Marshall

Marshall of Cambridge (Holdings) Ltd

INTERIM FINANCIAL STATEMENTS

Six months ended 30th June 2016

HEADLINES

For six months ended 30th June 2016

- Turnover up 23.7%
- UK GAAP operating profit just above break even
- Adjusted operating profit up 34.4% (see note 3)
- Maintained interim dividend at 1.00p for ordinary shares and 3.00p for NVPO shares
- Marshall Motor Holdings plc acquires Ridgeway for £109m
- Marshall Aerospace and Defence Group receives Queen's Award for Enterprise: International Trade
- Local authorities approve resolution to grant planning permission on Wing
- Increased NVPO share price
- Sir Michael Marshall confirmed as President from 1st October 2016 and Alex Dorrian CBE appointed as Chairman

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ORGANISATIONAL STRUCTURE

Marshall

Marshall of Cambridge

Marshall Aerospace and Defence Group

Military Aerospace
Civil Aerospace
Aviation Services
Land Systems
Advanced Composites
Aerostructures
Major Projects

The business is a service provider to a range of customers in military and commercial markets in the air, land and sea domains. There are seven primary business streams, supported by central functional support departments and Cambridge Airport.

Marshall Group Properties

Quorum
Wing and North Works
Land North of Cherry Hinton
Airfield and Airside Properties

The property business holds and rents out both investment properties and properties used in the business of other Group companies, sited in Cambridge. The property business is also progressing two major development projects: Wing and Land North of Cherry Hinton.

Marshall Group Finance

Marshall Motor Holdings plc
Marshall Fleet Solutions
Martlet and Marquity

As an operating entity within the company, Marshall Group Finance (MGF) aims to be profit and cash generative, through the active management of its assets and investments. Under the new structure, MGF will control the treasury functions for the Group.

Integrity | Customers | People | Innovation

CONTENTS

CHAIRMAN'S STATEMENT

I am immensely proud to have taken on the role of Chairman of the Marshall Group, which is so highly respected across the globe in all of its business segments. I look forward to leading the continued growth and development of the Group, whilst remaining committed to the values which have been embedded in the business for so long.

I would like to take this opportunity of thanking Sir Michael for the commitment and leadership that he showed during his 27 years as Chairman. In his new role as President he will, I am sure, continue to be an outstanding ambassador for Marshall locally, nationally and internationally.

Whilst there is a great deal to be upbeat and excited about across the Group, there are some challenges with some of our projects and business units which will have an impact on our profitability in 2016.

Marshall Aerospace and Defence Group (MADG) has seen good progress in the Land Systems and Aerostructures business units and there has been rapid growth in the re-established civil aircraft business. Our successful Military Aircraft division is currently working with ten separate national air forces in support of their C-130 Hercules aircraft. This year we have celebrated the 50th anniversary of the important C-130 relationship between Marshall, the Royal Air Force and Lockheed Martin. MADG is also delighted to have received a second Queen's Award, this time in the International Trade section. Regrettably however, we have seen some slippage in one of our largest and most complex programmes, resulting in the recognition of a £7m loss provision against the project.

Marshall Group Properties was delighted with the news in April that the Joint Development Control Committee had passed a resolution to grant planning permission for the proposed Wing development on land we own to the north of Newmarket Road in Cambridge. This exciting development will eventually deliver around 1,300 much needed homes, together with a primary school, business and retail units, and leisure facilities. We are now working closely with the various stakeholders to finalise the legal detailed agreements linked to the grant of planning permission.

Marshall Motor Holdings plc (MMH) has had a strong first half of 2016 and in May announced the acquisition of Ridgeway, a large privately-owned group with 31 dealerships across the south of England. MMH is now the 7th largest dealer group in the UK, with 103 franchised dealerships and over 4,000 employees.

The Group's net debt position at 30th June 2016 was £19.2m, which compares with a net cash balance at 31st December 2015 of £53.1m. The change is due to the significant acquisition of Ridgeway by MMH and, in MADG, the effect of advance payments from the customer on a major contract reducing during the period and the new terms of the MoD C-130 contract.

