



**Marshall**  
Motor Holdings plc

PUTTING OUR CUSTOMERS ABOVE ALL ELSE SINCE 1909

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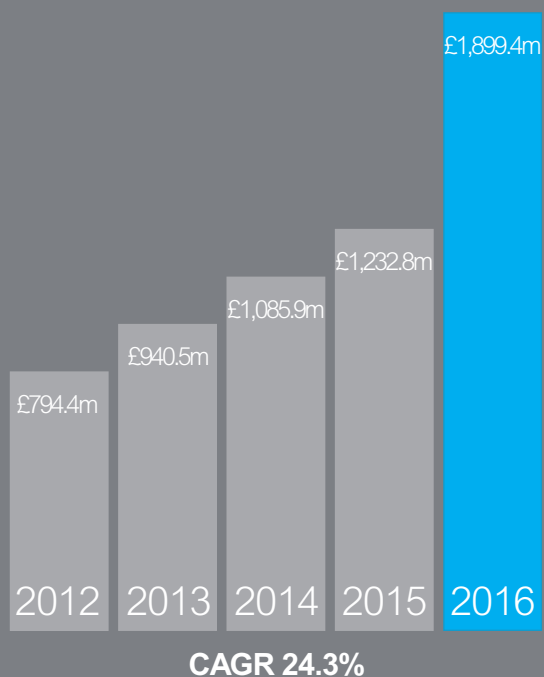
**Marshall Motor Holdings plc**  
Annual Report & Accounts 2016

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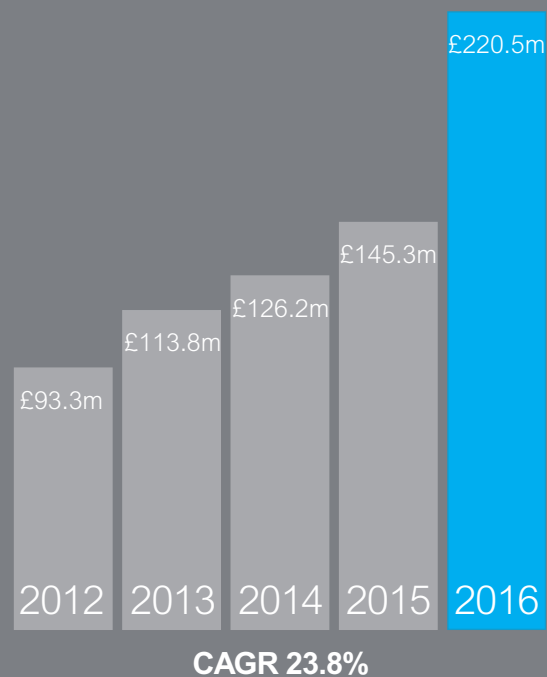
## Historical Financial Trends

Following our IPO in 2015, 2016 was another transformational year for the Group and the Board is delighted to announce another set of record results

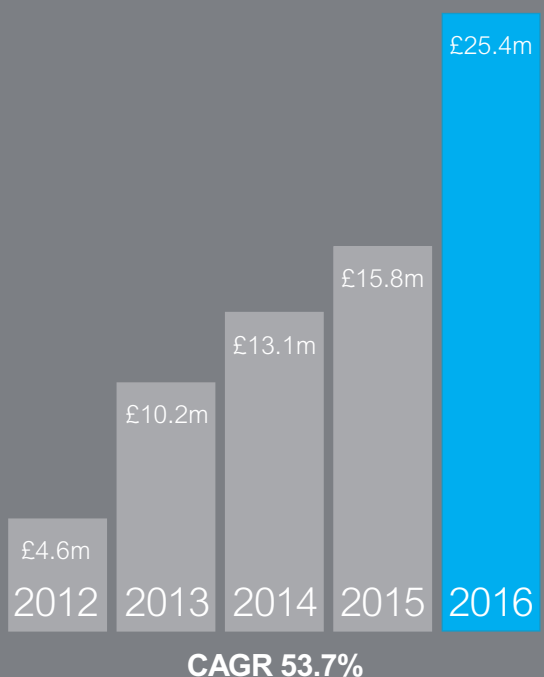
Revenue £m



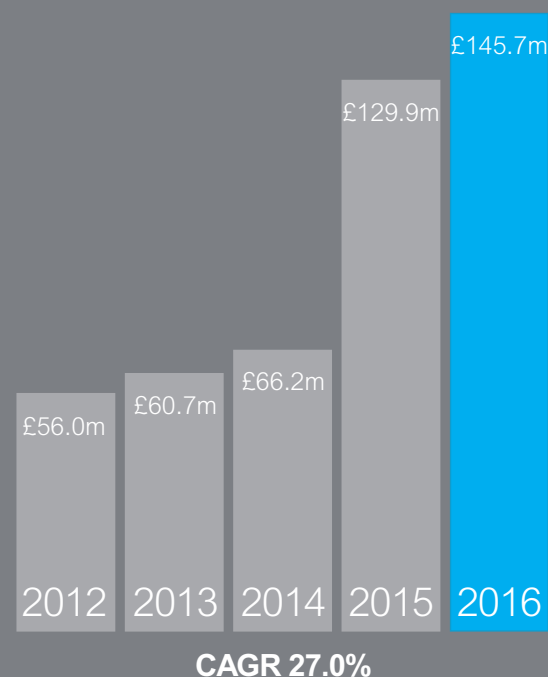
Gross Profit £m



Underlying Profit Before Tax\* £m



Net Assets £m



\* underlying profit before tax is presented excluding non-underlying items (see Note 5)

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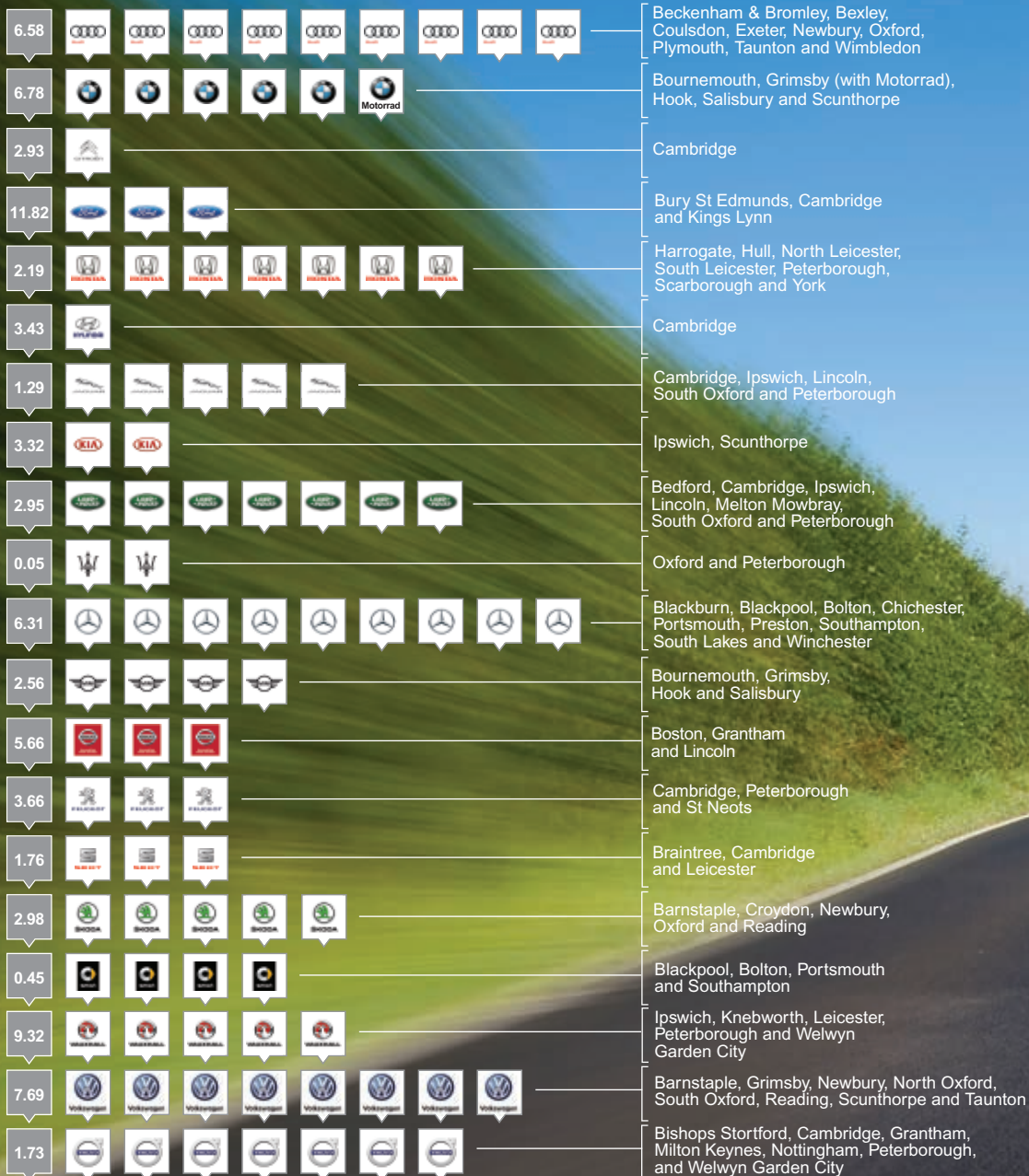


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Financial  
Review

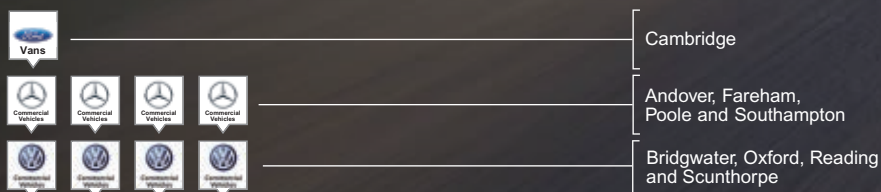




## Retail Franchised Dealerships



## Commercial Vehicle Dealerships



## Other stand-alone Operating Units



83.5%  
brand coverage



103

Franchised Dealerships  
at 31 December 2016

Marshall Motor Holdings is the 7th largest motor dealer group in the UK, representing 24 brand partners across 25 counties. In addition, the Group operates a number of aftersales and used car operations.



# Chairman's Statement



**Peter Johnson**  
Chairman

“The acquisition of Ridgeway was a unique opportunity for significant growth with our existing brand partners.”

## Introduction

I am delighted to present our Annual Report & Accounts for the year ended 31 December 2016 (the “Year”). Following our successful admission to the AIM market of the London Stock Exchange in April 2015 (“Admission”), 2016 was another excellent year for the Group. As a result of acquisition and continued organic growth, we are now the 7th largest dealer group in the UK and are well positioned to take advantage of further opportunities in the future.

## Strategy

During the Year we remained focused on our vision to become the UK’s premier automotive retail and leasing group and in May 2016 we took a unique opportunity for significant growth with our existing brand partners, completing the £106.9m strategic acquisition of Ridgeway Garages (Newbury) Limited (“Ridgeway”). The addition of Ridgeway’s 30 franchises extended the Group’s footprint into new and attractive geographical territories and greatly increased our scale with key brand partners.

## Results

The Group has delivered another record year:

- 54.1% revenue growth.
- 60.4% underlying PBT growth\*.
- Basic earnings per share 23.0p (2015: 19.7p)
- 66.1% underlying basic earnings per share growth\*\*.

Adjusted net debt\*\*\* at 31 December 2016 was £54.5m, in line with our expectations. The Group’s balance sheet remains strong, underpinned by £106.5m of freehold/long leasehold property.

## Dividend

As previously stated, the Board intends to maintain a progressive dividend policy where dividends are covered between 4 to 5 times by underlying earnings. The Board is therefore pleased to recommend a final dividend of 3.70p per share which, with the interim dividend of

1.80p per share, gives a total dividend for the Year ended 31 December 2016 of 5.50p per share.

If approved by shareholders at our AGM on 23 May 2017, the final dividend will be paid on 26 May 2017 to shareholders who are on the Company’s register at close of business on 21 April 2017.

## People and Partnerships

Since Admission, the Group has made significant progress towards achieving our vision. This would not be possible without the continued drive and support from all our colleagues and business partners.

The combined strength of Marshall, Ridgeway and SGS Holdings Limited (“SGS”) gives us a management team that augurs well for the future of the Group.

We continue to enjoy excellent relationships with our brand partners and we will work with them as we seek further growth opportunities.

## AGM

Our annual general meeting will be held on 23 May 2017 and I look forward to meeting all shareholders who are able to attend.

## Outlook

Following the UK referendum on EU membership and the resultant continued economic uncertainty, the Board remains cautious on the UK vehicle market in 2017. Our order book for the important March plate-change period is, however, encouraging and current trading is in line with our expectations. Our outlook for the full year is unchanged.

