Marshall Motor Holdings plc

Interim Report & Accounts
Six months ended 30th June 2016

16 August 2016

MARSHALL MOTOR HOLDINGS plc

("MMH" or the "Group")

Unaudited interim results for the six months ended 30 June 2016

Marshall Motor Holdings plc delivers record results

Marshall Motor Holdings plc, one of the UK's leading automotive retail and leasing Groups, is pleased to announce its unaudited interim results for the six months ended 30 June 2016 (the "**Period**").

Financial highlights

- Revenue increased by 30.7% to £826.4m (H1 2015: £632.5m).
- Adjusted profit before tax* up 33.6% to £14.0m (H1 2015: £10.5m).
- Record results from both retail & leasing segments: PBT growth of 27.0% and 5.8%, respectively.
- Interim dividend of 1.80p per share (Pro rata interim dividend 2015; 0.58p).
- Adjusted net debt (excluding leasing loans) at 30 June £32.4m. Proforma adjusted net debt / EBITDA** 0.8x.
- Significant balance sheet capacity - new 3 year committed, unsecured £120m revolving credit facility.
- Net assets of £137.4m (2015: £126.2m) equating to £1.78 per share (2015: £1.63 per share).

Operational & Strategic highlights

- New car unit sales up by 20.3% (like-for-like*** up by 3.2%).
- Used car unit sales up by 15.8% (like-for-like up by 0.9%).
- Aftersales revenues up by 36.6% (like-for-like up by 6.3%).
- Gross profit margin up by 20bp to 11.9% (H1 2015: 11.7%).
- Strategic acquisition of Ridgeway Garages (Newbury) Limited ("Ridgeway") for £106.9m.

Daksh Gupta, Group Chief Executive, said:

"The Board is pleased to announce another period of strong trading, underpinned by like-for-like organic growth in both revenue and gross profit together with contributions from recent acquisitions. We were delighted to complete the strategic acquisition of Ridgeway which has extended the Group's geographical reach and strengthened relationships with key brand partners. The enlarged group remains well positioned to execute its growth strategy moving forward."

** Adjusted profit before tax = profit before tax, acquisition costs and profit on disposal of dealerships*
*** Based on proforma 12 months EBITDA to 30 June 2016*
**** "like-for-like" is defined in note 1 to the interim financial statements*

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About Marshall Motor Holdings plc (www.mmhplc.com)

The Group's principal activities are the sale and repair of new and used vehicles through Marshall Motor Group and the leasing of vehicles through Marshall Leasing. Following the acquisition of Ridgeway Garages (Newbury) Limited announced on 26 May 2016, the Group's businesses have a total of 103 franchises covering 24 brands, operating from 89 sites across 25 counties in England. In addition, the Group operates five trade parts specialists, seven used car centres, four standalone body shops and one PDI centre.

In May 2016 the Group was recognised by the Great Place to Work Institute, being ranked the 19th best place to work in the UK (large company category).

Cautionary statement

This announcement contains unaudited information based on management accounts and forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and undue reliance should not be placed on any such statements because they speak only as at the date of this document and are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. MMH undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Marshall Motor Holdings plc

Introduction

I am delighted to report that the Group has delivered a strong trading performance during the Period which builds on the positive full year performance reported in 2015. Both our retail and leasing segments have again reported strong growth in profit before tax up 27.0% and 5.8% respectively, driven by a combination of contributions from acquisitions and like-for-like improvements.

The strategic acquisitions of SG Smith Holdings Limited ("SGS"), acquired on 16 November 2015 and Ridgeway Garages (Newbury) Limited ("Ridgeway") acquired on 25 May 2016 have extended the Group's geographical reach into the affluent southern home counties and strengthened relationships with key brand partners. The integration of SGS is now complete and Ridgeway is progressing according to plan. From an operational and financial perspective both acquisitions are performing in line with expectations and made a combined profit before tax contribution during the Period of £2.4m.

Following several years of strong growth in the UK new car market, conditions have normalised. During the Period, UK new vehicle registrations increased by 3.2% including the impact of self/dealer registrations. The Group enjoyed strong new car unit sales being up by 20.3% (like-for-like 3.2%) and increased its used unit sales by 15.8% (like-for-like 0.9%).

The Group's retail segment has also shown further strong growth within aftersales across both revenue and margin, benefitting in part from a growing UK vehicle parc (particularly in vehicles aged between 1- 3 years old where customers typically return to franchised dealerships for aftersales services) but also due to a number of ongoing management initiatives to drive productivity, efficiency and customer retention.

The Group has also made good progress within its integrated leasing segment. At 30 June 2016, the leasing fleet was 6,077 vehicles, up 3.1% versus the same date last year (H1 2015: 5,897). The business did experience a reduction in disposal profitability, as anticipated, driven by the mix of vehicles sold and strong comparators in 2015.

The Group continues to recognise the importance and opportunities that exist from the advancement and use of technology. During the Period we completed the rollout of our new website and showroom tablet based enquiry management system. We are pleased with the initial results and customer feedback which provide a good base for further growth and development moving forward.

The Group has continued to focus on all aspects of employee and colleague engagement and the Board is delighted to report that this has again been recognised by the Great Place to Work Institute with the Group being ranked the 19th best place to work in the UK (large company category). This compares to 26th best place to work in the previous ranking.

During the Period the Group launched a key initiative to guarantee Sales Executive earnings during the first year of employment which is key to reducing sales staff turnover and attracting new talent to the organisation.

