end of June we had to take all associated revenue with the contract at this point in time, which was ahead of our business plan. Accordingly, total revenue including revenue related to HIOS activity, was £106.9 million (H1 2022: £108.6 million) and profit before exceptional items and tax was £20.0 million (H1 2022: £15.3 million).

To provide greater visibility on the underlying performance, non-HIOS activity has been separately disclosed. This represented £49.5 million of revenue in the Period (H1 2022: £48.9 million) and a loss before exceptional items and tax of £1.2 million (H1 2022: £7.3 million profit).

In 2023 the Aerostructures business relocated from North to South Works, causing a three-month planned disruption to production. As a result, revenue was £4.7m down on H1 2022 and profit was £2.5m down.

Additionally, the US Marine Corps activity was very light in the first half of 2023 compared with 2022 and was £3.5m down in revenue and £1.4m down in profit.

Both Aerostructures and the USMC activity are heavily loaded towards the second half of the year and should recover the full year expected position. The other significant factor influencing the non-HIOS element of the business was the impact of the reducing level of HIOS activity. As a result, Aerospace overheads borne by non-HIOS activity increased by £4.7m. Overhead recoveries in the first half of 2023 were also lower due to these loading factors.

As expected, hangar volumes were relatively low, reflecting reduced work from the RAF for its 15-strong C-130 fleet. The team completed the service of the final aircraft under this contract in February. As the principal partner for the MOD's resale of the C-130 fleet, under a gain share contract, the team is continuing to store aircraft for sale. To this end, the business has hosted a global sales event in Cambridge to support the sale of the fleet, attended by air force representatives from several nations. Nonetheless, the MOD is moving more slowly on the sales process than initially anticipated. It was planned for the second half of 2023, but we are now prudently forecasting in 2024.

Further progress is being made in the delivery of the transformation activity aligned with the 5-year plan. The business had already started to reshape its activities ahead of the retirement of the RAF fleet. During the Period, 11 Maintenance Depot Inspections (MDIs) were completed for the US Marine Corps achieving an impressive turnaround times.

There is an enhanced focus on growing the customer base outside of the UK, notably with the US Marine Corps for its C-130 fleet based in North America, as well as with customers in Europe and the Middle East. This strategy is being supported by the approval for a new facility in the USA to support expansion in North America (operational in 2025), the selection of Abbotsford as the preferred location for the establishment of a maintenance facility in Canada, and an expansion of our business in the Middle East region. However, it will take time for the transformation of the business to be complete and the benefits to become evident.

In March, Marshall Aerospace's leading-edge Adaptable Role-fit Capability (ARC) Radar was unveiled, which allows operators of tactical transport aircraft to outfit their fleet rapidly and temporarily for intelligence, surveillance and reconnaissance (ISR) missions. ARC-radar is the first of several products to soon be rolled out within the Marshall ARC family.

The Aerostructures business moved into its new state-of-the-art production facility in Cambridge, where it produces auxiliary fuel tanks for the P-8 maritime patrol aircraft. In the first half of the year, 48 fuel tanks were delivered. Aerostructures was also awarded Blue Supplier status with Boeing, the OEM's highest supplier accolade.

At the end of June 2023, Aerospace had an order book at £215.8 million and an unweighted order pipeline of £2 billion.

Marshall Land Systems

As anticipated, the overall financial performance of the business continued to be impacted primarily by significant inefficiencies and lower margins built into some of its larger legacy contracts, which combined account for approximately 75% of revenue. In the first half revenue was £31.5 million (H1 2022: £25.9 million) and, as a result of the legacy contracts, loss before exceptional items and tax was £5.3 million (H1 2022: £3.6 million loss). Losses are expected to continue into H2 2023 as the legacy contracts continue to be a significant, albeit reducing, revenue and activity contributor. However, the transformation of the business continues, along with other initiatives to improve longer-term financial performance.

Land Systems is working in partnership with the Dutch Defence Materiel Organisation (DMO) to supply military container systems as part of its Defensiebrede Vervanging Operationele Wielvoertuigen (DVOW) programme. In the Period, the first batch of containers were delivered to DMO as part of the contract to supply military ammunition container systems for the DVOW programme.

The business also successfully completed Nuclear Electro-Magnetic Pulse (NEMP) testing for the DVOW A1 variant, with some market leading Electromagnetic Combatibility attenuation being achieved through these products. The NEMP test replicates the electromagnetic pulse caused by a nuclear explosion and the Land Systems container remained operationally effective after the test. This test completion is a key milestone in bringing a differentiated and proven product to market.

Three of Land Systems' award-winning military CT scanners were handed over to Saab Australia in June, enhancing Australia's deployable health capability.