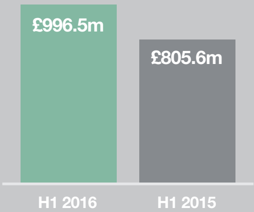
Although the reported profit for this year will be below the level achieved in the prior period, next year we expect profitability in MADG to recover and in subsequent years income will begin to flow from our property development initiatives. Therefore, we will maintain the interim dividend at 1.00p per share for both Ordinary and NVPO shares, and pay the priority dividend of 2.00p on the NVPO shares. This will be paid on 16th December 2016 to all shareholders on the register at 25th November 2016.

Alex Dorrian CBE
25th October, 2016

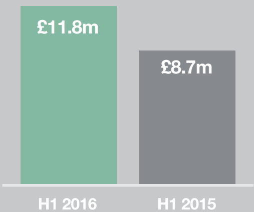
OPERATIONAL AND FINANCIAL PERFORMANCE

Key Performance Indicators

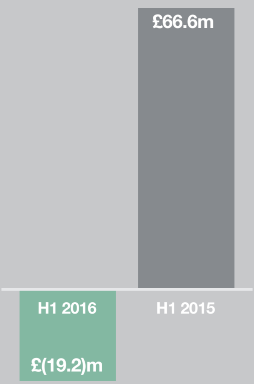
Turnover



Adjusted Operating Profit



Adjusted (net debt) / cash



Group turnover was up 23.7% to just under £1.0bn with good underlying organic growth, assisted by the benefit of the MMH acquisitions of S.G. Smith in November 2015 and Ridgeway in May 2016. FRS102 reported results show a break even position; adjusted for separately disclosed items, as highlighted in note 3, operating profit was £11.8m for the first six months of 2016, compared with £8.7m for the same period in 2015. As a result of funding the Ridgeway acquisition in MMH, the Group ended the half year with a consolidated adjusted net debt of £19.2m.

Aerospace and Defence (MADG)
The 2016 reported operating loss has increased compared with the 2015 half year position. The core C-130 business continues to perform strongly, meeting the challenges of the new pricing period agreed with the UK MoD and growing with overseas customers.

Similarly, the Land Systems and Aerostructures businesses have also performed above expectations in the first half year, whilst the Civil business has achieved sales growth of 28.9% as the strategy to balance the mix of civil and military business is implemented.

Market conditions, however, have continued to worsen for Aviation Services, and operational issues at Advanced Composites and in one major programme have had a materially negative impact on results. MADG will, therefore, report further losses in the second half of 2016, the quantum being dependent upon a number of sensitivities, particularly in these areas.

Order intake for the year is in line with the Board's expectations whilst longer term opportunities arising from the Strategic Defence Spending Review, published in 2015, are much improved.

Property
Following the resolution to grant planning permission for the Wing project, received in April 2016, work continues to negotiate the final agreement and achieve an outline planning approval before the end of the year.

"It is a great honour to have won a 2016 Queen's Award for Enterprise in International Trade and to be recognised for our role in the export of the UK's engineering capabilities, in the commercial and military aerospace sector."

Steve Fitz-Gerald
CEO – Marshall Aerospace and Defence Group

THE QUEEN'S AWARDS FOR ENTERPRISE
INNOVATION
2013

THE QUEEN'S AWARDS FOR ENTERPRISE:
INTERNATIONAL TRADE
2016

In addition to the Wing development, collaboration agreements have been negotiated with a local land owner to apply for planning permission to develop land to the north of Cherry Hinton (LNCH). An outline planning application is due to be submitted in 2017 for the development of approximately 1,200 new homes, of which around 700 will be on Marshall land.

The former Peugeot dealership and associated petrol filling station in Cambridge were demolished during the first half of 2016. A lease has been signed with BP, and construction has commenced of a new facility, including an M&S Simply Food outlet. These new facilities on Newmarket Road are likely to open before the year end.

Group Finance
MMH interim results reported a revenue increase of 30.7% to £826.4m and record profitability from both retail and leasing segments. As well as growth through acquisition, like-for-like volumes of new vehicles (3.2%), used vehicles (0.9%) and aftersales revenues (6.3%) were all up on 2015. The strategic acquisition of Ridgeway, completed in May 2016 for £109m, extended the geographical spread of MMH and strengthened relationships with key brand partners. A new three year committed, unsecured £120m revolving credit facility has been signed, which means the enlarged MMH remains well positioned to execute its growth strategy moving forward.