The Group remains well positioned to execute its growth strategy moving forward supported by significant balance sheet capacity. As at 30 June 2016 the Group had adjusted net debt (excluding leasing loans) of £32.4m and recently extended its committed, unsecured revolving credit facility to £120m from £75m. Net assets as at 30 June 2016 were £137.4m including £98.2m of freehold property (including assets under construction).

Marshall Motor Holdings plc

Financial Review

Group turnover increased by 30.7% to £826.4m (H1 2015: £632.5m). Like-for-like revenues showed an encouraging growth of 8.0% with revenues in new, used and aftersales all showing growth against the same period last year.

Gross margin at 11.9% was 20 basis points above the same period last year. This improvement was driven by increased used and aftersales margins combined with the inclusion of the recently acquired Ridgeway business which due to its premium mix operates at a higher margin.

Operating expenses of £83.7m were 35.0% higher than in the same period last year primarily driven by the impact of acquisitions. Within our retail segment operating overheads on a like-for-like basis grew by 5.0%. Unallocated central costs of £3.9m were £0.1m lower than the same period last year, which contained a one-off cost relating to the settlement of historic pre IPO LTIP liabilities, although this benefit was partly offset by the first time occurrence (during the first quarter of 2016) of costs related to our public company status.

During the Period the Group incurred net exceptional costs of £1.9m, relating to profit on disposal of £0.3m in respect of three dealership disposals (two Toyota and one Nissan) in April 2016 and transaction costs of £2.2m in relation to the Ridgeway acquisition. These costs are presented separately on the face of the income statement and are excluded from adjusted profit before tax.

Finance costs of £2.4m were £1.0m higher than the same period last year. As previously disclosed this partly reflects an increased utilisation of vehicle funding arrangements in connection with the Ridgeway acquisition. Finance costs have also been impacted by increased costs associated with the Group's £120m revolving credit facility and increased stock funding charges. These additional costs include amortisation of arrangement fees and non-utilisation charges.

At 22.1%, the underlying effective tax rate for the period was broadly in line with the prior period (H1 2015: 22.0%).

On 26 May 2016 the Group announced the strategic acquisition of Ridgeway for a cash consideration of £106.9m, funded from the Group's existing resources. The acquisition was funded through a combination of cash on the Group's balance sheet, partial release of equity from the Group's previously fully paid retail inventory / leasing fleet (utilising additional vehicle funding arrangements) and the Group's previously unutilised revolving credit facility.

As disclosed at the time of acquisition, Ridgeway's consolidated statutory accounts for the year ended 31 December 2015 included a contingent liability note in respect of various historic film tax planning initiatives, which Ridgeway had estimated could give rise to an additional tax liability in the region of £3.5m (excluding any potential costs and interest). This is included in the provisional fair value adjustments on acquisition. Prior to the acquisition, these arrangements were exited. The Group has begun discussions with HMRC in respect of these historic arrangements.

Following the Ridgeway acquisition the Group's balance sheet remains strong. As at 30 June 2016, adjusted net debt (excluding leasing loans) was £32.4m (2015: £39.9m cash). This represented proforma adjusted net debt / EBITDA of 0.8x. A £120m three year banking facility was put in place in May 2016 for general corporate purposes including acquisitions and working capital requirements. As at 30 June 2016 freehold property (including assets under construction) totalled £98.2m (2015: £23.5m) and net assets were £137.4m (2015: £126.2) equating to £1.78 per share (2015: £1.63 per share).

Over the longer term, the Board continues to believe it is in the best interests of all stakeholders that the Group maintains a sound financial position. In this respect, the Board targets net bank indebtedness (excluding leasing segment loans) of not more than 1.25x net debt/EBITDA within its future results. This leverage may rise for a period of time towards the Group's banking facility limit of not more than 3.0x should an exceptional investment opportunity arise.

Interim Dividend

In line with the Group's dividend policy, the Board is pleased to announce an interim dividend of 1.80p per share (2015: interim pro-rata dividend 0.58p). The dividend will be paid by 23 September 2016 to shareholders who are on the Company's register at close of business on 26 August 2016. The Board intends to maintain a progressive dividend policy whereby dividends are covered between 4 to 5 times underlying earnings and paid in an approximate one-third (interim dividend) and two-thirds (final dividend) split.

Operating Review: Retail Segment

Following the strategic acquisition of Ridgeway the retail segment consists of 103 franchises trading from 89 sites. The Group operates a balanced portfolio of volume, prestige and alternate premium brands including all of the top five premium brands. The Group's diverse portfolio means it represents manufacturer brands accounting for around 83% of all new vehicle sales in the UK. With the full support of OEM brand partners, both the SGS and Ridgeway acquisitions have extended the Group's footprint into new and attractive geographic territories with no overlap with the existing Group portfolio.

The Board believes this diversified spread of representation is a key strength of the business. In addition, the Group believes it has headroom with its key manufacturer partners for potential future acquisitions in what remains a consolidating market.

The integration of SGS has now been completed. Material progress has already been achieved on the integration of Ridgeway, including reorganising the Group's operational, finance and commercial structure. Roll-out of the Group's bespoke management information system, Phoenix 2 across the portfolio, rationalisation / consolidation of certain supplier contracts and integration of the dealer management systems has also been completed.