The transformation of the business will continue into the next financial year as Land Systems continues to reshape its approach and adapt to the changing market dynamics, with the relevance of deployable infrastructure increasing driven by the geopolitical environment. Its approach to the standardisation and modularisation of products should significantly enhance operating margins. For example, the successful prototyping of the 10 ft model has the potential to deliver significant reductions in materials, labour and carbon footprint. Changing market dynamics are giving Land Systems input into the procurement process and approach to help identify the best competitive solution for customers.

The production facility in Moncton, New Brunswick, Canada is progressing on plan. Plans to relocate MLS to Alconbury in Cambridge by 2025 were confirmed. The new 15,000 sqm facility on the former RAF base at Alconbury Weald will accommodate all aspects of its operations, including research, development, manufacturing and customer support and will provide further operational efficiencies and contribute to improving the profitability of the business.

At the end of June 2023, Land Systems had a strong order book of £210.7 million, as recent new business tender conversion rates (win rates) continue to increase and an unweighted order pipeline of around £1.7 billion.

Marshall Group Property

Revenue was £5.7 million (H1 2022: £3.8 million) and profit before exceptional items and tax was £4.6 million (H1 2022: £3.3 million).

Further good progress was made at the 1,300 plus home Marleigh development in Cambridge, in partnership with house-builder Hill Group. A further 37 property sales were completed in the Period, bringing total completions across the entire development to more than 250. The ground floor commercial units have all been let, with the Co-op, a café and a Pilates studio all scheduled to open before the end of 2023.

In Q2, the development reached a milestone of completing the first occupation in phase 2 of the scheme.

The sales pipeline remains robust and plot reservations remained on target at the half year. Nonetheless, the joint venture is mindful of the potential for a slowdown due to mortgage affordability and interest rate raises and is tracking the market sentiment closely, whilst ensuring the supply of finished properties mirrors demand.

Consultation around phase 3 of the development took place and it is anticipated that the planning application will be submitted later this year. This phase would add a further 422 homes to the scheme and would bring a total of 1,390 new homes across the development.

With respect to the promotion of the 460 acres of airport land for the development of Cambridge East, Marshall launched a Cambridge East community engagement programme in June. Several hundred people from across the local community participated in the online and in-person preliminary engagement sessions around the development of a new urban quarter. Whilst there were some understandable concerns about the development's potential impact on existing infrastructure, there was strong agreement that Cambridge needs the additional housing, employment, education, healthcare, culture and leisure facilities, which will be included in the Draft Local Plan when it is published.

In April, outline planning permission for the new Aerospace facility in Cranfield was granted by Central Bedfordshire Council, paving the way for the relocation of Marshall Aerospace's UK headquarters to a new facility at Cranfield University by the end of the decade. This is important for the redevelopment of the Cambridge Airport site.

Marshall Fleet Solutions

While the business continued to make strategic progress, there were setbacks, primarily due to the loss of several installation contracts in complex market conditions. We have, however, been successful in smaller contract wins, including Enterprise, Samworth Brothers, Brakes and DHL. Nevertheless, these will not fully offset the loss of the installation contracts. Furthermore, fleet management margins were reduced by the increased cost of servicing fixed-price contracts and the activity was impacted by the ongoing global shortage of semiconductors. Consequently, revenue for the Period was £30.1 million (H1 2022: £25.8 million) excluding the FRIGOBLOCK acquisitions and a loss before exceptional items and tax of £1.9 million (H1 2022 £1.3 million loss).

We have been working with our franchise partner Trane Technologies, the parent company of both Thermo King and FRIGOBLOCK, to achieve more competitive pricing and along with consolidating and reducing our cost base, we are driving to improve margins across the range of our offerings.

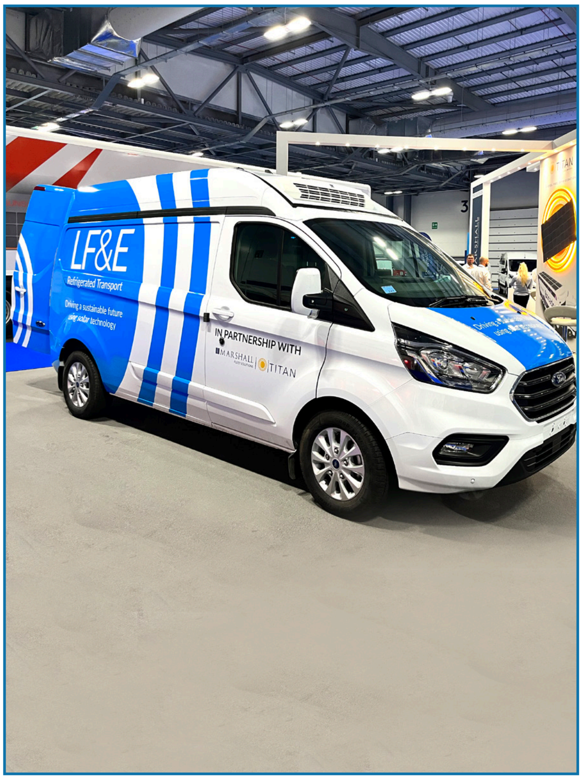
Additionally, we have brought in independent industry expertise to review and advise improvement actions on all aspects of the business and to assist the recovery and transformation programme.