Marshall Fleet Solutions (MFS) has had a difficult start to 2016 as exchange rate movements and lower volumes reduced gross profits. As the year progresses, market conditions remain difficult, therefore MFS will report further deterioration in the second half.

The Martlet early stage finance portfolio realised a positive return from the sale of its investment in Cambridge CMOS Sensors Limited and made three new investments in the first half of 2016.

Outlook
It remains too early to assess the extent of any long term impact of the UK's decision on 23rd June, 2016 to leave the European Union. The Board, however, continues to monitor the position closely.

MADG has a number of short-term operational challenges to resolve, especially the delivery of the critical phases of one major project. Excluding the MOD long term contract for the C-130 fleet, the order book stood at £188.8m, an increase of 3.3% from the year end position and is further supported by a number of pipeline opportunities across the business. Progress is being made on securing the opportunities made available by the 2015 Strategic Defence Spending Review.

Within MMH, the strategic acquisitions of Ridgeway and S.G. Smith leave the business well positioned for further long term growth. Whilst it is right to remain cautious given wider economic uncertainties, the business remains well positioned to execute its growth strategy moving forward and the outlook for the full year remains unchanged.

The Board remains committed to increasing shareholder value, through operational improvements and selective acquisitions, which are in line with the Group's strategic growth aspirations. Near term, however, reported profit for the current year will be materially lower than the prior year.

RISKS AND UNCERTAINTIES

The Group's performance over the remaining six months of the financial year may be impacted materially by a number of potential risks and uncertainties which could have an effect on the actual results. These include: a decline in the general economic environment, budgetary pressures on UK and overseas military customers which might lead to a reduction in orders, and progress on one major programme.

Other than the inclusion of the unknown impact of the UK's decision to leave the European Union, the Directors do not consider that the underlying principal risks and uncertainties have materially changed since the publication of the annual report for the year ended 31st December, 2015.

Marshall Motor Group
- 24 brands
- 103 locations

Pictured:
Ridgeway Volkswagen, Oxford

CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June 2016

	Note	**Six months ended 30th June 2016 (unaudited) £000**	Six months ended 30th June 2015 (unaudited) £000	Year ended 31st Dec 2015 (audited) £000
GROUP TURNOVER: continuing operations	2	**996,514**	805,583	1,585,732
Cost of sales		**(841,715)**	(669,652)	(1,314,531)
GROSS PROFIT		**154,799**	135,931	271,201
Administrative expenses and other operating income		**(154,680)**	(128,953)	(248,504)
GROUP OPERATING PROFIT	3	**119**	6,978	22,697
Profit on disposal of tangible fixed assets, investments and subsidiaries		**476**	728	1,602
Fair value adjustments on investment properties		**-**	-	791
Fair value (loss)/gain on investments less amounts provided against investments		**(229)**	(92)	211
Income from investments		**7**	7	25
Interest receivable		**214**	322	341
Interest payable and similar charges		**(2,456)**	(1,414)	(3,003)
Other finance costs		**(175)**	(225)	(433)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(2,044)**	6,304	22,231
Tax on (loss) / profit on ordinary activities		**413**	(1,603)	(6,863)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**(1,631)**	4,701	15,368
Equity minority interests		**(2,940)**	(343)	(1,542)
(LOSS) / PROFIT FOR THE PERIOD		**(4,571)**	4,358	13,826
Net costs included in operating profit that are separately disclosed in note 3		**(11,631)**	(1,762)	(3,626)
BASIC AND DILUTED (LOSS) / EARNINGS PER ORDINARY SHARE		**(8.4)p**	6.8p	22.3p
UNDERLYING EARNINGS PER ORDINARY SHARE		**8.5p**	9.8p	26.2p