Capital expenditure during the Period was £12.0m (H1 2015: £4.3m). As previously reported, the Group continues to be engaged in a number of ongoing investment projects, which are summarised below:

- Three new Jaguar Land Rover dealerships are currently under construction at the Group's long leasehold site in Cambridge and at new freehold sites in Ipswich and Oxford. Each of these new facilities is scheduled to open during Q4 2016;
- Construction is due to commence shortly on a new Audi dealership at a freehold site in Exeter and is scheduled to open during 2017;
- Construction of a new Jaguar Land Rover dealership at an open point in Newbury is expected to commence during H2 2016 following the H1 2016 acquisition of a long leasehold interest;
- The Group is also undertaking a significant re-development of its Bexley Audi dealership which will be completed in Q4 2016.

We have planned for some disruption to existing businesses at these sites over the period of development and initial transition. Thereafter, they are all expected to generate additional revenue and profitability over the medium to longer term. Expected retail capital expenditure in H2 2016 is expected to be approximately £27m.

Six months ended 30 June 2016

	Revenue		Gross Profit	
	£m	mix*	£m	mix*
New Car	431.0	52.3%	30.8	33.0%
Used Car	306.8	37.2%	22.8	24.4%
Aftersales	86.2	10.5%	39.7	42.6%
Internal Sales	(17.9)	-	-	-
Total	**806.1**	**100.0%**	**93.4**	**100.0%**

Six months ended 30 June 2015

	Revenue		Gross Profit	
	£m	mix*	£m	mix*
New Car	326.2	51.9%	23.8	34.5%
Used Car	238.1	38.0%	16.9	24.5%
Aftersales	63.1	10.1%	28.3	41.0%
Internal Sales	(14.1)	-	-	-
Total	**613.3**	**100.0%**	**69.0**	**100.0%**

*Revenue mix calculated excluding internal sales

New Vehicles

	H1	H1	Variance	
	2016	2015	Total	LFL
Total New Units	21,884	18,195	20.3%	3.2%

During the Period, the Group increased its new car unit sales by 20.3% (like-for-like 3.2%). This strong sales performance was delivered against an overall UK market year-on-year increase of 3.2% in new car registrations, which includes pre-registrations, of which the private registration element increased by 1.9% with fleet growing at 4.2%.

New vehicle sales continue to be driven by the rise in the use of finance products through which consumers purchase vehicles. Personal contract purchase ("PCP") is the most common method consumers use to finance new vehicles purchases, with minimal or zero deposit requirements and affordable monthly payments. Rather than electing to purchase vehicles at the end of the typical 24-36 month term, PCP consumers will typically elect to return vehicles and enter into a new PCP on a replacement vehicle. These 'event-driven' purchases remain a key driver for new vehicle sales and have generally shortened the vehicle replacement cycle.

Total gross profit, at £30.8m was up by 29.7% versus the same period last year.

Used Vehicles

	H1	H1	Variance	
	2016	2015	Total	LFL
Total Used Units	16,976	14,656	15.8%	0.9%

Used car unit sales increased by 15.8% versus the same period last year and 0.9% on a like-for-like basis.

The Group continues to operate a prudent 56 day stocking policy and continues to account for used car refurbishment and PDI costs at full retail labour rates. The Board considers these combined policies promote improved stock turnover, reduce residual value stock holding risk and ensure rigour in appraising and valuing part exchange vehicles acquired by the Group.

We are pleased to report that used car gross margin has again increased and at 7.4% was 32 basis points above the same period last year. This reflects ongoing management focus on used vehicles aged between three to five years which enjoy higher margin dynamics, are less likely to compete with new vehicles and generally carry a reduced residual value risk compared to late plated vehicles.

As previously outlined, the strategic acquisition of Ridgeway brings a number of potential scale benefits in used car retailing from which we expect to benefit over the next few years. These include additional buying power, significantly increased inventory for sale from any franchised outlet (using single view of Group stock via Phoenix 2) and efficiencies in trade vehicle disposals via the Group's auction / disposal programme.

Total gross profit, at £22.8m was up by 34.6% versus the same period last year.

Aftersales

	H1 2016	H1 2015	Variance Total	Variance LFL
Revenue (£m)	86.2	63.1	36.5%	6.3%

Aftersales involves the servicing, maintenance and repair of vehicles. The Group operates four standalone body shops, one standalone central PDI facility and five Trade Parts Centres ("TPS"). On 1 July 2016 the Group disposed of its last remaining petrol forecourt. Aftersales makes a significant financial contribution to the Group.

Aftersales enjoyed further strong growth as a result of increased vehicle parc and the Group's retention strategy through service plans. Overall revenues grew by 36.5% with like for like enjoying strong growth at 6.3%. Gross margin at 46.1% has also seen an improvement, up from 44.8% in the same period last year partly due to workshop efficiency and productivity improvements.

The strategic acquisition of Ridgeway has improved the Group's aftersales capability through the addition of a 10 acre PDI centre located in Newbury. This provides additional scale and flexibility for both retail and corporate vehicle preparation.

Total gross profit, at £39.7m was up by 40.2% versus the same period last year.

Operating Review: Leasing Segment

	H1 2016	H1 2015	Variance
Additions	1,134	829	305
Disposals	1,086	963	123
Fleet	**6,077**	**5,897**	**180**

The leasing segment achieved profit before tax of £2.7m during the Period, a growth of 5.8% versus the same period last year. The segment has continued to grow its fleet which, at 6,077 vehicles at 30 June 2016, was 3.1% ahead of the same date last year, including the addition of a number of new clients.