This independent advice has validated all we have done operationally to deliver world-class service, including most latterly the implementation of the group-wide ERP which went live in June. This is expected to be instrumental in achieving major efficiencies in the future. However there is more to be done. In large part, these will be steps taken in conjunction with our partner, Trane Technologies, throughout the remainder of 2023.

Fleet Solutions also made good progress in developing sustainable products and services which help customers meet their climate action targets. In May, it acquired two FRIGOBLOCK dealers which extended the product range into sustainable electric transport refrigeration products. Both businesses are being run as stand-alone operations under their existing leadership teams and are performing in line with expectations, while Marshall takes the time to get to know the teams and learn from them. Our acquisitions also strengthen the strategic relationship with Trane Technologies.

There was also further success in the roll-out of our award-winning 100% solar powered Titan system, which offers cost and environmental benefits including lower fuel usage and reduced noise and emissions. Titan has been adopted by LF&E, a leading refrigerated logistics company operating in the pharmaceutical sector, and online retailer Ocado for its double deck refrigerated trailers. Fleet Solutions continues to work with other customers to trial the system.

The order book at the end of June was £43.9 million.



Marshall Slingsby Advanced Composites

The business continued to perform well and ahead of expectations in the Period following a successful turnaround programme. The ongoing Continuous Improvement programme has made excellent progress, focusing on driving operational efficiencies and development across all aspects of the business. Revenue increased to £6.3 million (H1 2022: £4.3 million) and profit before tax increased to £0.4 million (H1 2022: £0.2 million loss).

Order intake for the first half of 2023 was £8.2 million, including £4.8 million for a further order for CAMM missile launch tubes. The long relationship with Systems Engineering & Assessment helped to secure a follow-on contract to produce lightweight composite torpedo launcher tubes which are used by a number of navies around the world.

Advanced Composites' contract with Lockheed Martin for the production of composite cockpit panels for the C-130 aircraft is on track, with 200 panels delivered at 30 June 2023. Additionally, it was awarded a new equipment order for Rolls Royce .

The roll-out of the business' new ERP system is being implemented in two phases. Phase one, which started on 1 June, is focusing on basic MRP operations. It is anticipated that operational efficiencies from this investment will be realised during phase two, in Q2 2024.

The order book at the end of June was £19.8 million.

Marshall Skills Academy

Marshall Skills Academy continued to expand and build its position as an industry leader in skills development, helping to address the global aerospace and engineering skills shortage, although financial performance was behind expectations. Revenue was £1.4 million (H1 2022: £1.4 million) and loss before exceptional items and tax was £0.2 million (H1 2022: £nil).

In March, the business announced plans to launch a Skills Academy presence in Canada, with an initial suite of apprentice-style "Earn as you Learn" training programmes in partnership with New Brunswick Community College and the University of New Brunswick Saint John. CAD$7 million of funding towards the programme in the province has since been secured.

In April, the inaugural Marshall Skills Summit took place, bringing together senior leaders from the aerospace industry, and representatives from academia and public sector organisations to work on a plan to address the skills gap and fast-track young people into the industry.

Apprenticeship programme applications were at record levels, with more than 380 young people applying to join the programme this year. In September, the biggest cohort to date of more than 70 technical and business apprentices will join the programme at its new workshop in Hangar 22, Cambridge.

In addition to the ongoing delivery of apprenticeships for Marshall Aerospace, Marshall Land Systems and Bombardier, three new participants – Aircraft Restoration Company, Stansted Aerospace, and Titan Airways – will be joining the training programmes for the first time in September.

