Marshall of Cambridge (Holdings) Ltd
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Marshall

Performance Positioning People

Marshall of Cambridge (Holdings) Ltd

Interim Financial Statements

Six months ended 30th June 2014

Contents

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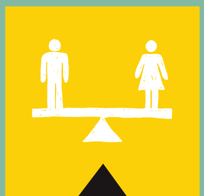
Highlights

- Turnover up 13% to £716m
- Operating profit up 45%
- Profit before tax up 59% to £7.55m from £4.75m
- Cash balances of £57m
- Net assets grown to £176m
- Purchase of land for development south of the Airport
- C-130J forward fleet availability for RAF up by 50%
- Boeing Supplier of the Year awarded to MADG
- Bishop's Stortford Volvo acquired June 2014
- Halesworth Land Rover acquired July 2014
- Crystal Motor Group and Astle acquired August 2014
- Maserati franchise opened in September 2014
- Improved NVPO share price

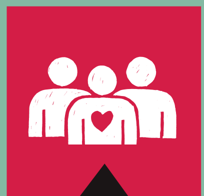
Group Business Model

Our Values

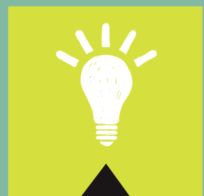


Upholding the highest standards of integrity and fairness.

Putting our customers above all else.



Recognising that people are at the heart of our success.



Maintaining competitive edge through innovation and creativity.

Chairman's Statement

I am pleased to be able to report on our half year results for the period to 30th June, 2014. These interim financial statements are designed to update you with our progress so far this year as well as other key changes and developments since our Annual General Meeting in June.

Our motor retail business continues to benefit from a buoyant market as well as from some improvements made to the balance of its franchise portfolio in recent years. We added Bishop's Stortford Volvo in June 2014 and this was followed by the acquisition of Halesworth Land Rover in July. During August, we were delighted to acquire the business of Astle, which brought BMW, Mini and BMW Motorcycles to the Group for the first time, together with Crystal Motor Group comprising three Nissan dealerships in Lincolnshire. I was also pleased to attend the opening of our first Maserati franchise in September 2014 at our Peterborough site. This reinforces another promising period of growth for our motor retail operations and provides a solid base for future performance.

Marshall Aerospace and Defence Group (MADG) has been successfully implementing its "Fit for Growth" programme, aimed at improving the efficiency, effectiveness and competitiveness across all of its businesses, so as to position it better for the future. I am delighted that Boeing presented MADG with a Supplier of the Year award for its performance on the P-8 Maritime patrol and reconnaissance aircraft.

Our HIOS business has continued to progress well and increased work is being attracted both from the UK MOD and international customers. Aligned with the MADG strategic objectives to broaden the mix of work away from HIOS, the investment in business development has resulted in major contract awards in Engineering Solutions and Land Systems, both of which will help underpin those businesses for the future.

We are still actively progressing the Wing planning application with the local authorities as well as the exciting prospect of Mallets Park on the south side of the Airport.

The Board has been encouraged by the first half results, where both of the main operating companies have performed ahead of our expectations. In line with our stated intention of trying to improve gradually the return to shareholders, it is proposed to increase the interim dividend to 1.00p per share on both Ordinary and NVPO shares together with the priority dividend of 2.00p on the NVPO shares. The payments will be made on 19th December 2014 to all shareholders on the register at 28th November 2014.

Sir Michael Marshall
28th October 2014

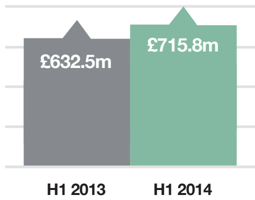
Operational & Financial Performance

The Group recorded a 45% increase in operating profit resulting in a profit before tax of £7.6m for the first six months of 2014, compared with £4.8m in the equivalent period in 2013. This was above the budget expectation with improved contributions from both motor retail and aerospace and defence.

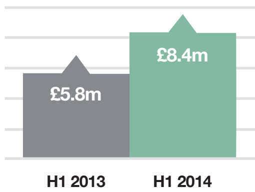
Sales increased by 13.2% to just under £716m, benefitting from recent acquisitions as well as from some organic growth. The businesses continue to look for efficiency savings with a number of initiatives in process during 2014. The Group maintained its emphasis on cash generation finishing the first half with gross cash balances of £56.8m.

Financial Highlights

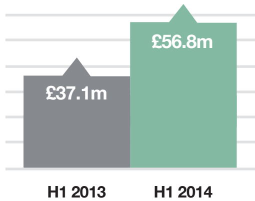
Turnover



Operating Profit



Cash



Motor retail
The new car market has seen a 10.6% increase in vehicle registrations in the first half of 2014. Marshall Motor Group has increased turnover by 15.3% whilst like-for-like sales are up 13.3%. It has also seen a strong growth in used car sales, up 9.5% overall and over 9% on a like-for-like basis. Unit margins on both new and used vehicles have improved over last year reflecting the change in brand mix.