The leasing segment remains focused on its business-to-business strategy, providing a service-led fleet management offering high added value service to clients of all sizes. The segment is fully integrated within the Group and where possible, sources new vehicles and de-fleets end of lease vehicles via the Group's retail segment. The client base of the segment remains well diversified and balanced with no single customer representing more than 11% of the fleet and the top 10 customers accounting for 43% of the fleet. The average fleet size is approximately 30 units.

Robust risk management and control is a core discipline of the leasing segment's business model and the segment employs sophisticated techniques to monitor and control residual value risk. Although the used car market remained stable during the Period, the business did experience a reduction in disposal profitability, as anticipated, driven by the mix of vehicles sold and strong comparators in 2015.

The leasing fleet continues to be financed by asset-backed loans secured against the vehicles. The net book value of the fleet at 30 June 2016 was £66.6m against £60.7m of loans (30 June 2015: £59.6m against £46.3m of loans).

Operating Review: Unallocated Segment

The unallocated segment consists principally of administrative and asset management functions which are not directly attributable to the Group's retail or leasing segments. The unallocated segment recorded a loss before tax of £3.9m during the Period compared to loss before tax of £4.1m in the same period last year. Last year's comparative contained a one-off cost of £0.7m relating to the settlement of historic pre IPO LTIP liabilities.

Outlook

The Group produced another set of strong results in the Period, in-line with expectations and showing good growth in both revenue and profit before tax. The strategic acquisition of Ridgeway and completion of the integration of SGS leaves the Group well positioned for further long term growth.

It remains too early to assess the extent of any impact of the UK's decision on 23 June 2016 to leave the European Union on the UK's motor retail industry, however the Board continues to monitor the position closely. Trading since 30 June 2016 has continued to show positive like-for-like new unit sales growth outperforming the wider UK market. Whilst still early, the current new car order bank for the important September plate change month is building in-line with expectations. In used vehicles, the Group has experienced some pressure on like-for-like unit sales volumes, partly offset by a continued emphasis on driving margin retention and a focus on older cars that are less likely to compete with new vehicles.

The Group's after sales activities have continued to show further like-for-like revenue and margin growth. The Group's leasing segment has also continued to perform in line with expectations.

Whilst the Board believes it is right to remain cautious given wider economic uncertainties, the Group remains well positioned to execute its growth strategy moving forward and the Board's outlook for the full year remains unchanged.

Daksh Gupta
Chief Executive
15 August 2016

Marshall Motor Holdings plc
Consolidated Statement of Comprehensive Income
For the period ended 30 June 2016

	Note	Six months ended 30 June 2016 *(unaudited)* £'000	Six months ended 30 June 2015 *(unaudited)* £'000	Year ended 31 December 2015 *(audited)* £'000
Revenue		826,401	632,477	1,232,761
Cost of sales		(728,253)	(558,613)	(1,087,452)
Gross profit		**98,148**	**73,864**	**145,309**
Operating expenses	4	(83,697)	(62,013)	(127,063)
Group operating profit		**14,451**	**11,851**	**18,246**
Finance costs	5	(2,367)	(1,400)	(2,883)
Profit before tax, acquisition costs and profit on disposal		13,962	10,451	15,838
Acquisition costs		(2,163)	-	(475)
Profit on disposal of business units		285	-	-
Profit before taxation		**12,084**	**10,451**	**15,363**
Taxation	6	(3,087)	(2,299)	(3,649)
Profit for the period		**8,997**	**8,152**	**11,714**
Attributable to:				
Owners of the parent		8,997	8,152	11,721
Non-controlling interests		-	-	(7)
		8,997	8,152	11,714
Total comprehensive income for the year net of tax		**8,997**	**8,152**	**11,714**
Attributable to:				
Owners of the parent		8,997	8,152	11,721
Non-controlling interests		-	-	(7)
		8,997	**8,152**	**11,714**
Earnings per share (expressed in pence per share)				
Basic earnings per share	7	11.6	19.7	19.7
Diluted earnings per share	7	11.4	19.3	19.2

Marshall Motor Holdings plc
Consolidated Statement of Changes in Equity

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
For the half year ended 30 June 2016 *(unaudited)*							
Balance at 1 January 2016		**49,431**	**19,672**	**60,781**	**129,884**	**29**	**129,913**
Total comprehensive income		-	-	8,997	8,997	-	8,997
		-	**-**	**8,997**	**8,997**	**-**	**8,997**
Transactions with owners							
Dividends paid	8	-	-	(1,858)	(1,858)	-	(1,858)
Issue of share capital	9	100	-	(100)	-	-	-
Share based payments charge		-	-	688	688	-	688
Other		-	-	(314)	(314)	-	(314)
Balance at 30 June 2016		**49,531**	**19,672**	**68,194**	**137,397**	**29**	**137,426**
For the half year ended 30 June 2015 *(unaudited)*							
Balance at 1 January 2015		**2,250**	**-**	**63,870**	**66,120**	**36**	**66,156**
Total comprehensive income		-	-	8,152	8,152	-	8,152
		-	**-**	**8,152**	**8,152**	**-**	**8,152**
Transactions with owners							
Dividends paid		-	-	(15,000)	(15,000)	-	(15,000)
Issue of share capital		47,181	19,672	-	66,853	-	66,853
Balance at 30 June 2015		**49,431**	**19,672**	**57,022**	**126,125**	**36**	**126,161**
For the year ended 31 December 2015 *(audited)*							
Balance at 1 January 2015		**2,250**	**-**	**63,870**	**66,120**	**36**	**66,156**
Total comprehensive income		-	-	11,721	11,721	(7)	11,714
		-	**-**	**11,721**	**11,721**	**(7)**	**11,714**
Transactions with owners							
Dividends paid		-	-	(15,448)	(15,448)	-	(15,448)
Issue of share capital		47,181	19,672	-	66,853	-	66,853
Share based payments charge		-	-	556	556	-	556
Deferred tax on share based payments		-	-	82	82	-	82
Balance at 31 December 2015		**49,431**	**19,672**	**60,781**	**129,884**	**29**	**129,913**