Finally, I would like to thank the Board, the Executive team, all of our colleagues and our brand partners for their part in delivering these excellent results.

**Peter Johnson**  
Chairman  
14 March 2017

\*underlying profit before tax is presented excluding non-underlying items (as set out in Note 5)

\*\*2015 comparative calculated utilising 2016 weighted average number of shares in issue

\*\*\*excluding asset-backed leasing loans (see page 54)

# VISION

To be the UK's Premier automotive retail and leasing group.

Class  
Leading  
Returns



Customer  
First



Retailing  
Excellence



People  
Centric



Strategic  
Growth



# Operating Review



**Daksh Gupta**  
Chief Executive Officer

“The strategic acquisition of Ridgeway in May 2016 means the Group is now the 7th largest dealer group in the UK.”

“Our retail segment has reported significant growth in underlying PBT, up 54.1%.”

“Revenue of £1.9bn was ahead of last year by 54.1%.”

## Overview

2016 was another transformational year for the Group. Following our admission to AIM and the acquisition of SGS in 2015, the strategic acquisition of Ridgeway in May 2016 means we are now the 7th largest dealer group in the UK.

I am also very pleased to report another record trading performance during the Year:

- Revenue of £1.9bn was ahead of last year by 54.1% with the Group also enjoying strong like-for-like\* revenue growth of 10.7%.
- Underlying PBT at £25.4m was up 60.4% versus 2015.
- Our retail segment achieved significant growth in underlying PBT, up 54.1%, driven by a combination of contributions from the acquisitions of SGS and Ridgeway and strong like-for-like organic growth.
- Our leasing segment continued to perform strongly in the Year with PBT of £4.9m.

UK new car registrations of 2.69m in 2016 were 2.3% ahead of 2015 (including dealer and self-registrations). Registrations to retail customers were down 0.2% in 2016 while fleet/business sales grew by 4.3%. Against this market back drop, our new car sales performance was significantly ahead of the market, with overall new unit sales increasing by 39.3%, benefitting from the Ridgeway acquisition and full year contribution from SGS. Our like-for-like growth in new vehicle unit sales also outperformed the wider market, up 5.5%.

Following the UK referendum on EU membership in June 2016, the overall UK economy has entered a period of economic uncertainty. This was reflected in a slowing of growth of new car registrations in the second half of 2016, increasing by 1.2% (H1: 3.2%). Despite this, our performance in the second half of the Year strengthened, with like-for-like

new car sales in the second half of the Year up 8.1% versus the comparable period in 2015.

Following five consecutive years of growth, the latest forecast from the Society of Motor Manufacturers and Traders (“SMMT”) for 2017 is for 2.56m UK new car registrations. Whilst this would be a decline of 5.0% compared to 2016, it would still represent a historically strong market; the third highest in history.

The acquisition of Ridgeway extended the Group’s footprint into new and attractive geographical territories and has greatly increased the Group’s scale with key brand partners. The acquisition added 30 franchises and moved the Group from 10th to 7th largest dealer group in the UK.

The Group’s strategic vision is to become the UK’s premier automotive and leasing group and this remains central to everything we do. Our five strategic pillars which underpin that vision are class leading returns; putting our customers first; delivering retailing excellence for the benefit of our customers; being people centric by focusing on employee engagement; and pursuing strategic growth both organically and through targeted acquisitions in line with the Group’s strategy.

## Class leading returns

During the Year, the Group recorded strong new vehicle revenue growth of 54.2% (13.1% like-for-like) and used vehicle revenue growth of 56.4% (8.3% like-for-like).

As a result of the Group’s positive sales performance in recent years and an increasing UK vehicle parc, we have continued to enjoy strong growth in aftersales and revenue grew by 58.4% (5.7% like-for-like). We also benefitted from a number of continuing management initiatives to improve productivity and efficiency in our aftersales operations.

*\*like-for-like businesses are defined as those which traded under the Group’s ownership throughout both the entire year under review and the corresponding comparative year*



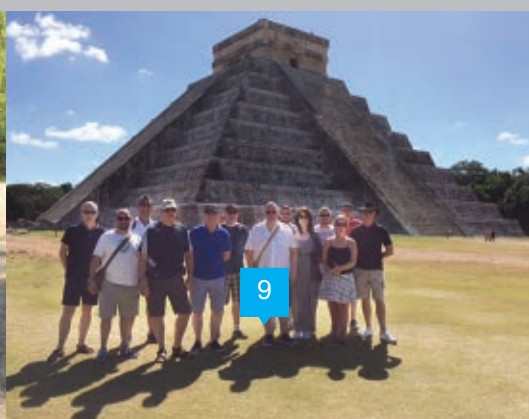


Every January the Group attends the MAVTAs (Marshall Achievement Values and Teamwork Awards) at King's College, Cambridge. We recognise colleagues from across the Group who have demonstrated their commitment to living our company values.

Recognising that people are at the heart of our success.

Twice a year the Group runs incentive programs where high performers and colleagues who live our company values go on an overseas trip. These pictures are from Tallinn and Cancun where 70 colleagues were winners. *(Pictured below - left and middle)*

Every year we recognise colleagues who have had long service with the Group with a weekend away with their partners. In June 2016 around 150 colleagues and their partners were invited to the annual loyalty event at the Belfry. *(Pictured below - right)*





The Group's leasing segment continued to perform strongly during the Year with PBT of £4.9m (2015: £4.9m). At 31 December 2016, the leasing fleet was 6,192 vehicles (31 December 2015: 6,029), a growth of 2.7%.

### Customer first

The Group continues to enjoy high levels of customer advocacy. In 2016 43.4% of 41,928 customers surveyed who visited our showrooms indicated that they were either previous customers or were recommended to us.

Our new website was launched in April 2016 and provides additional content and functionality to support the customer journey. The new website is fully optimised for mobile and tablet browsers, reflecting the clear move by consumers from desktop to mobile and tablet devices. The Group also acquired the domain name, "marshall.co.uk" which has now replaced the "marshallweb.co.uk" URL. The new domain name is expected to help drive improved search engine optimisation and is more customer focused.

Through the integration process we have included all SGS and Ridgeway franchises on the new Marshall website. All acquired sites have also been fully rebranded as Marshall, increasing the Group's visibility and presence in the market place.

### Retailing excellence

We continue to utilise technology to drive efficiencies and improve the customer journey. I am pleased to report that during the second half of the Year we extended the implementation of our tablet based enquiry management system to our acquired businesses. This system will further facilitate a seamless customer experience and assists compliance in the marketing and sale of regulated ancillary products.

During the Year, the second iteration of the Group's bespoke management information ('MI') system, Phoenix 2, was implemented and in the second half of the Year was rolled out in our

acquired businesses, allowing management to leverage the benefits of a significantly increased stock holding. Phoenix 2 also has a number of new modules developed to assist management operate their respective areas of responsibility.

Through the Year, we have continued to roll out enhanced network services to all dealerships, providing faster IT networks and contemporary telephony solutions in support of enhancing customer experience.

Finally, we continue to embrace social media as a means of connecting with our customers. Marshall is the most influential dealer group in the UK on Twitter with c.34,000 followers across our various Twitter accounts. We also have over 80,000 likes on Facebook, 2.15m YouTube views and over 37,000 likes on Instagram. The Group received recognition for its focus on social media and digital initiatives by winning accolades at the Automotive Management awards in February 2017.

### People centric

Once again, in recognition of the continued focus on all aspects of colleague engagement, we were delighted to be recognised by The Great Place to Work Institute, being ranked 19th in 2016. This was the seventh year running we have been classified as a Great Place to Work and the second year we have been ranked in the top 30, amongst the best companies in the UK including Capital One, Cisco UK, Hyatt and Hilton Hotels and MBNA.

In May 2016 the Group launched a number of initiatives to attract new talent and improve retention of sales executives. One of these initiatives is to guarantee sales executive earnings, alongside retention bonuses, during the first year of employment to reduce colleague turnover and attract new talent to the organisation. We have also implemented a two week residential orientation course for new starters, opened a new Marshall Learning and Development Academy suite and increased the number of in-house trainers. Whilst it is still early days, initial feedback

from these initiatives has been positive and we are working on similar improvements in our aftersales businesses.

### Strategic growth

Our strategy to grow scale with existing brand partners in new geographical territories has been particularly well demonstrated by the acquisitions of both SGS and Ridgeway. In both cases the businesses operated in territories complementary to our existing operations and with attractive brands we already represented. These acquisitions were made with the full support of our brand partners and we will continue to work in partnership with them to execute our growth strategy moving forward.

### Retail Segment Overview

During the Year, the retail segment achieved a record underlying PBT of £28.9m, a growth of 54.1% versus the same period last year.

Following the strategic acquisition of Ridgeway, the retail segment now consists of 103 franchises representing 24 brand partners trading from 89 sites in 25 counties. In addition, the Group operates five trade parts specialists, four used car centres, five standalone body shops and one PDI centre. The Group operates a balanced portfolio of volume, prestige and alternate premium brands including all of the top 5 premium brands. The Group's diverse portfolio means it represents manufacturer brands accounting for around 83.5% of all new vehicle sales in the UK. This increased scale and diversified spread of representation helps mitigate the effect of the cyclical nature of individual brand performance.

### Integration of acquisitions

The integration of Ridgeway, which was acquired on 26 May 2016, is progressing well. The Group's operational, financial and commercial organisation has been restructured and key management information systems have been



Marshall Motor Holdings was ranked as the 19th best Great Place to Work by the Great Place to Work Institute.

The Group received recognition for its focus on social media and digital initiatives at the Automotive Management Awards in February 2017.

The acquisition of Ridgeway was in complementary territories to our existing operations.



Pre Ridgeway



Ridgeway



Combined (see pages 4-5)





implemented such as Phoenix 2. More recently, all former Ridgeway and SGS car franchises have now been rebranded as "Marshall" and have a consistent online and social media strategy. Key supplier reviews have been carried out with the aim of harmonising terms and leveraging potential scale benefits.

The integration of SGS was also successfully completed during the Year.

The acquired businesses have contributed PBT of £7.7m during the Year.

### Investment in new retail locations

In addition to the Ridgeway acquisition, the Group continued its significant investment in new retail locations with three key site openings in the Year:

- In October 2016, we completed and opened a new freehold Jaguar Land Rover dealership in South Oxford. This relocation brought together the existing Land Rover and Jaguar businesses, which were previously on separate sites in Oxford, in the Jaguar Land Rover "Arch" concept.
- In November 2016, we completed the relocation of Halesworth Land Rover and Ipswich Jaguar to a new freehold Jaguar Land Rover site in Ipswich as part of a strategic market area reorganisation. The Halesworth site will remain open as an authorised repair centre.
- In December 2016, we completed the rebuild of Cambridge Jaguar Land Rover. Following the purchase of the long-leasehold interest of the Jaguar Land Rover site in March 2015, the existing site has been fully redeveloped to meet the Jaguar Land Rover "Arch" concept requirements.

Development of the new freehold Exeter Audi retail centre, which will be located in Marsh Barton, one of Europe's largest motor retail parks, is progressing well and is expected to open in Q4 2017.

#### Twelve months ended 31 December 2016

	Revenue £m mix*		Gross Profit £m mix	
<b>New Car</b>	983.3	51.6%	68.9	32.5%
<b>Used Car</b>	718.3	37.7%	50.7	23.9%
<b>Aftersales</b>	202.6	10.7%	92.3	43.6%
<b>Internal</b>	(44.5)			
<b>Total</b>	<b>1,859.7</b>	<b>100.0%</b>	<b>211.9</b>	<b>100.0%</b>

#### Twelve months ended 31 December 2015

	Revenue £m mix*		Gross Profit £m mix	
<b>New Car</b>	637.8	52.1%	45.7	33.6%
<b>Used Car</b>	459.2	37.5%	33.3	24.5%
<b>Aftersales</b>	127.8	10.4%	56.9	41.9%
<b>Internal</b>	(29.3)			
<b>Total</b>	<b>1,195.5</b>	<b>100.0%</b>	<b>135.9</b>	<b>100.0%</b>

\* mix calculation excludes internal sales

Construction of a new long-leasehold Jaguar Land Rover dealership in Newbury, currently an open point, also commenced in the second half of the Year and is expected to open in Q4 2017.

We are encouraged by initial customer feedback for all our new developments and following the initial transition, we expect each to generate additional revenue and profitability over the medium to longer term.

### Investment in existing businesses

The Group continues to invest in upgrading existing businesses to enhance the customer experience, in line with brand requirements. Investments in upgrade and refurbishment during the Year included:

- Croydon Mercedes-Benz Commercial: extension of aftersales facility;
- Bexley Audi: showroom extension and customer experience refurbishment;
- Melton Mowbray Land Rover: significant site expansion;

- Mercedes-Benz Blackpool, Preston and South Lakes: aftersales customer experience refurbishment;
- Bedford Land Rover: new PDI facility centre opened to support the planned redevelopment of Bedford Land Rover;
- Mercedes-Benz Chichester: showroom refurbishment.