The recent trend of improving new cars sales is having a positive impact on the aftermarket, with service absorption rates now rising again following a long period of decline.

The Leasing business also continues to perform well, benefiting from a favourable economic environment and stable residual values, and remains an important and core contributor to Motor Holdings.

Aerospace and defence
MADG has made strong progress through the first half of the year, with robust long term project performance, significant availability improvements on the C-130J aircraft, under HIOS, and good order capture.

On major projects there were good operational performances across the board on both civil and military programmes. Trading conditions have been more challenging in Business Aviation and this is likely to continue for the rest of the year.

Land Systems secured and commenced work on two major orders, Project H&B and Project Amphora, the first UK Ministry of Defence's Strategic Support Supplier contracts. Aeropeople made a strong recovery from the loss of its work with GSS at Stansted and is now supporting British Airways' cargo operation at Heathrow.

Results for 2014 remain dependent on a number of key sensitivities but performance is in line with expectations and the overall outlook is encouraging.

Property
Following the acquisition of 20 acres of land south of the Airport in Cambridge, now known as Mallets Park, work has commenced on a planning application for the development of around 250 homes, which is currently expected to be submitted in late 2014 or early 2015. This development should also provide access to the south side of the runway, thereby unlocking other development opportunities.

The Wing project to develop the land north of Newmarket Road in Cambridge is progressing well, following submission of a planning application at the end of last year. Initial hearings before the various local authority committees are due to be held in the next few months or so.

Fleet Solutions
The refrigeration and tail lift service and repair business made a solid start in 2014 under a new managing director who was appointed from the beginning of the year. This business is undergoing a solid turnaround and there is an expectation of an improved performance for 2014.

Outlook
Favourable market conditions for motor retail, both in sales and aftersales, have supplemented the contribution from new businesses, especially the Audi operations bought at the beginning of 2013. Those businesses which were acquired in the summer of 2014 are expected to contribute in the second half. With robust processes in place, core businesses are also performing at or above budget and this, coupled with a continuing strong performance from the Leasing operations, should give a strong platform for the second six months.

Pressure on defence budgets around the world and the expected decline in UK military activity, as well as the withdrawal of older aircraft from the RAF fleet continues to present a challenge going forward. Nevertheless, the aerospace and defence business is focused on achieving a more balanced military/civil workload. This involves undertaking more civil and commercial work as well as more special modification and conversion work, whilst also expanding into new aircraft types.

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.

Risks & Uncertainties

The Board continues to evaluate, monitor and manage the key risks facing the Group. Nevertheless, the Group's performance over the remaining six months of the financial year may be impacted by a number of potential risks and uncertainties which could have a material effect on the actual results. The main areas of risk and uncertainty that could have an impact on profitability are: the general economic environment; residual values for nearly-new used cars; consumer demand; and budgetary pressures on UK and overseas military customers which might lead to a reduction in orders. The Board has evaluated these and does not believe any are either certain or imminent. As a result, 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 2013.

GROUP PROFIT AND LOSS ACCOUNT

for the six months ended 30th June 2014

	Six months ended 30th June 2014 (unaudited) £000	Six months ended 30th June 2013 (unaudited) £000	Year ended 31st Dec 2013 (audited) £000
GROUP TURNOVER: continuing operations	**715,841**	**632,542**	**1,292,522**
Cost of sales	(593,161)	(545,771)	(1,056,263)
GROSS PROFIT	**122,680**	**86,771**	**236,259**
Administrative expenses and other operating income	(114,267)	(80,975)	(216,770)
GROUP OPERATING PROFIT: continuing operations	**8,413**	**5,796**	**19,489**
Profit on disposal of tangible fixed assets and investments	39	-	217
Amounts provided against investments	-	-	(110)
Income from investments	7	7	22
Interest receivable	272	217	503
Interest payable and similar charges	(1,180)	(1,266)	(2,368)
Other finance income	-	-	352
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**7,551**	**4,754**	**18,105**
Tax on profit on ordinary activities	(2,039)	(1,330)	(5,195)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**5,512**	**3,424**	**12,910**
Equity minority interests	-	-	3
PROFIT FOR THE PERIOD	**5,512**	**3,424**	**12,913**
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE	**8.8p**	**5.2p**	**20.7p**
ORDINARY DIVIDENDS PER SHARE FOR THE YEAR	**n/a**	**n/a**	**2.5p**
NVPO DIVIDENDS PER SHARE FOR THE YEAR	n/a	n/a	4.5p