Marshall Motor Holdings plc
Consolidated Statement of Financial Position
At 30 June 2016

	Note	30 June 2016 *(unaudited)* £'000	30 June 2015 *(unaudited)* £'000	31 December 2015 *(audited)* £'000
Assets				
Non-current assets				
Goodwill and intangible assets	10	119,270	22,055	37,791
Other intangible assets		418	-	453
Property, plant and equipment	11	185,953	94,482	107,285
Investment property		1,920	1,920	1,920
Investments		10	10	10
Deferred tax asset		58	94	58
Total non-current assets		**307,629**	**118,561**	**147,517**
Current assets				
Inventories		351,512	181,710	240,632
Trade and other receivables		105,721	54,689	42,724
Cash and cash equivalents		28,490	46,431	24,130
Total current assets		**485,723**	**282,830**	**307,486**
Total assets		**793,352**	**401,391**	**455,003**
Shareholders' equity				
Share capital	9	49,531	49,431	49,431
Share premium		19,672	19,672	19,672
Retained earnings		68,194	57,022	60,781
Equity attributable to owners of the parent		**137,397**	**126,125**	**129,884**
Share of equity attributable to non-controlling interests		29	36	29
Total equity		**137,426**	**126,161**	**129,913**
Non-current liabilities				
Loans and borrowings		41,784	22,084	24,677
Derivative financial instruments	10	1,224	-	-
Trade and other payables		7,355	8,612	8,269
Provisions		1,031	-	289
Deferred tax liabilities		18,653	1,783	1,885
Total non-current liabilities		**70,047**	**32,479**	**35,120**
Current liabilities				
Loans and borrowings		78,566	30,692	26,700
Trade and other payables		499,632	210,062	260,217
Provisions		1,020	-	762
Current tax liabilities		6,661	1,997	2,291
Total current liabilities		**585,879**	**242,751**	**289,970**
Total liabilities		**655,926**	**275,230**	**325,090**
Total equity and liabilities		**793,352**	**401,391**	**455,003**

Marshall Motor Holdings plc
Consolidated Cash Flow Statement
For the period ended 30 June 2016

	Note	Six months ended 30 June 2016 *(unaudited)* £'000	Six months ended 30 June 2015 *(unaudited)* £'000	Year ended 31 December 2015 *(audited)* £'000
Cash flows from operating activities				
Profit before taxation		12,084	10,451	15,363
Adjustments for:				
Depreciation and amortisation	4/11	11,065	10,727	21,087
Finance costs	5	2,367	1,400	2,883
Share based payment charge		688	-	556
Profit on disposal of property, plant & equipment		(8)	(45)	(61)
Profit on disposal of dealerships		(285)	-	-
		25,911	22,533	39,828
Changes in working capital:				
(Increase)/decrease in inventories		13,690	(18,699)	(77,621)
(Increase)/decrease in trade and other receivables		(11,233)	18,492	30,457
Increase/(decrease) in trade and other payables		54,369	(11,347)	38,465
Increase in provisions		1,000	-	1,051
		57,826	(11,554)	(7,648)
Tax paid		(2,771)	(1,930)	(3,804)
Interest paid		(2,377)	(1,400)	(2,883)
Net cash inflow from operating activities		**78,589**	**7,649**	**25,493**
Cash flows from investing activities				
Purchase of property, plant, equipment and software		(30,454)	(18,712)	(39,573)
Acquisition of subsidiary, net of cash acquired		(94,283)	-	(21,498)
Net cash flow from sale of businesses		3,145	-	-
Proceeds from disposal of property, plant and equipment		5,883	4,585	8,646
Cash inflows in respect of prior period acquisitions		104	-	-
Net cash outflow from investing activities		**(115,605)**	**(14,127)**	**(52,425)**
Cash flows from financing activities				
Proceeds from borrowings		76,163	13,172	28,642
Repayment of borrowings		(32,929)	(13,942)	(30,811)
Dividends paid		(1,858)	(15,000)	(15,448)
Issue of share capital net of costs		-	66,853	66,853
Net cash inflow from financing activities		**41,376**	**51,083**	**49,236**
Net increase in cash and cash equivalents		4,360	44,605	22,304
Cash and cash equivalents at 1 January		24,130	1,826	1,826
Cash and cash equivalents at period end		**28,490**	**46,431**	**24,130**

Marshall Motor Holdings plc
Net Debt Reconciliation
For the period ended 30 June 2016

	Six months ended 30 June 2016 *(unaudited)* £'000	Six months ended 30 June 2015 *(unaudited)* £'000	Year ended 31 December 2015 *(audited)* £'000
Reconciliation of net cash flow to movement in (net debt)/cash			
Increase in net cash	4,360	44,605	22,304
Repayment of borrowings	32,929	13,942	30,811
Debt acquired with acquisitions	(25,705)	-	-
Derivatives acquired with acquisitions	(1,258)	-	-
Proceeds of borrowings	(76,163)	(13,172)	(28,642)
Movement in net debt	(65,837)	45,375	24,473
Opening net debt	(27,247)	(51,720)	(51,720)
Net debt at period end	**(93,084)**	**(6,345)**	**(27,247)**