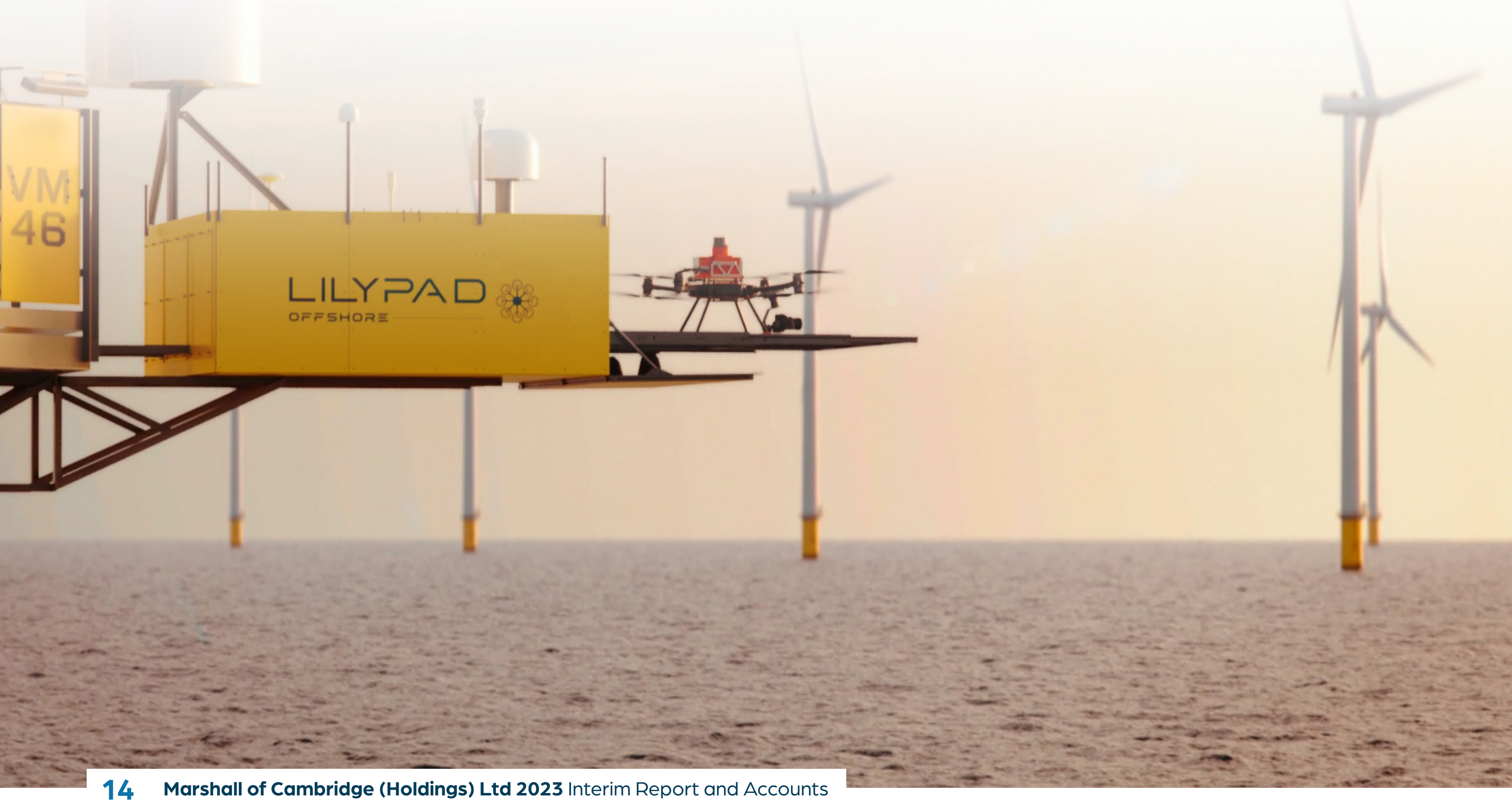
In July, the business announced plans to open a second Skills Academy in the UK in Cranfield, in September 2024, with an initial intake of up to 200 young people.

Futureworx

Futureworx performed as expected as the business continued to invest in a range of next-generation technology-led products and enterprise solutions. In line with the 5-year plan, no revenue has been recognised in the Period (H1 2022 : £nil) with a loss of £1.73 million (H1 2022 : £1.15m) arising from development costs.

Product trials and demonstration are underway for Lilypad, a ground-breaking offshore wind farm inspection system using an ecosystem of resident autonomous uncrewed aerial vehicles. Lilypad is the first Futureworx product to enter the commercialisation phase, which will take place later this year, and has taken just two years to develop. Lilypad's application in wind farm inspections should significantly reduce operators' costs and downtime, with lower carbon emissions than traditional inspection methods. In addition to wind farms, this technology has applications across other industries such as oil and gas, defence and security.

Other products in development include heavy-lift drones, with applications in defence and ports amongst others, and disruptive hydrogen cooling capability, with applications in the automotive refrigeration market and in aerospace.



Financial Performance

Group revenue for the Period was £176.6 million (H1 2022: £166.4 million) with a profit before tax for the Period of £12.8 million (H1 2022: £8.0 million). After adjusting for separately disclosed exceptional items, as highlighted in note 4, the underlying profit was £13.3 million for the first six months of 2023 compared with a profit of £7.8 million for the same period in 2022. The segmental analysis of revenue and profit before tax is shown in note 3.