In October 2016, we also acquired a bodyshop business in Grimsby to support our BMW/Mini and Volkswagen businesses in the area.

### Acquisitions

The acquisitions of SGS and Ridgeway were in line with our stated strategy to grow scale with existing brand partners and extend our geographic footprint into new regions. This strategy continues. As with all acquisitions to date, our focus will remain on ensuring a strong strategic and financial case for any opportunity. We have further headroom to grow with key manufacturing partners in what we believe will continue to be a consolidating market.



## New Vehicles

	2016	2015	Growth Total	LFL
<b>Total New Units</b>	48,884	35,103	39.3%	5.5%

During the Year, the Group outperformed the UK market for new car sales, increasing its new car unit sales by 39.3% (like-for-like 5.5%). This strong performance was delivered against an overall year-on-year increase of 2.3% in new car registrations including self/dealer registrations, of which the private registration element of the UK market decreased by 0.2% with fleet growing at 4.3%.

Despite tougher market conditions in the second half of the Year following the UK referendum on EU membership, the Group continued to grow new unit sales,

achieving further strong like-for-like growth in the second half of the Year of 8.1% versus market growth of 1.2%.

Personal Contract Purchase ("PCP") with minimal or zero deposit requirements and affordable monthly payments continue to be a key driver in the sales growth. During the Year, over 80% of new vehicle consumer purchases made on finance from the Group were made using a PCP product. The recent strong growth in PCP is beneficial to the industry due to the creation of a defined point of renewal/purchase/replacement. The

Group actively manages the renewal process to ensure customers are retained within the Group.

PCP can also partially mitigate the impact of any price increases seen as a result of a weakening sterling where the impact on monthly payments is minimal.

Total gross profit from new vehicles increased by 50.7%.

## Used Vehicles

	2016	2015	Growth Total	LFL
<b>Total Used Units</b>	37,787	27,699	36.4%	0.4%

During the Year, the Group increased its used car unit sales by 36.4% (like-for-like 0.4%). Used car revenues showed growth of 56.4% and like-for-like growth of 8.3% driven by a strengthening premium brand mix and higher average selling prices.

The increase in the Group's scale and stock holding following the acquisitions of SGS and Ridgeway have allowed the

Group to offer more availability and choice for customers. The Group's entire used car stock is visible and available to all dealerships through the Group's bespoke MI platform, Phoenix 2.

As we have seen in the new car market, PCP finance penetration is increasing in the used car market. During the Year, over 50% of used vehicles purchased from the Group on finance were made

using a PCP product. This helps stabilise and protect residual values which underpin the PCP financing model as well as providing further aftersales and servicing opportunities.

Total gross profit from used vehicles increased by 52.5%.

## Aftersales

	2016	2015	Growth Total	LFL
<b>Revenue (£m)</b>	202.6	127.8	58.4%	5.7%

During the Year, the Group increased aftersales revenue by 58.4% (like-for-like 5.7%).

Aftersales involves the servicing, maintenance and repair of vehicles. In addition to our franchised dealerships, the Group now operates five standalone bodyshops, five trade parts centres and one PDI centre. Aftersales contributed 43.6% of retail gross profit and, therefore, makes a significant financial contribution to the Group which is important in the context of a more cyclical new car market.

The aftersales market is highly dependent on the UK vehicle parc which has seen a period of 5 consecutive years of growth. As such, the UK car parc currently stands at c.34m vehicles, increasing over recent years as a result of the strong new car market.

As well as supporting new and used car sales, PCP also aids customer retention in aftersales. Vehicles sold on finance are frequently sold with service plans which allow customers to plan and budget for service costs with a higher level of certainty and ensuring repeat

visits to the dealership. The cycle of vehicle replacement on PCP builds customer relations and improves loyalty.

Gross margin at 45.6% has also seen an improvement, up from 44.5% in the same period last year, partly attributable to acquisitions but also further productivity and efficiency improvements.





## Leasing Segment

	2016	2015
Additions	2,185	1,771
Disposals	2,022	1,773
<b>Fleet</b>	<b>6,192</b>	<b>6,029</b>

During the Year, the leasing segment performed strongly with PBT of £4.9m.

The leasing segment continues to focus on its business-to-business strategy, providing service-led fleet management, offering high added value service to clients. During the Year, the overall fleet showed steady growth increasing by 2.7%.

Wherever possible, the leasing segment sources new vehicles and de-fleets end of lease vehicles via the Group's retail segment.

The client base of the leasing segment remains well diversified and balanced with no single customer representing more than 12% of the fleet and with the top 10 customers accounting for 41% of the fleet.

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. As anticipated there has been some

pressure on disposal profitability during the Year driven in part by the mix of vehicles de-fleeting.

The leasing fleet continues to be financed by asset-backed loans secured against the vehicles. The net book value of the fleet at 31 December 2016 was £69.7m against £64.5m of loans (2015: £62.5m against £51.4m of loans). These asset-backed loans are disregarded for the purposes of our external banking covenants and internal definitions of net debt.

We believe that our prudent approach to residual value setting in the leasing fleet provides a sustainable and resilient model for the business. The leasing segment will, therefore, remain focused on recruiting and retaining clients through its service-driven offering.

## Summary

The Group has produced another set of record results in the Year, further building on our strong historical performance. 2016 was also a strategically important year for the Group. The acquisition of Ridgeway, in-line with our growth strategy and funded from existing resources, leaves the Group well positioned for further long term growth.

I would like to take this opportunity to thank our colleagues, Board members, brand partners and business suppliers for their hard work and support during the Year and I look forward to continuing to work together in the coming year.

**Daksh Gupta**

Chief Executive Officer

14 March 2017









# Financial Review



**Mark Raban**  
Chief Financial Officer

“The strategic SGS and Ridgeway acquisitions, together with continued like-for-like growth, have driven underlying PBT growth of 60.4%.”

“Following the Ridgeway acquisition, the Group’s balance sheet remains strong. Net assets per share of £1.88 were up 11.9% versus last year.”

## Group results

Turnover £1.9bn

2015: £1.2bn

Group turnover increased by 54.1% to £1.9bn (2015: £1.2bn) benefiting from both the first full year contribution from SGS (acquired on 16 November 2015) and 7 months contribution from Ridgeway (acquired on 26 May 2016). In addition to contributions from acquisitions, I am delighted to report that like-for-like revenue also showed strong growth of 10.7%, with new and used vehicle sales and aftersales all recording growth.

Gross margin at 11.6% is 18 basis points below the same period last year (2015: 11.8%). The Group experienced underlying margin pressure on both new and used vehicles which was partly offset by further margin improvement in aftersales.

Operating expenses of £191.4m were 50.6% higher than 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 5.2%, significantly below revenue growth rate.

Underlying PBT at £25.4m (2015: £15.8m) was 60.4% ahead of the comparable period last year. This significant increase in profitability was achieved through a combination of both organic performance improvements and contributions from acquisitions. SGS and Ridgeway contributed an underlying PBT of £7.7m during the Year.

The retail segment showed an underlying PBT growth of 54.1% which represented another record year. The leasing segment delivered PBT of £4.9m (2015: £4.9m). The used car market remained robust in the Year and the leasing segment continued to benefit from good levels of disposal profitability despite some anticipated pressure.

The unallocated segment consists principally of governance, administrative and asset management functions which are not directly attributable to the Group’s retail or leasing segments. Underlying central operating costs of £8.4m were £0.6m above the same period last year. Last year contained a one-off cost of £0.7m relating to the settlement of historic long term incentive plan liabilities which was more than offset by a full year of costs related to our public company status, additional infrastructure investment and additional interest charges following the Ridgeway acquisition.

During the Year, the Group incurred a net charge of £3.2m in respect of non-underlying items (see Note 5). These principally related to Ridgeway transaction costs of £2.2m, post-acquisition restructuring costs of £1.6m and amortisation of £0.8m in relation to the acquired customer order book. These costs were partly offset by profit on disposal of £0.3m in respect of three dealership disposals (two Toyota and one Nissan), a £0.3m gain on termination of interest rate swap agreements which were acquired with Ridgeway and a £0.7m gain in relation to the revaluation of the Group’s investment properties. These items are presented separately on the face of the income statement and are excluded from underlying PBT.

## Finance costs and taxation

Finance costs £6.9m

2015: £2.9m

Finance costs of £6.9m were £4.0m higher than the same period last year. This was driven by a number factors, principally in connection with the Ridgeway acquisition. The acquisition was funded by a combination of cash on the Group’s balance sheet (£24.1m as at 31 December 2015), the release of equity from the Group’s previously unencumbered retail inventory (£49.4m as at 31 December 2015, the partial



release of equity from the leasing fleet (£11.1m at 31 December 2015) and the first time drawing against the Group's previously unutilised £120m revolving credit facility ("RCF"). In addition, the Group incurred various arrangement fees and non-utilisation charges in relation to the RCF.

At 19.9% (20.3% underlying), the total effective tax rate was below the 23.8% reported last year. The lower effective tax rate is largely driven by the impact of the UK tax rate change on deferred tax liabilities which has been adjusted from 19% to 17%.

## Acquisitions

**Spend (net of cash acquired) £94.5m**

**2015: £21.5m**

On 26 May 2016 the Group acquired the entire issued share capital of Ridgeway for £106.9m. The consideration included approximately £83.6m in respect of net assets and £23.4m in respect of goodwill (after adjusting for deferred tax arising on IFRS conversion). The net assets included £53.3m in respect of freehold property.

As disclosed at the time of the 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. Subsequent to the Year end, I am pleased to announce the Group has reached a full and final settlement agreement with HMRC for the sum of £4.2m. This amount has been included as part of the fair value exercise as set out in Note 12 and will be paid during the course of 2017 and 2018.

As also disclosed at the time of the acquisition, Ridgeway had brought a claim against a bank for the mis-selling of certain historic interest rate swap products. I am pleased to report that the Group has now settled that claim which, net of costs, gave rise to a one-off gain of £0.3m.

## Adjusted net debt

**£54.5m**

**2015: £24.1m (net cash)**

Following the Ridgeway acquisition, the Group's balance sheet remains strong. The Group has total net assets of £145.7m (2015: £129.9m) which equates to £1.88 per share (2015: £1.68).

The Group incurred £28.8m of retail capital expenditure during the Year (2015: £9.7m). I am delighted to report that our three new flagship freehold / long leasehold Jaguar Land Rover facilities at Oxford, Ipswich and Cambridge opened on time and within budget during the final quarter of the Year.

Total inventory at 31 December 2016 was £380.0m (2015: £240.6m) of which £364.7m was subject to vehicle funding arrangements (2015: £186.2m).

Adjusted net debt (excluding leasing loans) at 31 December 2016 was £54.5m (2015: net cash £24.1m). Including a 7 month post-acquisition contribution from Ridgeway, this represented an adjusted net debt / EBITDA of 1.4x. On a pro-forma basis, including a full 12 month contribution from Ridgeway, this represented an adjusted net debt / EBITDA ratio of 1.2x.

A new £120m three year banking facility was put in place during May 2016 for general corporate purposes including acquisitions and working capital requirements. The Group is able to extend the term of the facility by up to 12 months.

The Board continues to believe that it is the best interest 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.

## Dividends

**5.50p per share**

**2015: 2.98p per share**

The Board is pleased to recommend a final dividend of 3.70p (2015: 2.40p) per share which, together with the interim dividend of 1.80p (2015: 0.58p) per share, gives a total dividend for the Year of 5.50p (2015: 2.98p) per share.

If approved by shareholders, the dividend will be paid on 26 May 2017 to shareholders who are on the Company's register at close of business on 21 April 2017.

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.

### Mark Raban

Chief Financial Officer

14 March 2017





# Principal Risks and Uncertainties

The Group faces a range of risks and uncertainties. The processes that the Board has established to safeguard both shareholder value and the assets of the Group are described in the Corporate Governance report. Set out below are the principal risks and uncertainties the Directors believe could have the most significant adverse impact on the Group's business. The risks and uncertainties described below are not intended to be an exhaustive list.

## ECONOMIC CONDITIONS

A deterioration in the economic conditions in the UK could result in reduced consumer confidence and spending, reduced demand for products and limitations on the Group's ability to increase or maintain its pricing. In addition, governments may impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Group's business. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

The outcome of the referendum on 23 June 2016 regarding the UK's ongoing membership of the European Union has given rise to a period of economic uncertainty and current industry forecasts are for a decline in the new vehicle market in the UK where the Group operates. In addition, the fall in the value of Sterling since the referendum result has impacted the price of new vehicles which may further impact consumer demand.

A significant number of vehicles are sold with financing and, as such, a deterioration of the economic conditions in the UK or a rise in interest rates could lead to a reduction in such finance offers and increased difficulty for customers to obtain such financing.