Asset backed finance within leasing segment	(60,690)	(46,276)	(51,377)
Adjusted (net debt)/cash at period end (non GAAP measure) (see note 1)	**(32,394)**	**39,931**	**24,130**

1. General information

Marshall Motor Holdings plc (the "Company") is a company which is quoted on the Alternative Investment Market ("AIM"), and incorporated and domiciled in the UK. The address of the registered office is: Airport House, The Airport, Cambridge, CB5 8RY. The Company is the holding company of Marshall Motor Group Limited and its subsidiaries (collectively, the "Group"), whose activities consist principally of car and commercial vehicle sales, leasing, distribution, service and associated activities trading under the name Marshall Motor Holdings plc. The registered number of the company is 2051461.

These consolidated interim financial statements for the six months ended 30 June 2016 and for the six months ended 30 June 2015 are unaudited. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015. A copy of the full Group accounts that comply with IFRSs for the year ended 31 December 2015 can be found at www.mmhplc.com.

The information for the year ended 31 December 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain an 'emphasis of matter' statement under section 498 of the Companies Act 2006.

These statements have been reviewed by the Company's auditor and a copy of their review report is set out at the end of these statements.

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000 except where otherwise indicated.

'Like for like' businesses are defined as those which traded under the Group's ownership throughout both the period under review and the whole of the corresponding comparative period.

Adjusted net debt is defined as debt finance, net of cash balances, excluding asset backed finance relating to the leasing segment.

These consolidated interim financial statements were approved by the Board on 15 August 2016.

2. Accounting policies

The annual financial statements of Marshall Motor Holdings plc are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial information included in this interim financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. This interim financial report has been prepared under the historical cost convention as modified by the revaluation of investments and investment properties.

The accounting policies applied are consistent with those set out in the Marshall Motor Holdings plc Annual Report and Accounts 2015 dated 16 March 2016, and these accounting policies are expected to apply for the year ending 31 December 2016

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date that these interim financial statements are signed. For these reasons they continue to adopt the going concern basis in preparing the Group's interim financial statements.

3. Segmental reporting

Management has determined the operating segments based on the operating reports reviewed by the Chief Executive Officer that are used to assess both performance and strategic decisions. These results have been determined using consistent accounting policies as the overall financial statements. Management has identified that the Chief Executive Officer is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

The business is split into two main operating segments generating revenue and a third support segment. No significant judgements have been made in determining the reporting segments.

- Retail – sales and servicing of motor vehicles and ancillary services.
- Leasing – leasing of vehicles to end consumers and fleet customers.
- Unallocated – administrative and asset management functions in support of the wider business.

All segment revenue, profit/(loss), assets and liabilities are attributable to the principal activity of the Group being the provision of car and commercial vehicle sales, leasing, vehicle service and other related services. All revenue is generated in the UK. Depreciation presented in the segmental note is restricted to assets other than assets held for contract rental, on the basis that depreciation of our leasing fleet is presented within cost of sales.

For the half year ended 30 June 2016 *(unaudited)*	**Retail** *(see below)* **£'000**	**Leasing £'000**	**Unallocated £'000**	**Total £'000**
Revenue				
Total revenue	806,056	20,161	184	826,401
Total revenue from external customers	**806,056**	**20,161**	**184**	**826,401**
Depreciation and amortisation	(2,343)	(3)	(11)	(2,357)
Segment operating profit/(loss)	16,813	3,198	(5,560)	14,451
Finance cost	(1,560)	(547)	(260)	(2,367)
Profit/(loss) before tax and acquisition costs	15,253	2,651	(3,942)	13,962
Acquisition costs	-	-	(2,163)	(2,163)
Profit on disposal of business units	-	-	285	285
Profit/(loss) before taxation	**15,253**	**2,651**	**(5,820)**	**12,084**
Total assets	657,122	85,899	50,331	793,352
Total liabilities	465,636	69,605	120,685	655,926
Additions in the period				
Property, plant, equipment and software assets	12,016	18,438	-	30,454

Marshall Motor Holdings plc
Notes to the Financial Information *(continued)*
For the period ended 30 June 2016

Segmental reporting *(continued)*

For the half year ended 30 June 2015 *(unaudited)*	**Retail** *(see below)* **£'000**	**Leasing £'000**	**Unallocated £'000**	**Total £'000**
Revenue				
Total revenue	613,363	18,997	117	632,477
Total revenue from external customers	**613,363**	**18,997**	**117**	**632,477**
Depreciation and amortisation	(2,044)	(4)	(9)	(2,057)
Segment operating profit/(loss)	12,856	3,041	(4,046)	11,851
Finance cost	(848)	(535)	(17)	(1,400)
Profit/(loss) before tax and acquisition costs	12,008	2,506	(4,063)	10,451
Acquisition costs	-	-	-	-
Profit/(loss) before taxation	**12,008**	**2,506**	**(4,063)**	**10,451**
Total assets	246,812	70,415	84,164	401,391
Total liabilities	194,360	54,907	25,963	275,230
Additions in the period				
Property, plant, equipment and software assets	4,263	14,449	-	18,712