In the segmental analysis, we have broken down the Aerospace numbers between HIOS and non-HIOS activity, to provide better clarity on activities within this business. As discussed in Aerospace's operating review the contribution from the HIOS activity was significant and the business will need to adjust to the end of this contract.

The Group ended the half year with consolidated net cash (including short-term deposits included as investments) of £80.1 million (closing net cash as at 31 December 2022 was £131.3 million).

This movement in cash balances was driven by:

- An increase in working capital of £44.8 million, reflecting the significant reduction in customer advance payments in Aerospace as expected, the impact of the end of the HIOS contract, an increase in debtors in Land Systems with a build-up of sales in the major legacy contracts (which is expected to unwind in 2024), and a reduction in the deferred receivable on Land North of Cherry Hinton.

- Our continued investment programme including £3.9 million on the FRIGOBLOCK acquisitions, £3.5 million invested in our North Works relocation activities, an initial £1.7 million on Land Systems' production facility in Canada, £1.7 million on IFS rollout in MFS and cyber security across the Group and a further £1.3 million on Cambridge East planning application preparation.

In the first year of the 5-year transformation plan, good progress has been made in positioning the Group's businesses to benefit from the market environment and growth opportunities as highlighted by the Group's combined order book of more than £490 million.

Looking ahead

When looking ahead however, we cannot ignore the fact that the key revenue and profit driver for the Group in the first half was related to HIOS activity which will not be repeated in subsequent periods. The business mix in Aerospace will evolve and the timing of revenue will be less predictable than for the HIOS contract, particularly as we continue to build new revenue during our transition. The make up of revenue in the second half of the year will be quite different to the first, with additional Aerostructures and US Marine Corps activity partly replacing the HIOS revenues in the first six months. As a result, we expect a single digit £million loss for the second half of the year. This is on the assumption that the UK C-130 fleet resale is not secured until 2024.

Looking further ahead, we are developing a strong order pipeline of profitable higher-margin projects as we continue to cement our long-established relationships whilst building new ones with governments and customers internationally. The unweighted order pipeline for the Group amounts to close to £4.0 billion with approximately £2 billion for Aerospace and £1.7 billion for Land Systems, but as ever the timing of many of these opportunities remains uncertain; however we continue to strengthen our business winning capabilities to help secure these contracts.

We have a great heritage, but in the short term we must address past failures whilst laying the foundations for a stronger future.

Risk and Uncertainties

The Group's performance over the remaining six months of the financial year may be impacted by several potential risks and uncertainties which could influence the actual result. These include further changes to the economic environment, the potential impact this has on house sales, the geopolitical uncertainty and resulting supply chain issues caused by the conflict in Eastern Europe, any significant delays in our most challenging projects and potential delays to key new order receipts. Looking further ahead, a potential change in government in the USA could also affect potential defence sales coming out of the USA.

Overall, however, the Directors do not consider that the underlying principal risks and uncertainties have materially changed since the review and approval of the principal risks and uncertainties in the draft Report and Accounts for the 9 months ended 31 December 2022.

Kathy Jenkins
Chief Executive Officer
7 September 2023

Doug Baxter
Chief Financial Officer
7 September 2023

Consolidated Income Statement

for the six months ended 30 June 2023

	Notes	**6 months 30 June 2023 (unaudited) £'000**	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Revenue	3	**176,734**	166,407	368,693
Cost of sales		**(118,967)**	(121,142)	(244,982)
Gross profit		**57,767**	45,265	123,711
Net operating expenses		**(51,933)**	(40,773)	(107,572)
Other income	5	**1,682**	777	3,007
Group operating profit	6	**7,516**	5,269	19,146
Share of profit in the year in joint ventures		**2,390**	1,434	4,531
Net finance income	7	**2,851**	1,311	3,719
Profit before taxation	3	**12,757**	8,014	27,396
Analysed as:				
Profit before exceptional items and tax	3	**13,317**	7,800	28,102
Separately disclosed exceptional items	4	**(560)**	214	(706)
Taxation charge on profit		**(2,998)**	(1,603)	(5,840)
Profit after taxation		**9,759**	6,411	21,556
Basic and diluted earnings per share		**15.9 p**	10.2 p	35.2p
Basic and diluted earnings before separately disclosed exceptional items per share		**16.6 p**	9.9 p	36.4p

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2023

	Notes	**6 months 30 June 2023 (unaudited) £'000**	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Profit after taxation		**9,759**	6,411	21,556
Exchange differences on re-translation of subsidiary undertakings		**-**	-	23
Fair value profit / (loss) on cash flow hedges		**1,499**	(7,876)	(7,496)
Taxation on cash flow hedges		**(375)**	1,969	1,874
Actuarial loss on defined benefit pension scheme	11	**-**	-	(3,330)
Deferred tax relating to defined benefit pension scheme		**-**	-	832
Other movements		**-**	-	1,947
Total other comprehensive income/(expense)		**1,124**	(5,907)	(6,150)
Total comprehensive income		**10,883**	504	15,406