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30th June 2016

	Six months ended 30th June 2016 (unaudited) £000	Six months ended 30th June 2015 (unaudited) £000	Year ended 31st Dec 2015 (audited) £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**72,727**	396	39,809
INVESTING ACTIVITIES			
Income from investments	**7**	7	25
Interest received	**38**	322	341
Payments to acquire tangible fixed assets and investments	**(36,104)**	(31,552)	(64,769)
Receipts from sales of tangible fixed assets and investments	**9,711**	5,771	10,891
Acquisition of businesses	**(109,110)**	-	(24,450)
Net cash acquired on acquisitions	**12,664**	-	2,477
Net cash outflow from investing activities	**(122,794)**	(25,452)	(75,485)
FINANCING ACTIVITIES			
Bank and stock finance interest paid	**(2,415)**	(1,414)	(3,003)
Equity dividends paid	**(2,144)**	(1,978)	(6,758)
Dividends paid to non-controlling interests	**(649)**	-	(155)
Proceeds from borrowings	**76,163**	13,172	28,642
Repayment of borrowings	**(34,148)**	(13,942)	(30,812)
Issue of share capital net of costs	**663**	36,853	36,203
Net cash inflow from financing activities	**37,470**	32,691	24,117
(DECREASE) / INCREASE IN CASH AT BANK AND IN HAND	**(12,597)**	7,635	(11,559)
CASH BALANCE AT START OF PERIOD	**54,317**	65,471	65,471
Effect of exchange rates on cash and cash resources	**-**	-	405
(Decrease) / increase in cash and cash equivalents	**(12,597)**	7,635	(11,559)
CASH BALANCE AT CLOSE OF PERIOD	**41,720**	73,106	54,317

NET DEBT RECONCILIATION

for the six months ended 30th June 2016

	Six months ended 30th June 2016 (unaudited) £000	Six months ended 30th June 2015 (unaudited) £000	Year ended 31st Dec 2015 (audited) £000
Cash at bank and in hand	41,720	73,106	54,317
Bank loans and overdrafts due in less than one year	(51,225)	(6,500)	(1,219)
Bank loans and overdrafts due in more than one year	(8,435)	-	-
Derivative financial instruments	(1,224)	-	-
Net (debt) / cash at end of period	**(19,164)**	**66,606**	**53,098**

BALANCE SHEET

as at 30th June 2016

	30th June 2016 (unaudited) £000	Year ended 31st Dec 2015 (audited) £000
FIXED ASSETS		
Intangible assets	**115,693**	35,279
Tangible assets	**272,397**	194,542
Investments	**4,789**	4,543
TOTAL FIXED ASSETS	**392,879**	234,364
CURRENT ASSETS		
Stocks	**380,189**	264,949
Debtors	**174,994**	129,665
Cash at bank and in hand	**41,720**	54,317
	596,903	448,931
CREDITORS: amounts falling due within one year		
Bank loans and overdrafts	**(51,225)**	(1,219)
Asset backed financing - leasing	**(27,341)**	(26,700)
Other creditors	**(606,893)**	(382,712)
	(685,459)	(410,631)
NET CURRENT (LIABILITIES) / ASSETS	**(88,556)**	38,300
TOTAL ASSETS LESS CURRENT LIABILITIES	**304,323**	272,664
CREDITORS: amounts falling due after more than one year		
Bank loans and overdrafts	**(8,435)**	-
Asset backed financing - leasing	**(33,349)**	(24,677)
Derivative financial instruments	**(1,224)**	-
Other creditors	**(6,491)**	(10,195)
	(49,499)	(34,872)
PROVISION FOR LIABILITIES	**(24,747)**	(3,953)
NET ASSETS BEFORE PENSION LIABILITY	**230,077**	233,839
PENSION LIABILITY	**(11,516)**	(11,516)
NET ASSETS	**218,561**	**222,323**
CAPITAL AND RESERVES		
Called up share capital	**15,785**	15,733
Share premium account	**611**	-
Capital redemption reserve	**130**	130
Cashflow hedge reserve	**263**	263
Non-distributable reserve	**6,917**	6,917
Profit and loss account	**148,294**	155,009
SHAREHOLDERS' FUNDS	**172,000**	178,052
Non-controlling interests	**46,561**	44,271
TOTAL CAPITAL EMPLOYED	**218,561**	**222,323**

As reported in the interim financial statements for 2015, a balance sheet at 30th June 2015 was excluded due to the implementation of FRS102, the UK's new Financial Reporting Standard.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group transitioned from the previously extant UK GAAP to FRS102 as at 1st January 2014. An explanation of how the transition to FRS102 affected the reported financial position and financial performance was included in the report and accounts for the year ended 31st December 2015. These unaudited statements have been prepared in compliance with applicable UK accounting standards.