For the year ended 31 December 2015 *(audited)*	**Retail** *(see below)* **£'000**	**Leasing £'000**	**Unallocated £'000**	**Total £'000**
Revenue				
Total revenue	1,195,506	37,022	233	1,232,761
Total revenue from external customers	**1,195,506**	**37,022**	**233**	**1,232,761**
Depreciation and amortisation	(3,801)	(8)	(18)	(3,827)
Segment operating profit/(loss)	20,258	6,001	(8,013)	18,246
Finance cost	(1,498)	(1,125)	(260)	(2,883)
Profit/(loss) before tax and acquisition costs	18,760	4,876	(7,798)	15,838
Acquisition costs	-	-	(475)	(475)
Profit/(loss) before taxation	**18,760**	**4,876**	**(8,273)**	**15,363**
Total assets	294,652	74,691	85,660	455,003
Total liabilities	223,029	60,356	41,705	325,090
Additions in the period				
Property, plant, equipment and software assets	16,585	29,738	-	46,323

Segmental reporting *(continued)*

Retail revenue is derived from a number of service lines, principally being new vehicle sales and aftersales, as set out below.

	Six months ended 30 June 2016 *(unaudited)* £'000	Six months ended 30 June 2015 *(unaudited)* £'000	Year ended 31 December 2015 *(audited)* £'000
New	431,026	326,189	637,774
Used	306,792	238,132	459,235
Aftersales & other	86,170	63,132	127,840
Internal	(17,932)	(14,090)	(29,343)
Total	**806,056**	**613,363**	**1,195,506**

4. Operating expenses

	Six months ended 30 June 2016 *(unaudited)* £'000	Six months ended 30 June 2015 *(unaudited)* £'000	Year ended 31 December 2015 *(audited)* £'000
Employee costs	42,064	32,052	64,562
Depreciation on property, plant and equipment	2,228	2,061	3,600
Amortisation of other intangibles	129	-	227
Profit on disposal of business units	(285)	-	-
Profit on disposal of property plant and equipment	(8)	(45)	(61)
Operating lease rentals - property	4,825	3,366	6,907
Management charges from Marshall of Cambridge (Holdings) Limited	98	1,030	1,127
Legal and professional charges (including acquisition costs of £2,163,000)	2,664	514	1,100
Other expenses	31,982	23,035	49,601
	83,697	**62,013**	**127,063**

£982,000 of the management charges from Marshall of Cambridge (Holdings) Limited in the year ended 31 December 2015 are related to pre-admission costs. Acquisition costs of £2,163,000 were incurred in connection with the acquisition of Ridgeway Garages (Newbury) Limited.

5. Finance costs

	Six months ended 30 June 2016 *(unaudited)* £'000	Six months ended 30 June 2015 *(unaudited)* £'000	Year ended 31 December 2015 *(audited)* £'000
Interest income on short term bank deposits	(38)	-	(33)
Interest payable on bank borrowings and asset backed finance	845	579	1,418
Stock financing charges and other interest	1,560	821	1,498
Net finance costs	**2,367**	**1,400**	**2,883**

6. Taxation

The underlying tax charge for the six months ended 30 June 2016 is 22.1% (30 June 2015: 22.0%). The reported tax rate for the Period reflects the full year estimated effective tax rate for the Group including Ridgeway for the period for which it has been owned by the Group. For the Period the reported tax rate is 25.5% as a result of disallowable transaction costs.

7. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares during the year and the diluted weighted average number of ordinary shares in issue in the year.

Underlying earnings per share are based on basic earnings per share adjusted for the impact of one-off items.

The diluted earnings per share are based on the weighted average number of shares after taking account of the dilutive impact of shares under option of 2,394,603 (2015: 1,956,373).

	Six months ended 30 June 2016 *(unaudited)* £'000	Six months ended 30 June 2015 *(unaudited)* £'000	Year ended 31 December 2015 *(audited)* £'000
Profit for the year	8,997	8,152	11,721
Non-controlling interests	-	-	(7)
Basic earnings	**8,997**	**8,152**	**11,714**
Weighted average number of ordinary shares in issue for the basic earnings per share	77,260,355	41,318,867	59,425,171
Basic earnings per share (in pence per share)	**11.6**	**19.7**	**19.7**
Exceptional items	2.4	0.0	0.8
Underlying earnings per share (non GAAP measure)	**14.0**	**19.7**	**20.5**
Diluted earnings per share (in pence per share)	**11.4**	**19.3**	**19.2**

8. Dividends

An interim dividend of 1.80p per share will be paid by 23 September 2016 to shareholders who are on the Company's register at close of business on 26 August 2016.

A final dividend of £1,858,000 for the year ended 31 December 2015 was paid in May 2016. This represented a payment of 2.40p per share in issue. An interim dividend of £448,000 in respect of the year ended 31 December 2015 was paid in September 2015. This represented a payment of 0.58p per share in issue. This was pro rata to reflect dividends for the period from the date of admission (2 April 2015) to 30 June 2015.

9. Called up share capital and share premium

	30 June 2016 *(unaudited)* £'000	30 June 2015 *(unaudited)* £'000	31 December 2015 *(audited)* £'000
Allotted, called up and fully paid ordinary shares of 64p each	49,531	49,431	49,431

On 27 May 2016 156,599 ordinary shares of 64p each were issued as part of the IPO Restricted share option scheme.