## VEHICLE MANUFACTURERS

The Group depends on the successful performance of its vehicle manufacturer partners and its continuing relationships with them. In particular, it relies on the availability of stock finance facilities extended by such manufacturers and other external finance providers. It also benefits from bonuses paid upon meeting

sales targets and marketing incentives established by such manufacturers and external finance providers.

Manufacturers' performance can be affected by factors such as general economic conditions, disruptions to their business and reputational risks.

The Group's retail business operates through franchise agreements with vehicle manufacturers. These franchise agreements are typically for a length of between two and five years. At any point in time, therefore, the Group will be in the process of renewing such agreements, in common with other franchise businesses and the wider motor industry. Manufacturers may refuse to renew or terminate their franchise agreements with the Group.

The loss of a major franchise could result in a significant reduction in profits due to the inability to source new vehicles to sell and earn the manufacturer volume bonuses associated with the targets set by each manufacturer.

## FLUCTUATIONS IN PRICES IN THE USED CAR MARKET

The Group's financial performance may be affected by fluctuations in prices in the used car market. Such price fluctuations could impact its retail business as, due to the nature of its operations, the Group maintains a significant inventory of used vehicles. Such price fluctuations could also impact the Group's leasing business, as it could affect the residual value of the vehicles at the end of leasing agreements. The Group operates a robust independent analysis tool to monitor this area and seek to manage any exposure should the trend analysis predict it.

## FUNDING STRUCTURE

*Liquidity and Credit* – One of the Group's main sources of cash flows is debt financing. Although credit availability has recovered from tighter access conditions during the past global credit crunch, a withdrawal of financing facilities or a failure to renew them as they expire could still lead to a significant reduction in the trading ability of the Group or the need to dispose of assets. The other main source of funding for the Group's operations is manufacturers' trade credit,

which could also be withdrawn or its conditions tightened. Should such manufacturer trade credit be withdrawn management believe the Group would be able to access alternative sources of funding, however, there can be no guarantee that any alternative sources of funding could be obtained on similar terms, therefore this may have an adverse effect on the Group's financial performance.

*Interest rates* – Fluctuations in interest rates could increase the cost of borrowing for the Group and have a negative impact on its financial performance. The majority of the Group's funding including the revolving credit facilities ("RCF"), asset backed finance and vehicle financing, are linked to LIBOR.

*Covenants* – The Group's funding agreements contain covenants, the breach of which may trigger default provisions and acceleration of the Group's obligations. For example, covenants may be breached due to higher debt servicing costs caused by an increase in interest rates. Covenants may also restrict the Group's business and funding decisions.

*Operating margins* – In line with other businesses in the motor industry, the Group's operating margins may be considered to be low compared to other industries. A significant portion of the Group's operating costs are fixed, including the costs associated with the running of its national dealer network. These fixed costs need to be carefully controlled in order to ensure the profitability of the Group and the Directors believe they have adequate procedures in place to monitor the Group's on going profitability. Were the Group to experience a downturn in sales, these high fixed costs could put pressure on the Group's financial resources and could have an adverse effect on the Group's business, prospects, results of operations and financial condition.

## RISKS RELATING TO THE GROUP'S STRATEGY

The Group's strategy focuses on a combination of organic and acquisitive





Cambridge Citroen Dealership  
(leasehold)



Knebworth Vauxhall Dealership  
(leasehold)



Nottingham Volvo Dealership  
(leasehold)

growth. The Group's acquisition strategy faces risks in terms of the availability, quality and price of acquisition targets and the ability to fund this acquisitive growth.

Acquisitions involve numerous risks including potential disruption of the Group's ongoing business and distraction of management, difficulty integrating the acquired business and exposure to unknown and/or contingent or other liabilities arising in connection with the acquisition. In addition, the financing of any significant acquisition may result in changes in the Group's capital structure, including the incurrence of additional indebtedness. The Group may not be successful in addressing these risks or any other problems encountered in connection with any acquisitions.

### REGULATORY COMPLIANCE

The Group is subject to a regulatory compliance risk which can arise from a failure to comply fully with the laws, regulations or codes applicable, for example, those set out by the Financial Conduct Authority, Trading Standards, Vehicle Operators and Services Agency (VOSA), local authorities and the manufacturers we represent. Non-compliance can lead to fines, enforced suspension from sales of general insurance products or public reprimand or, in the extreme, closure of parts of the business.

### HEALTH AND SAFETY

The Group's operations include the maintenance and servicing of motor vehicles which involves both manual work and the use of industrial equipment. The Group must therefore comply with laws and regulations concerning risk assessment, the management and control of health and safety risks, the safety of premises, physical locations, equipment, processes and systems of work. To mitigate the risk of breach, and in addition to its own health and safety assessments, the Group engages third parties to undertake regular inspections of its plant and equipment in accordance with statutory obligations and to assess the safety of the Group's working environments.

### ENVIRONMENTAL

The Group must comply with environmental laws and regulations

concerning emissions, waste and waste waters (including trade effluent), vehicle movements, industrial noise, energy efficiency, the storage of oil and the control of other hazardous substances. Any breach of such laws and regulations could lead to fines, penalties and/or compensation and could lead to the temporary cessation of business activities at the Group's premises. In addition to its own internal assessments, the Group engages third parties to undertake inspections of its premises to assess the risk of breach of environmental laws and regulations.

In addition, some of the Group's premises and former premises are located on land that, because of contaminants present, may require remediation under environmental law. Investigation or remediation may be necessary in the event of the discovery of contamination in on or under such premises or in the event of leaks or discharges of hazardous substances or other environmental incidents. Such investigation or remediation could give rise to unexpected liabilities and costs for the Group.

### COMPETITION

The 'block exemption' regulations under EC law suspend normal competition rules to allow motor manufacturers and distributors to operate specialised distribution and repair outlets. Any significant change to this position (including any changes which may occur as a result of the UK ceasing to be a member of the European Union) could have an adverse impact on the Group's motor franchise operations.

### INFORMATION RISK

The Group is dependent on the efficient and uninterrupted operation of its information technology and computer systems, which are vulnerable to damage or interruption from power loss, telecommunications failures, sabotage, vandalism or similar misconduct. Whilst the Group has put in place insurance cover, and also contingency and disaster recovery plans, in order to mitigate the impact of such failures, it can never be certain that these plans could cover every eventuality or situation or fully recompense every loss.

### CYBER SECURITY

Whilst the Group does not complete vehicle sales to customers via the

internet or its websites, it does utilise the internet and its websites significantly in the marketing of its products and services, particularly used cars. In common with other businesses, the Group is therefore at risk of 'denial of service' attacks on its websites which could impact the Group's trading performance if its websites are affected for a prolonged period. In addition, the Group stores certain customer information electronically and therefore faces risks associated with unauthorised access to that data which could have reputational and/or regulatory consequences for the Group. The Group monitors its security policies and processes in order to mitigate (but can not eliminate) the risks associated with cyber security.

### STAFF RETENTION

The Group relies on a number of key employees, both in its management and its operations, with specialised skills and extensive experience in their respective fields. Any failure by the Group to recruit, replace, retain or motivate suitably qualified and experienced employees could impact its growth or its sales performance, increase its wage costs and adversely affect its business, results of operations and financial condition.

This Strategic Report was approved on behalf of the Board on 14 March 2017.

**Mark Raban**  
Chief Financial Officer





# Board of Directors



## 1. Peter Johnson

### Non-Executive Chairman and Chair of the Nominations Committee

Peter has over 45 years' experience in the automotive sector, spending 40 years in senior roles in retail and distribution with the Rover group, Marshall and Inchcape plc where he was Chief Executive between 1999 and 2005. Peter served on the Bunzl plc board from 2006 to 2015 as its senior independent director and chairman of its remuneration committee. He also chaired Rank plc from 2007 to 2012 and served on the Wates Group Limited board from 2003 to 2013. Peter is the current chair of the Retail Motor Industry Federation and president of BEN, the Motor and Allied Trades Benevolent Fund. Peter was a non-executive Director of Marshall of Cambridge (Holdings) Limited until 2 April 2015.

## 2. Daksh Gupta

### Chief Executive Officer

Daksh has over 25 years' experience in the automotive retail sector and joined the Company in 2008 as its Chief Executive Officer. Daksh was a franchise director for Inchcape for seven years where he was responsible for the Volkswagen, Audi and Mercedes-Benz brands. Daksh also served as chief operating officer of Accident Exchange Group plc and prior to joining the Group was Group Managing Director for Ridgeway Group. Daksh was a director of Marshall of Cambridge (Holdings) Limited until 2 April 2015 and is vice chairman of the UK automotive industry charity, BEN.

## 3. Mark Raban

### Chief Financial Officer

Mark has 25 years' of general retail experience, including three as the finance director of Inchcape Retail Limited. He spent three years as Chief Financial Officer for the UK and Ireland at Borders Group and was the interim financial director at Selfridges Retail Limited. Mark has also held senior finance roles at public companies such as Safeway and Burton. Mark was appointed as Chief Financial Officer of the Company on 2 April 2015.

## 4. Alan Ferguson

### Senior Independent Director and Chair of the Audit Committee

Alan is a non-executive director of Johnson Matthey plc, Croda International plc and The Weir Group plc. He chairs the audit committees of each of these companies and is the senior independent director of Johnson Matthey. Alan was chief financial officer and a director of Lonmin plc until December 2010, prior to which he was Group Finance Director of the BOC Group plc. Alan spent 22 years in a variety of roles at Inchcape plc, including six years as its Group Finance Director from 1999. Alan is a chartered accountant and sits on the Business Policy Panel of the Institute of Chartered Accountants of Scotland. Alan was appointed to the Board on 11 March 2015.



## 5. Sarah Dickins

### Non-Executive Director and Chair of the Remuneration Committee

Sarah has over 20 years' HR experience across a broad range of sectors including retail, utilities and financial services. She spent 16 years at Asda, five of those years as an operating board member responsible for people operations and customer service for 150,000 colleagues. Sarah joined Provident Financial Group in 2012 as Executive People Director before becoming Group People Director at Bourne Leisure Limited in 2015. Sarah was appointed to the Board on 11 March 2015.

## 6. Christopher Sawyer

### Non-Executive Director

Christopher developed Deltron Electronics Plc into a European-leading manufacturer and distributor of niche components and it was sold in during 2006. During 2007 Christopher led the acquisition of Lorient Group PLC. Following restructuring and disposals, the remaining businesses grew some 300% and were sold during 2014/5 to NYSE/LSE companies. Christopher is a fellow of the RSA and the IOD, companion of the Chartered Management Institute and Past Master The Worshipful Company of Scientific Instrument Makers. He is also a Trustee of the Think Tank 'Tomorrow's Company'. Christopher has been a non-executive director of Marshall of Cambridge (Holdings) Limited since 2008 and currently chairs its audit committee. Christopher was appointed to the Board on 2 April 2015 as a nominated director of Marshall of Cambridge (Holdings) Limited.

## 7. Christopher Walkinshaw

### Non-Executive Director

Christopher joined Marshall of Cambridge (Holdings) Limited in 1983 and has been a director since 1999. He has worked in all of the principal Marshall businesses, including Marshall Aerospace, Marshall Land Systems and, from 1994 to 2011, Marshall Motor Holdings. Christopher joined the senior team in Marshall of Cambridge (Holdings) Ltd in 2011 and has responsibility for external relations and communications. Christopher is Chairman of The Air League Trust, a member of the Air Cadet Council and Chairman of No. 104 (City of Cambridge) Squadron Air Cadets. Christopher is a Trustee of the Addenbrooke's Charitable Trust and a board member of the Bottisham Multi Academy Trust. Christopher was appointed to the Board on 12 July 2016 as a nominated director of Marshall of Cambridge (Holdings) Limited.

## 8. Francesca Ecsery

### Non-Executive Director

Francesca has 19 years' directorship experience in both blue chip companies and start-ups in the digital, retail, fast-moving consumer goods ("FMCG") and leisure industries. She is a Harvard MBA, fluent in five languages and has special expertise in multi-platform consumer marketing, branding and commercial strategies. Francesca is also non-executive director of Foreign & Colonial Investment Trust plc, Share plc and Good Energy Group plc (all of which are listed on AIM or FTSE) and of VISTA Limited. Her previous executive experience includes McKinsey, PepsiCo, ThornEMI, Thomas Cook, STA Travel and many other consumer brands. Francesca was appointed to the Board on 25 March 2015.

## 9. Stephen Jones

### Company Secretary

Stephen is a practising Solicitor and spent eight years as a corporate lawyer at Eversheds LLP. He also spent eight years as group counsel and company secretary at Automotive and Insurance Solutions Group plc. Stephen joined the Company on 16 March 2015.



# Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and independent auditor's report, for the year ended 31 December 2016 (the "Year").