Consolidated Balance Sheet

as at 30 June 2023

	Notes	**30 June 2023 (unaudited) £'000**	30 June 2022 (unaudited) £'000	31 December 2022 (unaudited) £'000
Fixed assets				
Intangible assets		**17,312**	12,353	15,224
Tangible assets		**105,638**	93,054	96,998
Investments		**10,473**	5,765	8,083
Total fixed assets		**133,423**	111,172	120,305
Current assets				
Stocks and work-in-progress		**40,803**	38,226	34,200
Debtors - Amounts falling due within one year		**133,357**	90,403	108,332
- Amounts falling due after more than one year		**33,178**	40,232	54,927
Investments*		**40,000**	-	45,000
Cash at bank and in hand	10	**40,135**	243,613	86,331
		287,473	412,474	328,790
Creditors: amounts falling due within one year				
Bank loans and overdrafts	10	**-**	(1,874)	(1,988)
Other creditors		**(101,412)**	(179,366)	(135,050)
		(101,412)	(181,240)	(137,038)
Net current assets		**186,061**	231,234	191,752
Total assets less current assets		**319,484**	324,406	312,057
Creditors: amounts falling due after more than one year				
Other loans		**(777)**	-	-
Other creditors		**(20,722)**	(23,439)	(23,338)
		(21,499)	(23,439)	(23,338)
Provision for liabilities		**(13,194)**	(13,672)	(14,440)
Net assets before pension liability		**284,790**	305,295	274,279
Pension liability	11	**(2,268)**	-	(2,268)
Net assets		**282,522**	**305,295**	**272,011**
Capital and reserves				
Called up share capital		**15,785**	15,785	15,785
Share premium account		**611**	611	611
Capital redemption reserve		**130**	130	130
Cash flow hedge reserve		**(189)**	(1,598)	(1,313)
Profit and loss account		**266,185**	290,367	256,798
Shareholders' funds and total capital employed		**282,522**	**305,295**	**272,011**

* Current asset investments are short term cash deposits

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000
Balance at 31 December 2022		15,785	611	130	(1,313)	256,798	272,011
Total comprehensive income for the period		-	-	-	1,124	9,759	10,883
Equity dividends paid	8	-	-	-	-	(372)	(372)
Balance at 30 June 2023		**15,785**	**611**	**130**	**(189)**	**266,185**	**282,522**

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000
Balance at 31 December 2021		15,785	611	130	4,309	115,629	136,464
Total comprehensive expense for the period		-	-	-	(5,907)	6,411	504
Equity dividends paid	8	-	-	-	-	(372)	(372)
Profit on sale of Marshall Motor Holdings*		-	-	-	-	168,699	168,699
Balance at 30 June 2022		**15,785**	**611**	**130**	**(1,598)**	**290,367**	**305,295**

* Profit on sale of Marshall Motor Holdings ('MMH') is shown as the increase in the Group's reserves to June 2022. This will differ to the profit shown in the Group audited consolidated results to 31 December 2022 because these interim results and the 12 month Operating Review to 31 December 2022 have been prepared as though MMH was not part of the Group. As a result, up to the point of disposal, MMH has been included at its historic investment cost. The entity level profit on disposal for the interim results is therefore the net proceeds received by the Group, less MMH's historic investment cost. The audited profit contained within the Group's statutory accounts to 31 December 2022 will be the net disposal proceeds received by all MMH's shareholders, less the net assets of MMH at disposal.

Consolidated Statement of Cash Flows

for the six months ended 30 June 2023

	Notes	**6 months 30 June 2023 (unaudited) £'000**	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Net cash (outflow)/inflow from operating activities		**(35,642)**	89,025	29,847
Investing activities				
Interest received		**2,240**	426	3,976
Payments to acquire intangible assets		**(1,415)**	(1,719)	(5,436)
Payments to acquire tangible assets and investments		**(10,792)**	(7,359)	(16,909)
Receipts from sales of fixed assets and investments		**-**	4,700	11,838
Receipts from sales of businesses / subsidiaries		**-**	198,967	198,967
Acquisition of businesses		**(3,851)**	-	-
Net cash (outflow)/inflow from investing activities		**(13,818)**	195,015	192,436
Financing activities				
Bank and other interest paid		**(153)**	(884)	(2,855)
Dividends paid to preference shareholders	8	**(372)**	(372)	(744)
Equity dividends paid	8	**-**	-	(48,182)
Proceeds from loans and borrowings		**777**	-	-
Repayment of borrowings		**-**	(42,860)	(42,860)
Repayment of overdrafts		**(1,988)**	-	-
Net cash outflow from financing activities		**(1,736)**	(44,116)	(94,641)
(Decrease)/increase in cash and cash equivalents		**(51,196)**	239,924	127,642
Cash balance at start of period		**131,331**	3,689	3,689
(Decrease)/increase in cash and cash equivalents		**(51,196)**	239,924	127,642
Cash and cash equivalents at the period end		**80,135**	243,613	131,331
Cash and cash equivalents consist of:				
Cash at bank and in hand		**40,135**	**243,613**	86,331
Investments: short term deposits		**40,000**	**-**	45,000
Cash and cash equivalents at the period end:		**80,135**	243,613	131,331