10. Intangible assets

Goodwill and intangible assets

	30 June 2016 *(unaudited)* £'000	30 June 2015 *(unaudited)* £'000	31 December 2015 *(audited)* £'000
Cost			
Balance brought forward	37,791	22,055	22,055
Additions	82,597	-	15,786
Adjustments	104	-	(50)
Disposals	(1,222)	-	-
Balance carried forward	**119,270**	**22,055**	**37,791**

Adjustments relate to the acquisition accounting in respect of S.G. Smith Holdings Limited which was acquired in November 2015. Acquisition accounting will be finalised by 31 December 2016.

During the period, the business disposed of two Toyota dealerships and one Nissan dealership (goodwill of £1,222,000 associated with the Nissan CGU was effectively disposed).

On 25 May 2016 the Company acquired the entire share capital of Ridgeway Garages (Newbury) Limited ('Ridgeway'). Ridgeway itself is the parent company of six wholly owned subsidiary companies, Pentagon Limited, Pentagon South West Limited, Ridgeway TPS Limited, Ridgeway Bavarian Limited, Wood in Hampshire Limited and Wood of Salisbury Limited.

The estimated net assets at the date of acquisition are stated at their provisional fair value as set out below.

	NBV at 31 May 2016 £'000	Fair value adjustment £'000	Acquisition balance sheet at 31 May 2016 £'000
Goodwill	2,600	(2,600)	-
Intangible assets	-	59,504	59,504
Deferred tax on acquired intangible assets	-	(10,728)	(10,728)
Property, plant & 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
Total cash consideration			**106,947**

As disclosed at the time of acquisition, Ridgeway's consolidated statutory accounts for the year ended 2015 included a contingent liability note in respect of various film tax planning initiatives, which Ridgeway had estimated could give rise to an additional tax liability of £3.5m (before any unknown sums for potential costs and interest). This is included in the fair value adjustment above. Fair value adjustments also include provisional adjustments for leasehold arrangements, stock valuations and other operational matters.

11. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Assets held for contract rental £'000	Assets under construction £'000	Total £'000
***For the half year ended 30 June 2016** (unaudited)*						
Cost						
At 1 January 2016	37,381	12,372	27,177	96,890	-	173,820
Additions at cost	973	243	2,068	18,437	8,632	30,353
Additions on acquisition	53,731	2,753	5,031	-	3,899	65,414
Disposals	(1,386)	(177)	(3,112)	(16,896)	-	(21,571)
Transfers	(2,123)	(3,214)	-	-	5,337	-
At 30 June 2016	**88,576**	**11,977**	**31,164**	**98,431**	**17,868**	**248,016**
Accumulated Depreciation						
At 1 January 2016	9,121	2,540	20,445	34,429	-	66,535
Charges for the year	200	384	1,644	8,708	-	10,936
Disposals	(1,092)	(156)	(2,871)	(11,289)	-	(15,408)
At 30 June 2016	**8,229**	**2,768**	**19,218**	**31,848**	**-**	**62,063**
Net book amount						
At 30 June 2016	**80,347**	**9,209**	**11,946**	**66,583**	**17,868**	**185,953**

Assets under construction were previously reported as freehold land and buildings or leasehold land and buildings as appropriate.

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Assets held for contract rental £'000	Assets under construction £'000	Total £'000
***For the half year ended 30 June 2015** (unaudited)*						
Cost						
At 1 January 2015	33,017	3,645	25,863	95,636	-	158,161
Additions at cost	394	2,211	1,666	14,441	-	18,712
Disposals	-	(17)	(250)	(15,571)	-	(15,838)
At 30 June 2015	**33,411**	**5,839**	**27,279**	**94,506**	**-**	**161,035**
Accumulated Depreciation						
At 1 January 2015	9,361	1,210	19,181	37,372	-	67,124
Charges for the year	517	132	1,408	8,670	-	10,727
Disposals	-	(1)	(148)	(11,149)	-	(11,298)
At 30 June 2015	**9,878**	**1,341**	**20,441**	**34,893**	**-**	**66,553**
Net book amount						
At 30 June 2015	**23,533**	**4,498**	**6,838**	**59,613**	**-**	**94,482**

Property, plant and equipment *(continued)*

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Assets held for contract rental £'000	Assets under construction £'000	Total £'000
For the year ended 31 December 2015 *(audited)*						
Cost						
At 1 January 2015	33,017	3,645	25,863	95,636	-	158,161
Additions at cost	2,670	4,609	2,403	29,732	-	39,414
Additions on acquisition	4,137	1,636	977	-	-	6,750
Disposals	-	(19)	(648)	(28,478)	-	(29,145)
Transfers	(2,443)	2,501	(1,418)	-	-	(1,360)
At 31 December 2015	**37,381**	**12,372**	**27,177**	**96,890**	**-**	**173,820**
Accumulated Depreciation						
At 1 January 2015	9,361	1,210	19,181	37,372	-	67,124
Charges for the year	313	701	2,586	17,210	-	20,810
Disposals	-	-	(408)	(20,153)	-	(20,561)
Transfers	(553)	629	(914)	-	-	(838)
At 31 December 2015	**9,121**	**2,540**	**20,445**	**34,429**	**-**	**66,535**
Net book amount						
At 31 December 2015	**28,260**	**9,832**	**6,732**	**62,461**	**-**	**107,285**

Independent review report to Marshall Motor Holdings plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2016 which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated cash flow statement and the related notes 1 to 11. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
Cambridge
15 August 2016

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