## Principal activities

The principal activity of the Company is that of a holding company. The principal activity of its subsidiary undertakings is car and commercial vehicle sales, leasing, servicing of vehicles and associated activities.

## Results and dividends

The results for the Year are set out in the Consolidated Statement of Comprehensive Income. The Directors recommend the payment of a final dividend of 3.70p per ordinary share to be paid on 26 May 2017 to shareholders who are on the Company's register at close of business on 21 April 2017.

## Business Review and Future Developments

The review of the business and likely future developments is included within the Strategic Report. This also includes details of acquisitions and growth plans for the future.

## 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 of these financial statements. For these reasons, they continue to adopt the going concern basis in the preparation of these financial statements.

## Directors

Details of the current directors are set out on pages 26 to 27. The directors who served during the Year and subsequently are detailed below.

### Current Directors

#### Non-Executive Directors

Peter Johnson  
 Alan Ferguson  
 Sarah Dickins  
 Francesca Ecsery  
 Christopher Sawyer  
 Christopher Walkinshaw (Appointed 12 July 2016)

#### Executive Directors

Daksh Gupta  
 Mark Raban

In accordance with the Articles of Association of the Company adopted on 12 March 2015 (the "Articles"), Peter Johnson will retire by rotation and offers himself for reappointment at the annual general meeting to be held on 23 May 2017 (the "AGM").

In addition, having been appointed since the date of the last annual general meeting, Christopher Walkinshaw will also retire by rotation in accordance with the Articles and offers himself for reappointment at the AGM.

The interests of the Directors and their immediate families in the share capital of the Company, along with details of Directors share options and awards, are contained in the Directors' Remuneration Report on pages 39 to 46.

## Share Capital

The authorised and issued share capital of the Company, together with the details of shares issued during the Year are shown in Note 26 to the financial statements. The issued share capital of the Company at 31 December 2016 was 77,392,862 ordinary shares of 64p each.

## Substantial Shareholdings

As at 10 March 2017, the Company had been notified of interests in excess of 3 per cent in the Company's share capital by the following shareholders:

Name	Number of Ordinary Shares	Percentage of Existing Ordinary Shares Held
Marshall of Cambridge (Holdings) Limited	50,390,625	65.11%
Union Investments and Development Limited	7,005,839	9.05%
Schroders plc	3,907,275	5.05%
Polar Capital LLP	3,087,900	3.99%



### Share Option Schemes

Details of employee share option schemes are set out in Note 26 to the consolidated financial statements.

### Charitable and Political Donations

During the Year, the Group made the following charitable donations: £51,000 (2015: £49,000).

No political contributions were made during the Year (2015: £nil).

### Disabled Employees

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

### Employee Involvement

During the Year the policy of providing employees with information about the Group has been continued through the newsletter 'Marshall Matters', team briefings and through our global email network. Regular meetings are held between local management and employees to allow a free flow of information and ideas. In the weeks following the acquisition of Ridgeway, senior management held a series of meetings with employees of Ridgeway to welcome them to the Group and to answer questions on the impact of the acquisition. We also participate in the Great Place to Work Institute's employee engagement programme. Further details are set out in the Corporate Social Responsibility Section of this Annual Report.

### Disclosure of Information to Auditor

In so far as each of the persons who were Directors at the date of approving these financial statements is aware:

- There is no relevant audit information of which the company's auditor is unaware; and
- Each director has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that.

### Auditor

A resolution to re-appoint Ernst & Young LLP as auditor will be put to the shareholders at the AGM.

### AGM

Notice of the AGM to be held on 23 May 2017 is set out at the end of this Annual Report. The Resolutions proposed at the AGM are summarised as follows:

- *Resolution 1 – Receiving the annual report and accounts for the year ended 31 December 2016*  
All quoted companies are required by law to lay their annual accounts before a general meeting of the Company, together with the directors' reports and auditors' report on the accounts. At the AGM, the directors will present these documents to the shareholders for the financial year ended 31 December 2016.
- *Resolution 2 – Declaration of dividend*  
This resolution concerns the Company's final dividend payment. The directors are recommending a final dividend of 3.70p per ordinary share in respect of the year ended 31 December 2016 which, if approved, will be paid on 26 May 2017 to the shareholders on the register of members on 21 April 2017.
- *Resolution 3 – Re-appointment of Director*  
Peter Johnson will retire by rotation and offers himself for reappointment at the AGM in accordance with the Articles.
- *Resolution 4 – Re-appointment of Director*  
Having been appointed since the date of the last annual general meeting of the Company, Christopher Walkinshaw will retire by rotation and offers himself for reappointment at the AGM in accordance with the Articles.
- *Resolution 5 – Re-appointment of the Auditor*  
This resolution concerns the re-appointment of Ernst & Young LLP as auditors until the conclusion of the next general meeting at which accounts are laid.
- *Resolution 6 – Auditors' remuneration*  
This resolution authorises the Directors to fix the auditors' remuneration

By order of the Board

**Stephen Jones**  
Company Secretary  
14 March 2017

# Corporate and Social Responsibility



## Colleagues

Committed to attracting, developing and retaining the best talent to help drive our business forward in line with our values

### MARSHALL PEOPLE

#### Our Values

Everything we do is underpinned by our values which are woven in to the fabric of our business and are upheld by colleagues.

#### Recruiting, retaining and developing our people

We have a clear Colleague Value Proposition to attract the best talent and support our strategy to be an employment destination. We use a range of tools and assessment methods to ensure we recruit people who can deliver their objectives in line with our values and business strategy.

Every new colleague experiences a thorough induction programme which incorporates our history, values, aims and objectives as well as a structured programme of training and coaching relevant to their role, the brand and the team.

Our dedicated team of HR professionals support the business, aided by policies and practices to ensure we provide the best support, benefits and career opportunities to our colleagues.

Our bespoke Marshall Learning & Development Academy provides opportunities for our colleagues to realise their potential and support their development to ensure they have a fulfilling career with us.

#### Recognising our people

Our recognition programmes are designed to support our colleague engagement agenda. These programmes include overseas incentive trips, long service awards and awards for demonstrating our values.

Our MAVTA programme (Marshall Achievement, Values and Teamwork Awards) recognises colleagues who demonstrate outstanding achievements in Customer Service, Teamwork, Innovation, Leadership, Services in the Community, Business Excellence and Environmental.

#### Communicating with our people

We believe that communication is the key to maintaining colleague engagement and our employment brand. We have an ethos of transparency and sharing news on a regular basis including CEO communications, weekly bulletins, our Colleague magazine, intranet and regular team meetings.

#### Diversity and our people

We are committed to encouraging diversity and ensuring that discrimination has no place in our business. We want every colleague to feel respected and able to perform to the best of their ability. We do not make assumptions about a person's ability to carry out his or her duties based on ethnic origin, gender, sexual orientation, marital status, religion or other philosophical beliefs, age or disability.



We expect all our colleagues to act with integrity and behave ethically in everything they do. To reinforce this we have the Marshall Code of Conduct which is supported by an online programme which forms part of every new colleague's induction.

#### Engaging our people

We strive to ensure our employment policies and practices are consistent with our values and culture, as well as helping us to achieve our business objectives through engaged people and we use an external measure to help validate this.

Since 2008 we have worked with the Great Place to Work Institute's Best Workplaces programme. This has given us the opportunity to seek feedback from our colleagues each year to measure levels of engagement. Our scores continue to build year on year; in 2016 we were delighted to not only be ranked again as a Best Workplace but to go from the 26th to 19th Best Large UK Workplace.







## Community

Striving to have a positive impact on the communities in which we serve

### MARSHALL MAKING A DIFFERENCE

As a values-based business, encouraging our colleagues to make a difference is important to us and our culture.

We focus on creating an environment where colleagues enjoy coming to work and contribute to meeting our business objectives. We believe that highly engaged

colleagues deliver enhanced performance and that it is important to give back to our communities and good causes.

#### Group Giving

We are actively involved in supporting and raising awareness for BEN – Motor and Allied Trades Benevolent Fund. BEN is the UK's dedicated charity for those who work, or have worked, in the automotive and related industries, as well as their dependants. Our CEO is a trustee and current Vice President of BEN for whom he did a charity skydive in 2016 raising more than £150,000 in donations.

This year we introduced 'BEN Week' which saw every dealership participate in a creative fundraising event to raise money for BEN. Our first year was a huge success raising nearly £17,000. This is also a tremendous teambuilding opportunity for both colleagues and customers.

For the past 17 years we have

supported the Macmillan Coffee Mornings which enables our businesses to get involved at a local level, bringing colleagues and customers together.

We also support national initiatives such as Red Nose Day, Children in Need and Wear it Pink for Breast Cancer.

#### Local Giving

- We encourage our colleagues to get involved with local causes which support the communities in which they work. By way of example:
- Our Head Office colleagues supported Wear it Pink for Breast Cancer and braved a winter barbeque in fancy dress.
- One of our Technicians at Bridgwater Volkswagen had his head shaved in the showroom in aid of MIND
- Our IT Manager took part in a gruelling 100-mile cycle ride for Macmillan Nurses



## Health & Safety

Making Health & Safety an integral part of Marshall's day to day operation

### MARSHALL EMBRACING SAFETY

We seek to adopt a consistent approach to health and safety for all work activities across our business.

Our Health and Safety policy gives clear lines of responsibility and is reviewed regularly to promote high standards of health, safety and welfare to meet our legal responsibilities.

A Health & Safety newsletter is published regularly highlighting relevant information to colleagues to communicate and bring to their attention any issues or concerns that relate to their health, safety and welfare.

A quarterly bulletin is sent out to all site management who have a responsibility for health and safety. This highlights any

key focus areas and new processes and is a useful method of communication.

All new managers to the business who have a direct responsibility to health and safety at their site are sent a Managers HSE handbook and given remote training in their first month in the business.

Our Health, Safety & Environmental Department, which has recently been strengthened by the appointment of a new Health & Safety Manager, aims to provide support and direction to all sites by reviewing the policies and procedures and supporting and advising managers to fulfil their responsibilities. They coordinate training for first aiders, fire wardens and risk assessors as required, as well as monitoring, reporting and investigating of all incidents.

#### Health and Safety Statistics in 2016

	2016	2015
Number of fatalities	0	0
Major injuries reported under RIDDOR*	5	14
Dangerous occurrences reported under RIDDOR*	0	0
Number of enforcement notices issued by HSE	0	0
Number of prohibition notices issued by HSE	0	0

\*Reporting of Injuries, Dangerous Occurrences Regulations 2013



## Environmental

Embracing our environmental responsibilities

### MARSHALL GOING GREEN

The Marshall LEAF (Lowering Energy to Aid the Future) aims to lower the impact we have on the environment.

In line with our regulatory responsibilities, agreements are in place for the safe disposal of displaced fluids, scrap metal, parts and related waste products.

All dealerships which required a permit for the operation of a vehicle refinishing installation under the Environmental Permitting (England & Wales) Regulations 2007 have achieved this. On-going monitoring is in place to ensure we remain compliant with the permit issued.

We ensure that all relevant sites are compliant with the requirement to hold a Trade Effluent Consent.

We also have recycling initiatives in every site for more general waste such as ink cartridges, batteries and paper.





# Corporate Governance

## PRINCIPLES OF CORPORATE GOVERNANCE

The Board recognises that applying sound governance principles in the running of the Group is essential. The Company is listed on AIM and is therefore not required to comply with the UK Corporate Governance Code. However, in recognising the value and importance of high standards of corporate governance the Company has, since Admission, adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies so far as it is practicable having regard for the size and nature of the Group.

An explanation of how these principles have been applied during the Year is set out below.

## THE BOARD

The table below sets out details of all directors who have served during the Year and their membership of Board Committees. This includes details of each member's attendance at the ten board meetings during the Year. There are separate attendance statements in respect of the Audit and Remuneration Committees on pages 38 and 40.

Director	Date appointed	Role	Committees (C = current chair)	Board attendance
Peter Johnson	27 June 2014	Non-Executive Chairman	Nomination Committee (C)	10/10
Alan Ferguson	11 March 2015	Senior Independent Director	Audit Committee (C) Remuneration Committee Nomination Committee	10/10
Francesca Ecsery	25 March 2015	Independent Non-Executive	Audit Committee Remuneration Committee Nomination Committee	10/10
Sarah Dickins	11 March 2015	Independent Non-Executive	Audit Committee Remuneration Committee (C) Nominations Committee	10/10
Christopher Sawyer*	2 April 2015	Non-Executive	Audit Committee Remuneration Committee Nomination Committee	10/10
Christopher Walkinshaw*	12 July 2016	Non-Executive	n/a	4/4**
Daksh Gupta	1 October 2008	Chief Executive Officer	n/a	10/10
Mark Raban	2 April 2015	Chief Financial Officer	n/a	10/10

\* Christopher Sawyer and Christopher Walkinshaw are nominated directors of Marshall of Cambridge (Holdings) Limited.