Notes to the Interim Accounts

for the six months ended 30 June 2023

1. Accounting policies

The Group has applied the same accounting policies and methods of computation in its Interim Report and Accounts as in its 2022 Report and Accounts.

(a) Basis of Preparation

Except for the consolidation of Marshall Motor Holdings plc (MMH) in the comparative results, these unaudited statements have been prepared in compliance with applicable UK accounting standards.

Due to MMH's change in reporting date, MMH did not prepare statutory accounts for the period ended 31 December 2021 and no audit was undertaken. As a result, the Group changed its reporting date to 31 March to align to MMH's and reported results for the 15 month period to 31 March 2022. Upon the sale of MMH, the Group has changed its accounting reference date back to 31 December and has prepared results for the 9 month period to 31 December 2022. These resuts are currently being audited. Due to these changes to accounting periods, the comparative information for the 12 month period ended 31 December 2022 included in this interim report is not subject to a statutory audit and will remain unaudited.

(b) Going Concern

The directors have adopted the going concern basis in preparing the financial statements. In forming this opinion the directors have prepared a formal group going concern assessment, including the impact of certain reasonably possible adverse scenarios, which concludes the group is forecast to be able to meet its liabilities as they fall due for the relevant going concern period.

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 going concern for at least 12 months from the approval of these financial statements.

2. Significant Events and Transactions

The significant events and transactions which have occurred since 31 December 2022 and relate to the Group's Interim Accounts for the six months ended 30 June 2023 are summarised as follows:

(a) Business acquisitions

On 4 May 2023 Marshall Fleet Solutions acquired two UK dealers in vehicle refrigeration products. The results from these dealerships were consolidated from the date of acquisition. For the period from acquisition to 30 June 2023 the revenues and profit before tax generated by these businesses were immaterial in the context of the Group's revenues and profit before tax.

(b) HIOS price adjustment

During 2022 the Group agreed a contract price adjustment in relation to the retirement of the UK's 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 judgment associated with this allocation.

Notes to the Interim Accounts

for the six months ended 30 June 2023

3. Segmental Analysis

Revenue

	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Aerospace - HIOS	**57,392**	59,629	147,894
Aerospace - Non HIOS	**49,481**	48,947	105,034
Land Systems	**31,454**	25,853	55,875
Group Properties	**5,712**	3,814	7,579
Fleet Solutions	**30,052**	27,439	51,621
Slingsby Advanced Composites	**6,268**	4,341	10,167
Skills Academy	**1,375**	1,410	2,731
Futureworx	**-**	-	-
Other	**269**	305	648
Internal sales	**(5,269)**	(5,331)	(12,856)
Total	**176,734**	166,407	368,693

Profit/(loss) before tax

	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Aerospace - HIOS	**20,992**	7,567	42,731
Aerospace - Non HIOS	**(1,382)**	7,110	(24)
Land Systems	**(5,256)**	(3,745)	(15,328)
Group Properties	**4,600**	4,207	12,334
Fleet Solutions	**(1,963)**	(1,266)	(2,448)
Slingsby Advanced Composites	**445**	(214)	506
Skills Academy	**(311)**	71	(108)
Futureworx	**(1,731)**	(1,150)	(2,502)
Unallocated central costs	**(2,637)**	(4,566)	(7,765)
Total	**12,757**	8,014	27,396

Profit/(loss) before exceptional items and tax

	6 months 30 June 2023 £'000 (unaudited) £'000	6 months 30 June 2022 £'000 (unaudited) £'000	12 months 31 December 2022 £'000 (unaudited) £'000
Aerospace - HIOS	**21,175**	7,977	43,473
Aerospace - Non HIOS	**(1,163)**	7,328	478
Land Systems	**(5,256)**	(3,647)	(14,957)
Group Properties	**4,600**	3,267	11,394
Fleet Solutions	**(1,940)**	(1,266)	(2,448)
Slingsby Advanced Composites	**445**	(214)	506
Skills Academy	**(220)**	71	(108)
Futureworx	**(1,731)**	(1,150)	(2,502)
Unallocated central costs	**(2,593)**	(4,566)	(7,734)
Total	**13,317**	7,800	28,102