2. Segmental analysis

	Six months ended 30th June 2016 (unaudited) £000	Six months ended 30th June 2015 (unaudited) £000	Year ended 31st December 2015 (audited) £000
Revenue			
Motor retail and leasing	**826,401**	632,477	1,232,761
Aerospace and defence	**145,040**	152,027	311,823
Other	**25,073**	21,079	41,148
Total	**996,514**	**805,583**	**1,585,732**
Operating profit / (loss)			
Motor retail and leasing	**16,321**	11,865	18,775
Aerospace and defence	**(1,429)**	(715)	10,958
Property	**1,942**	2,362	4,491
Other	**(459)**	(86)	369
Operating profit before central overheads and separately disclosed items	**16,375**	13,426	34,593
Central overheads	**(4,625)**	(4,686)	(8,270)
Operating profit before separately disclosed items	**11,750**	8,740	26,323
Separately disclosed items (note 3)	**(11,631)**	(1,762)	(3,626)
Reported operating profit	**119**	6,978	22,697

3. Detailed consolidated income statement	**Six months ended 30th June 2016 (unaudited) £000**	Six months ended 30th June 2015 (unaudited) £000	Year ended 31st December 2015 (unaudited) £000
Operating profit			
Before separately disclosed items	**11,750**	8,740	26,323
Separately disclosed items	**(11,631)**	(1,762)	(3,626)
Reported operating profit	**119**	**6,978**	**22,697**
Details of separately disclosed items			
Amortisation of acquired intangible assets	**(3,229)**	(1,446)	(2,843)
Impairment of tangible fixed assets	**-**	-	(467)
Provision for losses on complex programme	**(7,000)**	-	-
Non directly attributable IPO costs	**-**	(316)	(316)
Restructuring costs	**(1,402)**	-	-
Separately disclosed items	**(11,631)**	**(1,762)**	**(3,626)**

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

- Charges for amortisation of acquired intangible assets and impairment of tangible assets;
- Provision for losses incurred anticipated on the completion of a complex project within MADG; and
- Other costs relating to organisational restructuring and the raising of capital.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Acquisition

On 26th May 2016 Marshall Motor Holdings plc acquired the entire share capital of Ridgeway Garages (Newbury) Limited. The estimated net assets at the date of acquisition are stated at their provisional fair value as set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Goodwill	2,600	(2,600)	-
Intangible assets	-	59,504	59,504
Deferred tax on intangible assets	-	(10,728)	(10,728)
Property, plant and equipment	65,414	-	65,414
Inventories	124,124	(724)	123,400
Trade and other receivables	51,627	-	51,627
Cash and cash equivalents	12,664	-	12,664
Trade and other payables	(174,964)	(10,060)	(185,024)
Debt	(25,705)	-	(25,705)
Deferred tax	(954)	(5,086)	(6,040)
Derivatives	(1,258)	-	(1,258)
Net assets acquired	53,548	30,306	83,854
Goodwill			23,093
Acquisition costs			2,163
Cash consideration			**109,110**

5. Interim dividend

The Board has approved the payment of a maintained dividend of 1.00p per share on both Ordinary and NVPO shares to be paid on 16th December, 2016, together with priority dividends of 2.00p per share on the NVPO shares. These dividends will be payable to all shareholders who are on the register of shareholders at 25th November, 2016.

6. Share prices

The market prices of the Group's shares were:

Marshall of Cambridge (Holdings) Ltd
Non-voting priority ordinary shares of 12.5p each – 335p (31st December, 2015 – 290p)

Marshall Motor Holdings plc
Ordinary shares of 64p each – 163.5p – (31st December, 2015 – 184.5p)





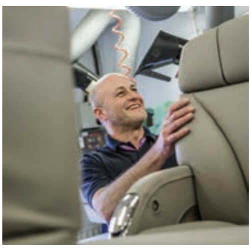




People are at the heart of our success



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