\*\* Appointed 12 July 2016

Board decisions are generally on matters of strategy (including acquisitions), policy, people, performance, budgets and significant capital expenditure. Each director receives information on matters to be discussed (including Board reports from the Chief Executive, Chief Financial Officer and Company Secretary) in advance of each Board meeting to ensure that there is a full debate at Board level and in particular so that the non-executive directors can contribute fully.

The Board has formally reserved specific matters for its determination and has approved terms of reference for all Board Committees.

All directors have access to independent professional advice, if they have the need to seek it. There is an induction process for new directors and training is available when required.



### Chairman, Chief Executive Officer and Senior Independent Director

Peter Johnson is Non-Executive Chairman and the Chief Executive Officer is Daksh Gupta. There is a formal division of responsibilities between the Chairman and the Chief Executive Officer. The Senior Independent Director is Alan Ferguson.

### Board balance

The Company currently has eight directors, of which three are independent non-executives.

Under the terms of a Relationship Agreement ("Relationship Agreement") with Marshall of Cambridge (Holdings) Limited ("MCHL") (details of which are set out below), MCHL is entitled to appoint two nominated directors to the Board, so long as it holds 30% or more of the Company's ordinary shares. MCHL appointed Christopher Sawyer as one of its nominated directors on 2 April 2015 and appointed Christopher Walkinshaw as its second nominated director on 12 July 2016.

### Performance evaluation

Given that the current Board was established on Admission in 2015, it is considered that 2017 is the appropriate time for the Board to conduct an internal performance evaluation. In addition, the non-executive directors have met without the presence of the executive directors, during which the performance of executive directors was assessed and without the presence of the Chairman (to assess the performance of the Chairman).

### Re-election

In accordance with the Company's Articles, Peter Johnson will retire by rotation and offers himself for reappointment at the AGM. In addition, having been appointed since the date of the last annual general meeting of the Company, Christopher Walkinshaw will retire by rotation and offers himself for reappointment at the AGM.

## BOARD COMMITTEES

### Nomination Committee

The Company has established a Nomination Committee which comprises Peter Johnson (Chair of the Committee), Alan Ferguson, Sarah Dickens, Francesca Ecsery and Christopher Sawyer.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

The Nomination Committee met once during the Year to discuss the appointment of Christopher Walkinshaw as a non-executive director.

### Audit Committee

The Company has established an Audit Committee, which comprises Alan Ferguson (Chair of the Committee), Sarah Dickens, Francesca Ecsery and Christopher Sawyer.

Further information on the Audit Committee is set out on pages 37 to 38.

### Remuneration Committee

The Company has established a Remuneration Committee which comprises Sarah Dickens (Chair of the Committee), Alan Ferguson, Francesca Ecsery and Christopher Sawyer.

Further information on the Remuneration Committee is set out on pages 39 to 46.

### RELATIONS WITH SHAREHOLDERS

The Group is committed to maintaining good relations with all its shareholders through the provision of Interim and Annual Reports, other trading statements and the Annual General Meeting. The Company also meets with its institutional shareholders regularly.

In light of MCHL's aggregate shareholding in the Company, on Admission the Company entered into the Relationship Agreement with MCHL in order to regulate the relationship between MCHL and the Company and enable the Company to act independently of MCHL and its affiliates. Under the terms of this agreement MCHL has the right, for so long as it owns 30% or more of the Ordinary Shares in the capital of the Company, to appoint two directors to the Board and one director to each of the committees of the Board, including the Audit, Remuneration and Nomination Committee. The Relationship Agreement will terminate in the event that MCHL ceases to own 30% or more of the ordinary shares in the capital of the Company.

Further details of the Relationship Agreement can be found in the Company's AIM Admission Document which is available on the Company's website at [www.mmhplc.com](http://www.mmhplc.com).

### ANNUAL GENERAL MEETING

The Annual General Meeting provides an opportunity for all shareholders to be updated on the Group's progress and ask questions of the Board.

### FINANCIAL REPORTING

The Board has ultimate responsibility for both the preparation of accounts and the monitoring of systems of internal financial control. The Board seeks to present a fair, balanced and understandable assessment of the Group's position and its prospects and present price-sensitive information in an appropriate way.

### INTERNAL CONTROL

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include:

- management of the day to day activities of the Group by the executive Directors; aided by the Group's bespoke management information system, Phoenix 2;
- an organisational structure with defined levels of responsibility;
- an annual budgeting process which is approved by the Board;
- detailed weekly and monthly reporting of performance against budget and the prior year using Cognos;
- central control over key areas such as capital expenditure authorisation, contracts and financing facilities;
- formal accounting policies and procedures which are regularly reviewed and publicised in the business; and
- an internal audit department which monitors compliance of Company processes and procedures and whose programme of work is overseen by the Audit Committee.
- a Retail FCA Committee to monitor, review and deal with general FCA matters and an FCA Oversight Committee to oversee the Retail FCA Committee and the Group's compliance with FCA legislation.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available.

The principal risks and uncertainties identified by the Board are set out on pages 22 to 24.

By order of the Board

**Stephen Jones**

Company Secretary

14 March 2017



# Audit Committee Report



**Alan Ferguson**  
Senior Independent Director  
and Chair of the Audit Committee

## Audit Committee Members

The Company's Audit Committee was established on Admission and comprises myself, Sarah Dickins, Francesca Ecsery and Christopher Sawyer.

With the exception of Christopher Sawyer (given his position as a nominated director of MCHL), all members of the Audit Committee are considered to be independent.

It is considered that the Audit Committee possesses the necessary skills and experience to fulfil its responsibilities effectively with its members, through their other business activities, having a wide range of financial and commercial expertise. In particular, as set out on pages 26 and 27, my background was as an experienced Finance Director who served on the boards of a number of large companies throughout my executive career. I am the current chair of the audit committees of Johnson Matthey plc, Croda International plc and The Weir Group plc.

## Audit Committee Responsibilities

The Audit Committee's principal responsibilities are to:

- monitor the integrity of the Company's financial statements (including its annual and interim reports, interim management statements, results' announcements and any other formal announcement relating to its financial performance);
- review significant financial reporting issues and judgements as described in Note 2 of the financial statements;
- keep under review the effectiveness of internal controls and risk management systems;

- review arrangements for the Company's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- monitor and review the effectiveness of the internal audit function, review and approve the internal audit function's planned work and meet privately with the head of internal audit without the presence of management; and
- make recommendations to the Board in relation to the appointment of the external auditor and oversee the relationship with the external auditor, including approving the annual audit plan, assessing audit quality and effectiveness and approving the audit fee.

The Audit Committee's responsibilities, its procedures and its authority are set out in formal terms of reference approved by the Board.

## Audit Committee Meetings

The Audit Committee has an annual agenda of matters to be considered and is scheduled to meet three times each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues.

Audit Committee meetings are attended (at the discretion and invitation of the Committee's Chair), by the Chairman, executive directors, head of internal audit and representatives of the Company's external auditor.

During the Year, the Audit Committee met formally three times, each member's attendance at those meetings being set out below:

Committee Member	Role	Attendance record
Alan Ferguson	Chair of the Committee	3/3
Sarah Dickins	Non-Executive Director	3/3
Francesca Ecsery	Non-Executive Director	3/3
Christopher Sawyer	Non-Executive Director	3/3

Between the end of the Year and the date of this report there was a further meeting of the Audit Committee which was attended by all members.

### Activities during the period

During the period since the last annual report to the date of this report, the Audit Committee has:

- reviewed and amended its terms of reference and operated in accordance with an annual agenda of matters to be considered by it;
- reviewed the public announcements relating to its financial position including the accounting issues, key accounting judgments and going concern assessment in connection with the full year and Interim results announcements;
- considered the accounting issues arising as a result of the acquisition of Ridgeway;
- reviewed, and after challenge, approved the external auditor's audit plan for 2016, including their proposed fee and statement of independence. The Audit Committee also reviewed the quality of the external audit and recommended the

re-appointment of the external auditor;

- reviewed non audit fees paid to the external auditors in the Year. These fees totalled £36k and related solely to the review of the Group's interim results;
- overseen the appointment of a new external audit partner during the Year;
- considered and subsequently recommended, the taking of an audit exemption in respect of the year ending 31 December 2016 pursuant to S.479A Companies Act 2006 for certain subsidiary companies as set out on page 76;
- approved the programme of work for the internal audit department in 2016 and considered the output of that work. In addition, it approved the internal audit plan for 2017;
- considered the Group's risk management process and its effectiveness; and
- reviewed the Company's arrangements to enable employees to raise concerns about possible improprieties confidentially including the use of an independent organisation to provide a confidential 'whistleblowers' hotline.

The Committee receives reports from executive directors and also receives reports from, and periodically meets with, the external auditor and the head of internal audit in the absence of management. In addition, as the chair of the Audit Committee I also meet with the external and internal auditor outside of the formal meetings.

### Alan Ferguson

Chair of the Audit Committee  
14 March 2017



# Remuneration Committee Report



**Sarah Dickins**  
Non-Executive Director  
and Chair of the  
Remuneration Committee

## ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

I am pleased to present, on behalf of the Board, the Remuneration Committee's (the "Committee") Remuneration Report providing details of the remuneration of the Directors for the financial year ending 31 December 2016 ("Year") and of our remuneration policy and principles.

### Remuneration policy

Last year I advised that we had undertaken a full review of our remuneration policy on Admission. Since Admission, we have continued to take into account the current regulation and best practice of main market listed companies in our remuneration policy. This Year we have also ensured our approach reflects the significant growth in the Group and the impact of the strategic acquisitions of SGS and Ridgeway. We continue to keep remuneration policy under close review and consider our policy to be appropriate to our strategy.

### Remuneration outcomes for the period to 31 December 2016

As outlined in the operating review, the Company has reported another record year of results resulting in the Group becoming the 7th largest motor retailer in the UK which is a significant stride towards our collective ambition to become the UK's premier automotive and leasing group. Financial highlights include like-for-like revenue growth of 10.7% and underlying PBT of £25.4m representing an increase of 60.4% on 2015.

As set out in the remuneration report last year, for the Year under review, base salaries, annual bonus opportunity and Performance Share Plan ("PSP") opportunities for both Daksh Gupta and Mark Raban remained the same as the previous year.

Annual bonus opportunity during the Year was based on the achievement of profit after tax ("PAT") targets with bonuses of 93.0% of maximum awarded to the Chief Executive and the Chief Financial Officer in respect of performance in the Year.

The Executive Directors also received a PSP Award under the Company's PSP which is subject to demanding three year

earnings per share ("EPS") targets, re-based post the Ridgeway acquisition. Subject to the performance condition being met, PSP awards will vest on the third anniversary of grant with any vested shares required to be held for a further 12 months post vesting.

### Key remuneration decisions for the year to 31 December 2017

As already stated, the Committee believes that the remuneration policy adopted on Admission remains appropriate and having reviewed base salaries for the Chief Executive Officer and Chief Financial Officer in the context of increases for the wider workforce, the Committee has approved increases of 2%. The maximum annual bonus potential for 2017 will be 125% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer. To more closely align with the business KPIs and reflect market practice, targets for 2017 are based on PBT in line with the stretching business plan.

The Committee intends to make awards in 2017 under the PSP subject to a maximum of 125% of salary in respect of the Chief Executive Officer and 100% of salary in respect of the Chief Financial Officer. Vesting will be subject to the achievement of demanding three year EPS targets. Any shares awarded this year to Executive Directors that vest under the PSP must be retained for a further 12 months before they can be sold.

### Conclusion

The directors' remuneration policy which follows this annual statement sets out the Committee's principles on remuneration for the future and the annual report on remuneration provides details of remuneration for the Year. The Committee will continue to be mindful of shareholder views and interests, and we believe that the Directors' remuneration policy is aligned with the achievement of the Company's business objectives.

By order of the Board

**Sarah Dickins**

Chair of Remuneration Committee  
14 March 2017

# Directors' Remuneration Report

## REMUNERATION GOVERNANCE

Throughout the Year, the Committee comprised three independent Non-Executive Directors: Sarah Dickins (Chair of the Committee), Alan Ferguson, Francesca Ecsery alongside Christopher Sawyer who is an appointed representative of MCHL.

The table below sets out each member's attendance record at Committee meetings during the Year.

Committee member	Role	Attendance record
Sarah Dickins	Chair of the Committee	6/6
Alan Ferguson	Non-Executive Director	6/6
Francesca Ecsery	Non-Executive Director	5/6
Christopher Sawyer	Non-Executive Director	5/6

The Chairman of the Board, members of the management team, as well as the Committee's advisers, are invited to attend meetings as appropriate, unless there is any potential conflict of interest.