Notes to the Interim Accounts
for the six months ended 30 June 2023

4. Separately disclosed exceptional items	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Profit before exceptional items	**13,317**	**7,800**	**28,102**
Restructuring costs	**(560)**	(726)	(1,646)
Profit and present value adjustments on the disposal of property	**-**	940	940
Separately disclosed exceptional items	**(560)**	214	(706)
Profit before tax	**12,757**	**8,014**	**27,396**

5. Other income	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Research and development expenditure tax credit	**-**	-	646
Rent received	**23**	5	31
Deferred land profit	**1,619**	722	2,256
Trademark licence income	**40**	50	74
Other income	**1,682**	777	3,007

6. Operating profit / (loss)	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Operating profit / (loss) is after charging / (crediting):			
Depreciation and impairment of tangible assets	**3,621**	3,824	9,764
Amortisation and impairment of goodwill and intangible assets	**1,255**	1,338	2,569
Gain on revaluation of investment properties	**-**	-	(3,036)
Gain on revaluation of investments	**-**	(152)	(152)

Notes to the Interim Accounts
for the six months ended 30 June 2023

7. Net finance income / (charges)	**6 months 30 June 2023 (unaudited) £'000**	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Bank interest receivable	**2,240**	426	3,976
Interest receivable from joint ventures	**332**	409	781
Unwind of discounting	**432**	516	973
Bank loans and overdrafts - interest and charges	**(153)**	(884)	(2,855)
Interest payable to joint ventures	**-**	(96)	(96)
Present value adjustment - deferred receivable on land sale	**-**	940	940
Net finance income	**2,851**	1,311	3,719

8. Dividends

	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Dividends on Ordinary shares			
In respect of 2021 - Interim of 3.00p per share	**-**	-	399
In respect of 2022 - Special dividend of 76.00p per share	**-**	-	10,100
In respect of 2022 - Interim of 1.00p per share			133
	-	**-**	10,632
Dividends on NVPO shares			
In respect of 2021 - Interim of 3.00p per share	**-**	-	1,374
In respect of 2022 - Special dividend of 76.00p per share	**-**	-	34,802
In respect of 2022 - Interim of 3.00p per share			1,374
	-	**-**	37,550
Dividends on preference shares			
A preference shares (2022 - 8.00p)	192	192	384
B preference shares (2022 - 10.00p)	180	180	360
	372	372	744
Aggregate dividends declared and paid	**372**	372	48,926

No final dividend has been declared in respect of 2022. A second interim dividend in respect of 2022 of 3.00p per Ordinary share and 3.00p per NVPO share, amounting to £1,772,000 was paid on 14 July 2023.

Notes to the Interim Accounts

for the six months ended 30 June 2023

9. Reconciliation of profit to net cash inflow / (outflow) from operating profit

	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Profit before tax	**12,757**	8,014	27,396
Loss on disposal of land and buildings	**-**	-	12
Share of profit for the year in joint ventures	**(2,390)**	(1,434)	(4,531)
Deferred land profit	**(1,619)**	(722)	(2,256)
Gain on investment properties at fair value through profit and loss	**-**	-	(3,036)
Gain on investments at fair value through profit and loss	**-**	(152)	(152)
Net finance charges	**(2,851)**	(1,311)	(3,719)
Foreign exchange movement	**1**	**-**	15
Depreciation and impairment of tangible fixed assets	**3,621**	3,824	9,764
Amortisation and impairment of intangible fixed assets	**1,255**	1,338	2,569
R&D tax claim	**-**	-	(646)
Increase in stocks	**(3,298)**	(10,241)	(6,215)
Decrease/(increase) in debtors	**1,278**	7,477	(3,523)
(Decrease)/increase in provisions	**(1,621)**	(7,443)	1,362
(Decrease)/increase in creditors	**(41,175)**	94,137	18,169
Pension funding	**-**	-	(4,317)
UK and overseas corporation tax paid	**(1,600)**	(4,462)	(1,045)
Net cash (outflow) / inflow from operating activities	**(35,642)**	89,025	29,847

10. Net Debt Reconciliation

	6 months 30 June 2023 (unaudited) £'000	6 months 30 June 2022 (unaudited) £'000	12 months 31 December 2022 (unaudited) £'000
Cash at bank and in hand	**40,135**	243,613	86,331
Short term deposits	**40,000**	-	45,000
	80,135	243,613	131,331
Bank overdrafts due in less than one year	**-**	(1,874)	(1,988)
Net cash and cash equivalents at end of period	**80,135**	**241,739**	**129,343**

11. Pension

The valuation of the defined benefit section of the Marshall Group Executive Plan under FRS102 has been based on the actuarial valuation, performed by Buck Consultants, as at 31 December 2022.

MARSHALL

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