GROUP STATEMENT OF CASH FLOWS

for the six months ended 30th June 2014

	Six months ended 30th June 2014 (unaudited) £000	Six months ended 30th June 2013 (unaudited) £000	Year ended 31st Dec 2013 (audited) £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	32,391	5,995	45,905
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from investments	7	7	22
Interest receivable	272	217	503
Interest paid	(1,180)	(1,266)	(2,368)
	(901)	(1,042)	(1,843)
TAXATION			
UK and overseas tax paid	(3,029)	(2,235)	(5,765)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets and investments	(20,787)	(19,230)	(42,725)
Receipts from sales of tangible fixed assets and investments	3,277	2,741	7,870
	(17,510)	(16,489)	(34,855)
ACQUISITIONS AND DISPOSALS			
Acquisition of businesses	(698)	(5,146)	(13,008)
Net overdrafts acquired on acquisition	-	-	(1,503)
	(698)	(5,146)	(14,511)
EQUITY DIVIDENDS PAID	(1,692)	(1,399)	(3,083)
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING	8,561	(20,316)	(14,152)
FINANCING			
New loans	6,797	10,695	34,061
Repayment of loans	(13,233)	(12,112)	(24,029)
	(6,436)	(1,417)	10,032
INCREASE / (DECREASE) IN CASH AT BANK AND IN HAND	**2,125**	**(21,733)**	**(4,120)**
CASH BALANCE AT START OF PERIOD	54,676	58,796	58,796
INCREASE / (DECREASE) IN CASH AT BANK AND IN HAND	2,125	(21,733)	(4,120)
CASH BALANCE AT CLOSE OF PERIOD	**56,801**	**37,063**	**54,676**

GROUP BALANCE SHEET
at 30th June 2014

	30th June 2014 (unaudited) £000	30th June 2013 (unaudited) £000	31st Dec 2013 (audited) £000
FIXED ASSETS			
Intangible assets	10,697	12,952	11,432
Tangible assets	148,090	136,997	144,056
Investments	3,088	2,218	2,734
TOTAL FIXED ASSETS	161,875	152,167	158,222
CURRENT ASSETS			
Stocks	155,175	133,837	167,292
Debtors	142,953	97,902	112,344
Cash at bank and in hand	56,801	37,063	54,676
	354,929	268,802	334,312
CREDITORS: amounts falling due within one year	(299,755)	(215,002)	(277,600)
NET CURRENT ASSETS	55,174	53,800	56,712
TOTAL ASSETS LESS CURRENT LIABILITIES	217,049	205,967	214,934
CREDITORS: amounts falling due after more than one year	(31,426)	(35,840)	(32,949)
PROVISION FOR LIABILITIES	(3,102)	(2,320)	(3,284)
NET ASSETS BEFORE PENSION LIABILITY	182,521	167,807	178,701
PENSION LIABILITY	(6,365)	(6,278)	(6,365)
NET ASSETS	**176,156**	**161,529**	**172,336**
CAPITAL AND RESERVES			
Called up share capital	15,733	15,733	15,733
Revaluation reserve	5,541	1,238	5,541
Capital redemption reserve	130	130	130
Profit and loss account	154,713	144,386	150,893
SHAREHOLDERS' FUNDS	176,117	161,487	172,297
Equity minority interests	39	42	39
TOTAL CAPITAL EMPLOYED	**176,156**	**161,529**	**172,336**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared using the accounting policies set out in the annual report for the year ended 31st December 2013 and have been applied consistently to all periods represented in these financial statements.

2. Group turnover

	Six months ended 30th June 2014 (unaudited) £000	Six months ended 30th June 2013 (unaudited) £000	Year ended 31st Dec 2013 (audited) £000
Motor retail and leasing	543,824	471,633	940,505
Aerospace and defence	153,991	144,557	320,468
Other	18,026	16,352	31,549
Total	**715,841**	**632,542**	**1,292,522**

3. Post balance sheet events

On 3rd July 2014, Marshall Motor Group Limited acquired the trade and assets of a Land Rover dealership in Halesworth, Suffolk from A.W. & D. Hammond Limited.

On 8th August 2014, Marshall of Cambridge (Motor Holdings) Limited acquired 100% of the share capital of CMG2007 Limited, a company operating BMW dealerships in Scunthorpe and Grimsby, a Mini dealership in Grimsby, a BMW Motorcycle dealership in Grimsby under the trading name of Astle and Nissan dealerships in Lincoln, Grantham and Boston which trade as Crystal Motor Group.

4. Interim dividend

The Board has approved the payment of an interim dividend of 1.00p per share on both Ordinary and NVPO shares to be paid on 19th December 2014, together with priority dividends of 2.00p on the NVPO shares. This will be payable to all shareholders who are on the register of shareholders at 28th November, 2014.