### The Remuneration Committee: responsibilities

The terms of reference of the Committee cover such issues as: committee membership; frequency of meetings; quorum requirements; and the right to attend meetings. In addition, the Committee has responsibility for, amongst other things:

- making recommendations to the Board on the Company's policy on remuneration for the Group;
- determining and monitoring specific remuneration packages for the Chairman, each of the Executive Directors and certain senior management in the Group, including pension rights and any compensation payments;
- recommending and monitoring the level and structure of remuneration for senior management;
- recommending and overseeing the implementation of share related schemes, including scheme grants;
- ensuring the Committee has access to independent remuneration advice including responsibility for appointing a suitably qualified adviser.

The Board remains responsible for the approval and implementation of any recommendations made by the Committee. The remuneration of Non-Executive Directors other than the Chairman is determined by the Chairman of the Board and the Executive Directors.

### The Committee's advisers

The Committee engages external advisers to assist it in meeting its responsibilities. During the Year, the Committee undertook a competitive selection process following which Willis Towers Watson was appointed to provide independent remuneration advice to the Committee. Willis Towers Watson are a signatory to the Remuneration Consultants' Code of Conduct, and the Committee is satisfied that the advice that it receives is objective and independent.

## REMUNERATION POLICY

The overall aim of our remuneration policy is to provide appropriate incentives that reflect the Group's performance culture and values, through a number of specific remuneration components (detailed in the table on the following pages). In summary, we aim to:

- attract, retain and motivate high calibre, senior management and to focus them on the delivery of the Group's strategic and business objectives;
- set base pay having had due regard to the competitive talent market in which the Company operates with incentive pay structured so that top quartile pay can be achieved for top quartile performance;
- be simple and understandable, both externally and to colleagues; and
- achieve consistency of approach across the senior management population to the extent appropriate.

In determining the practical application of the policy, the Committee considers a range of internal and external factors, including pay and conditions for employees generally, shareholder feedback, and appropriate market comparisons with remuneration practices in FTSE-listed, AIM-listed and other automotive-based companies.

The Committee is satisfied that this policy successfully aligns the interests of Executive Directors, senior managers, and other employees with the long-term interests of shareholders, by ensuring that an appropriate proportion of total remuneration is directly linked to the Group's performance over both the short and the long term.



### Future policy table

The main elements of the remuneration package of Executive Directors are set out below:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<b>BASIC SALARY</b>			
Attract and retain high calibre Executive Directors to deliver strategy.	Paid in 12 equal monthly instalments during the Year.	Reviewed annually to reflect role, responsibility and performance of the individual and the Group, and to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Committee has regard to, inter alia, the Group's revenue, profitability, market worth and business sector. There is no prescribed maximum increase. Annual rates are set out in the annual report on remuneration for the current year and the following year.	None
<b>ANNUAL BONUS</b>			
Incentivise achievement of business objectives by providing reward for performance against annual financial targets.	<p>Paid in cash after the end of the financial year to which it relates.</p> <p>Recovery and withholding provisions apply.</p>	It is the policy of the Committee to cap maximum annual bonuses. The levels of such caps are reviewed annually and are set at an appropriate percentage of annual salary. Currently the maximum bonus is 125% of base salary in respect of the Chief Executive Officer and 100% in respect of the Chief Financial Officer.	<p>Performance is normally measured over one year, based solely on financial targets (e.g. PBT).</p> <p>The Committee sets threshold and maximum targets on an annual basis.</p> <p>A sliding scale operates between threshold and maximum performance. No bonus is payable where performance is below the threshold.</p> <p>Payment of any bonus is subject to the overriding discretion of the Committee.</p>
<b>LONG-TERM INCENTIVES – MMH PERFORMANCE SHARE PLAN</b>			
Alignment of interests with shareholders by providing long-term incentives designed to incentivise and recognise execution of the business strategy over the longer-term.	<p>Grant of £nil cost options under the PSP. Options normally vest 3 years from grant subject to the achievement of performance conditions and continued employment.</p> <p>A 12 months post-vesting holding period applies for awards made from 2016.</p>	<p>150% of base salary (up to 200% of base salary in exceptional circumstances) in any financial year.</p> <p>Current award levels are set out in the Annual Report on Remuneration.</p>	Vesting is subject to continuous employment and targets linked to the strategy of the business. Current targets are based on achievement of growth in earnings per share, but the Committee may vary the targets. 25% vests for achieving threshold performance, 100% vests for achieving maximum performance.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<b>LONG-TERM INCENTIVES – MMH PERFORMANCE SHARE PLAN (CONTINUED)</b>			
	<p>A dividend equivalent provision applies.</p> <p>Recovery and withholding provisions apply at the discretion of the Committee within three years of vesting.</p>		
<b>BENEFITS</b>			
Provide benefits consistent with role and in support of the personal health and wellbeing of employees.	Currently these consist of holiday entitlement, health insurance, life assurance premiums and income protection insurance. The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Group.	The cost of providing benefits is borne by the Company and varies from time to time.	None
<b>PENSION</b>			
Attract and retain Executive Directors for the long term by providing funding for retirement.	<p>All Executive Directors are entitled to participate in the Company's defined contribution pension scheme or to receive a cash allowance in lieu of pension contributions.</p> <p>Only base salary is pensionable.</p>	<p>The Chief Executive receives a 16% of base salary contribution.</p> <p>The Chief Financial Officer participates in the Company's defined contribution pension scheme whereby the Company makes an 8% of base salary contribution, conditional upon the Chief Financial Officer making a matched contribution of 8%.</p>	None
<b>SHARE OWNERSHIP GUIDELINES</b>			
Increase alignment between the Executive Directors and shareholders.	Executive Directors are expected to retain 50% of the net of tax vested PSP shares until the guideline level is met.	At least 100% of base salary for Executive Directors.	None
<b>NON-EXECUTIVE DIRECTOR FEES ("NED")</b>			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy and provide strong performance stewardship.	NED fees are determined by the Board (excluding NEDs) within the limits set out in the Articles of Association and are paid in 12 equal monthly instalments during the Year.	Annual rate set out in the annual report on remuneration for the current year and the following year. No prescribed maximum annual increase.	None

**Directors' service contracts, notice periods and termination payments**

Provision	Details
Notice periods in Executive Directors' service contracts	Maximum of 12 months by Company or Executive Director. Executive Directors may be required to work during the notice period.
Compensation for loss of office	In the event of termination, service contracts provide for payments of base salary, pension and benefits only over the notice period.
Treatment of annual bonus on termination	There is no contractual right to any bonus payment in the event of termination although in certain "good leaver" circumstances the Remuneration Committee may exercise its discretion to pay a bonus for the period of employment and based on performance assessed after the end of the financial year.
Treatment of unvested PSP awards	The default treatment for any Ordinary Share-based entitlements under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, or at the discretion of the Committee "good leaver" status can be applied. In these circumstances a participant's awards vest subject to the satisfaction of the relevant performance criteria and, ordinarily, on a time pro-rata basis, with the balance of the awards lapsing.
Outside appointments	Other directorships are permitted with prior agreement: <ul style="list-style-type: none"> <li>– Daksh Gupta is a director of BEN – Motor and Allied Trades Benevolent Fund.</li> <li>– Mark Raban is a director of Precise Finance Limited. Precise Finance Limited is a company owned by Mr Raban and used to provide consultancy services prior to his appointment to Marshall Motor Holdings plc.</li> </ul>
Non-executive directors	All Non-Executives are subject to re-election every three years. No compensation is payable if they are required to stand down.

In the event of the negotiation of a compromise or settlement agreement between the Company and a departing Director, the Committee may make payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursement of professional fees in connection with such agreements.

The Committee may also include the reimbursement of fees for professional or outplacement advice in the termination package, if it considers it reasonable to do so. It may also allow the continuation of benefits for a limited period.

**Dates of appointment**

Director	Date of appointment
PW Johnson	27 June 2014
D Gupta	1 October 2008
MD Raban	2 April 2015
AM Ferguson	11 March 2015
DSM Dickins	11 March 2015
FE Ecsery	25 March 2015
CJ Sawyer	2 April 2015
CMH Walkinshaw	12 July 2016

Copies of Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.



## Annual Report on Remuneration

### Single total figure of remuneration

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 12 month period ending 31 December 2016.

	Basic salary £'000	Fees £'000	Benefits <sup>1</sup> £'000	Pension £'000	Annual bonuses £'000	Long term incentives <sup>2</sup> £'000	Total £'000
<b>Executive Directors</b>							
D Gupta	400		19	64	465	252	1,200
MD Raban	250		4	21	233	42	550
<b>Total</b>	<b>650</b>		<b>23</b>	<b>85</b>	<b>698</b>	<b>294</b>	<b>1,750</b>
<b>Non-Executive Directors</b>							
PW Johnson	-	130	-	-	-	-	130
AM Ferguson	-	55	-	-	-	-	55
DSM Dickins	-	45	-	-	-	-	45
FE Ecsery	-	40	-	-	-	-	40
CJ Sawyer	-	40	-	-	-	-	40
CMH Walkinshaw <sup>3</sup>	-	18	-	-	-	-	18
<b>Total</b>	<b>-</b>	<b>328</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328</b>
<b>Aggregate directors emoluments</b>	<b>650</b>	<b>328</b>	<b>23</b>	<b>85</b>	<b>698</b>	<b>294</b>	<b>2,078</b>

1 The benefits above include items such as medical cover, life assurance premiums and income protection insurance.

2 Long term incentives in the table above reflect the value of share options exercised during the Year.

3 Christopher Walkinshaw is a nominated director of Marshall of Cambridge (Holdings) Ltd with the fee payable in respect of his undertakings as a Non-Executive Director payable to Marshall of Cambridge (Holdings) Ltd. The amount set out above in respect of fees for his services relates to the period from his appointment on 12 July 2016 to 31 December 2016.

### LTIP awards

The movement in directors' LTIP Awards during the Year are as follows:

	Number at 1 January 2016	Number lapsed during the year	Number granted during the year	Number exercised during the Year	Number at 31 December 2016
D Gupta	1,073,824	-	242,718	(134,228)	1,182,314
MD Raban	335,570	-	121,359	(22,371)	434,558

Details of LTIP Awards granted during the Year are as follows:

	Scheme	Date of grant	Earliest exercise date	Exercise price (pence)	Market value on date of grant (pence)	Number of options granted
D Gupta	2016 LTIP award <sup>1</sup>	13-Jun-16	13-Jun-19	£Nil	197.5	242,718
MD Raban	2016 LTIP award <sup>1</sup>	13-Jun-16	13-Jun-19	£Nil	197.5	121,359

1 The performance condition applying to LTIP awards is explained in Note 26 to the Consolidated Financial Statements.

### Statement of directors' shareholding

Our Executive Directors are expected to build up and maintain a 100% of salary shareholding in the Company and are expected to retain 50% of the net of tax vested PSP shares until the guideline level is met. The Directors who held office at 31 December 2016 and their connected persons had interests in the issued share capital of the Company as at 31 December 2016 as follows:

	Number of ordinary shares beneficially held as at 31/12/15	Options exercised during the Year	Market purchases during the Year	Disposals during the Year	Number of ordinary shares beneficially held as at 31/12/16	LTIP Interests				Total interest in shares
						With performance conditions	Vested but Unvested	Without performance conditions	Vested but Unvested	
PW Johnson	150,328	-	25,000	-	175,328	-	-	-	-	175,328
D Gupta	693,510	134,228	15,400	-	843,138	913,858	-	268,456	-	2,025,452
MD Raban	39,355	22,371	-	-	61,726	389,815	-	44,743	-	496,284
AM Ferguson	33,557	-	25,000	-	58,557	-	-	-	-	58,557
DSM Dickins	6,711	-	-	-	6,711	-	-	-	-	6,711
FE Ecsery	2,013	-	-	-	2,013	-	-	-	-	2,013
CJ Sawyer	214,498	-	-	-	214,498	-	-	-	-	214,498
CMH Walkinshaw	-	-	-	-	-	-	-	-	-	-

1 The performance conditions applying to LTIP awards are explained in Note 26 to the Consolidated Financial Statements.

The middle market price of the shares as at 30 December 2016 was 138p and the range in respect of the 12 month period ending 31 December 2016 was 132.65p to 212p.

### Implementation of remuneration policy for the year ending 31 December 2017

The annual salaries and fees to be paid to directors in the year ending 31 December 2017 are set out below, together with any increase expressed as a percentage.

	31 December 2017 £'000 <sup>1</sup>	31 December 2016 £'000	Increase %
PW Johnson	132.6	130	2
D Gupta	408	400	2
MD Raban	255	250	2
AM Ferguson	57.5	55	4.5
DSM Dickins	47.5	45	5.5
FE Ecsery	40	40	-
CJ Sawyer	40	40	-
CMH Walkinshaw <sup>2</sup>	40	-	-

1 Following a review of the fee payable to the Chairman it was decided to increase the fee paid by 2%. The significant contribution made by Peter Johnson to the business and the importance of his ongoing strong stewardship was noted. Having reviewed the Non-Executive Director fees it was also decided to increase the fee payable for chairing the remuneration and audit committee by £2,500 to reflect the increasing responsibilities associated with these roles as a listed company. All other fees remain unchanged.

2 Christopher Walkinshaw is a nominated director of Marshall of Cambridge (Holdings) Ltd with the fee payable in respect of his undertakings as a Non-Executive Director payable to Marshall of Cambridge (Holdings) Ltd.

The maximum annual bonus for the year ending 31 December 2017 will be 125% of salary for the CEO and 100% of salary for the CFO. Awards are determined based on PBT targets. Recovery and withholding provisions will apply.

The Committee intends to grant options under the PSP in 2017. These options will be £nil cost options over a value of shares subject to a maximum of 125% of salary in respect of the Chief Executive Officer and 100% of salary in respect of the Chief Financial Officer where the vesting is subject to targets based on the achievement of earnings per share targets.

By order of the Board

**Sarah Dickins**

Chair of the Remuneration Committee

14 March 2017

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare Consolidated financial statements for each financial year in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the Group and Company and of the profit and loss of the Group for that period. In preparing those Consolidated financial statements, the Directors are required to:

- select and apply accounting policies in accordance with IAS 8;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis unless it is inappropriate to presume that the company will not continue in business.

The Directors are responsible for keeping adequate accounting records which are sufficient to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Independent Auditors' Report to the members of Marshall Motor Holdings plc

## What we have audited

We have audited the financial statements of Marshall Motor Holdings plc for the year ended 31 December 2016 which comprise:

Group	Parent company
Consolidated Group Statement of Comprehensive Income	
Consolidated Group Statements of Changes in Equity	Parent Company Statements of Changes in Equity
Consolidated Group Statement of Financial Position,	Parent Company Balance Sheet
Consolidated Group Statement of Cash Flows	
Related notes 1 to 30 to the financial statements	Related notes 1 to 10 to the Parent company financial statements

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- based on the work undertaken in the course of the audit
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

# Independent Auditors' Report to the members of Marshall Motor Holdings plc

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Nigel Meredith (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
Cambridge  
14 March 2017

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	3	1,899,405	1,232,761
Cost of sales		(1,678,949)	(1,087,452)
<b>Gross profit</b>		<b>220,456</b>	<b>145,309</b>
Operating expenses	4	(191,402)	(127,063)
<b>Group operating profit</b>		<b>29,054</b>	<b>18,246</b>
Finance costs	8	(6,903)	(2,883)
<b>Profit before taxation</b>		<b>22,151</b>	<b>15,363</b>
Analysed as:			
Underlying profit before tax		25,400	15,838
Non-underlying items	5	(3,249)	(475)
Taxation	9	(4,397)	(3,649)
<b>Profit for the year</b>		<b>17,754</b>	<b>11,714</b>
<b>Attributable to:</b>			
Owners of the parent		17,762	11,721
Non-controlling interests		(8)	(7)
		<b>17,754</b>	<b>11,714</b>
<b>Total comprehensive income for the year net of tax</b>			
		<b>17,754</b>	<b>11,714</b>
<b>Attributable to:</b>			
Owners of the parent		17,762	11,721
Non-controlling interests		(8)	(7)
		<b>17,754</b>	<b>11,714</b>
<b>Earnings per share (expressed in pence per share)</b>			
Basic earnings per share	10	23.0	19.7
Diluted earnings per share	10	22.3	19.2



## Consolidated Statement of Changes in Equity

				Equity attributable to			
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	owners of the parent £'000	Non- controlling interests £'000	Total equity £'000
Balance at 1 January 2015		2,250	-	63,870	66,120	36	66,156
Profit for the year		-	-	11,721	11,721	(7)	11,714
Total comprehensive income		-	-	11,721	11,721	(7)	11,714
Transactions with owners							
Dividends paid	11	-	-	(15,448)	(15,448)	-	(15,448)
Issue of share capital	26	47,181	19,672	-	66,853	-	66,853
Share based payment charge	26	-	-	556	556	-	556
Deferred tax on share based payments	24	-	-	82	82	-	82
Balance at 31 December 2015		49,431	19,672	60,781	129,884	29	129,913
Profit for the year		-	-	17,762	17,762	(8)	17,754
Total comprehensive income		-	-	17,762	17,762	(8)	17,754
Transactions with owners							
Dividends paid	11	-	-	(3,251)	(3,251)	-	(3,251)
Issue of share capital	26	100	-	(100)	-	-	-
Share based payments charge	26	-	-	1,313	1,313	-	1,313
Deferred tax on share based payments	24	-	-	(70)	(70)	-	(70)
Balance at 31 December 2016		49,531	19,672	76,435	145,638	21	145,659

## Consolidated Statement of Financial Position

### At 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill and other intangible assets	12	122,033	40,787
Property, plant and equipment	13	201,811	107,285
Investment property	14	2,590	1,920
Investments	15	10	10
Deferred tax asset	24	36	58
<b>Total non-current assets</b>		<b>326,480</b>	<b>150,060</b>
<b>Current assets</b>			
Inventories	18	380,016	240,632
Trade and other receivables	19	95,073	42,724
Cash and cash equivalents	20	83	24,130
<b>Total current assets</b>		<b>475,172</b>	<b>307,486</b>
<b>Total assets</b>		<b>801,652</b>	<b>457,546</b>
<b>Shareholders' equity</b>			
Share capital	26	49,531	49,431
Share premium	26	19,672	19,672
Retained earnings		76,435	60,781
<b>Equity attributable to owners of the parent</b>		<b>145,638</b>	<b>129,884</b>
Share of equity attributable to non-controlling interests		21	29
<b>Total equity</b>		<b>145,659</b>	<b>129,913</b>
<b>Non-current liabilities</b>			
Loans and borrowings	22	41,364	24,677
Trade and other payables	21	7,462	8,269
Provisions	23	1,450	289
Deferred tax liabilities	24	20,803	4,324
<b>Total non-current liabilities</b>		<b>71,079</b>	<b>37,559</b>
<b>Current liabilities</b>			
Loans and borrowings	22	77,730	26,700
Trade and other payables	21	497,340	260,321
Provisions	23	5,242	762
Current tax liabilities		4,602	2,291
<b>Total current liabilities</b>		<b>584,914</b>	<b>290,074</b>
<b>Total liabilities</b>		<b>655,993</b>	<b>327,633</b>
<b>Total equity and liabilities</b>		<b>801,652</b>	<b>457,546</b>

The financial statements on pages 50 to 93 were approved for issue by the Board of Directors on 14 March 2017.

Daksh Gupta  
Chief Executive Officer

Mark Raban  
Chief Financial Officer

## Consolidated Cash Flow Statement

### For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Profit before taxation		22,151	15,363
Adjustments for:			
Depreciation and amortisation	12/13	24,233	21,087
Finance costs	8	6,903	2,883
Share based payment charge	26	1,313	556
Profit on disposal of property, plant & equipment	4	(38)	(61)
Profit on disposal of dealerships	4/5	(285)	-
Increase in fair value of investment properties	5/14	(670)	-
		<u>53,607</u>	<u>39,828</u>
Changes in working capital:			
(Increase)/decrease in inventories		(14,814)	(77,621)
(Increase)/decrease in trade and other receivables		(271)	30,457
Increase/(decrease) in trade and other payables		56,299	38,465
Increase/(decrease) in provisions	23	(2,940)	1,051
		<u>38,274</u>	<u>(7,648)</u>
Tax paid		(4,669)	(3,804)
Interest paid		(6,903)	(2,883)
<b>Net cash inflow from operating activities</b>		<b>80,309</b>	<b>25,493</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and software	12/13	(61,927)	(39,573)
Acquisition of businesses, net of cash acquired	12	(94,495)	(21,498)
Net cash flow from sale of businesses		3,145	-
Proceeds from disposal of property, plant and equipment		11,418	8,646
<b>Net cash outflow from investing activities</b>		<b>(141,859)</b>	<b>(52,425)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	22	85,444	28,642
Repayment of borrowings	22	(44,690)	(30,811)
Dividends paid	11	(3,251)	(15,448)
Issue of share capital net of costs	26	-	66,853
<b>Net cash inflow from financing activities</b>		<b>37,503</b>	<b>49,236</b>
Net (decrease)/increase in cash and cash equivalents		(24,047)	22,304
Cash and cash equivalents at 1 January		24,130	1,826
<b>Cash and cash equivalents at period end</b>		<b>83</b>	<b>24,130</b>



**Net Debt Reconciliation****For the year ended 31 December 2016**

	<b>Note</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Reconciliation of net cash flow to movement in (net debt)/cash</b>			
(Reduction)/increase in net cash and cash equivalents		(24,047)	22,304
Proceeds from drawdown of RCF		(35,000)	-
Repayment of asset backed borrowings	22	37,308	30,811
Proceeds of asset backed borrowings	22	(50,444)	(28,642)
Repayment of other borrowing		7,382	-
Debt acquired with acquisitions	12	(25,705)	-
Derivatives acquired with acquisitions	12	(1,258)	-
Movement in net debt		(91,764)	24,473
Opening net debt		(27,247)	(51,720)
<b>Net debt at period end</b>		<b>(119,011)</b>	<b>(27,247)</b>
Asset backed finance within leasing segment		(64,513)	(51,377)
<b>Adjusted (net debt)/cash at year end (non GAAP measure)</b>			
<b>(see note 1)</b>		<b>(54,498)</b>	<b>24,130</b>

## Notes to the Consolidated Financial Statements

### 1. Accounting policies

#### Basis of preparation

Marshall Motor Holdings plc is a Public Limited Company which is listed on the Alternative Investment Market ("AIM") and is incorporated and domiciled in the United Kingdom. The address of the registered office is Airport House, The Airport, Cambridge, CB5 8RY. The registered number of the Company is 2051461. The consolidated financial statements of Marshall Motor Holdings plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006. The consolidated financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of investment properties. The consolidated financial statements include the results of all subsidiaries of Marshall Motor Holdings plc as listed on pages 97 and 98 of the annual report.

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are set out in note 2. The Directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

#### Standards and interpretations adopted by the Group in the year ended 31 December 2016

The following standards, amendments and interpretations were in issue, but were not yet effective at the balance sheet date. These standards have not been early adopted by the Group.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

Amendments to IFRS 9 are due to take effect from accounting periods commencing from 1 January 2018. The Directors do not anticipate that the adoption of IFRS 9, where relevant in future periods, will have a material impact on the Company's financial statements.

IFRS 15 is due to take effect from accounting periods commencing from 1 January 2018. This new revenue standard may lead to new treatments resulting from considerations of transfer of control, variable consideration, the time value of money, and allocation of transaction prices based on relative stand-alone selling prices. The Directors are currently assessing the impact of IFRS 15 and do not anticipate that it will have a material impact on either revenues or profit.

IFRS 16 is due to take effect from accounting periods commencing from 1 January 2019 and makes substantial changes to how lease arrangements are accounted for and will specifically result in many of the group's lease arrangements coming on balance sheet. The Directors are currently assessing IFRS 16 which is likely to have a significant impact upon both non-current assets and liabilities and impact certain measures of profitability. Details of the Group's lease commitments are provided in note 27.

#### 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 financial statements are signed. For these reasons they continue to adopt the going concern basis in preparing the Group's financial statements.

## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Basis of consolidation

##### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control potential voting rights that presently are exercisable or convertible are taken into account. Control is generally accompanied by a shareholding of more than one half of the voting rights. The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred and are not reported within underlying profit before tax.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

##### *(ii) Transactions eliminated on consolidation*

Intragroup balances and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Losses are eliminated in the same way as gains but only to the extent that there is no evidence of impairment.

##### *(iii) Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost. The change in carrying amount is recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

##### *(iv) Subsidiary audit exemption*

As disclosed on page 77, certain subsidiaries have taken exemption from audit for the year ended 31 December 2016 by virtue of s479 of the Companies Act 2006.

#### Segmental reporting

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision makers. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Chief Executive Officer.



## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Property, plant and equipment

##### *Investment properties*

Land and buildings are shown at fair value based on formal valuations by external independent valuers performed at least every three years and updated each year for the Directors' estimate of value. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Investment property is not depreciated. Any surplus or deficit on revaluation is taken to profit or loss and is not included within underlying profit before tax.

##### *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives those components are accounted for as separate items of property, plant and equipment. Assets under construction are not depreciated until they come into use when the physical construction is complete.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

##### *Leased assets*

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases are recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the other long-term payables. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

##### *Depreciation*

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Estimated residual values are included in the calculation of depreciation.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives of property, plant and equipment are set out below.

- Leasehold improvements – depreciated over shorter of term of lease or 10 years
- Fixture and fittings – 4 years
- Computer equipment – 2-5 years
- Freehold buildings – 50 years
- Freehold land is not depreciated

The residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Intangible assets

##### *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

##### *Other intangible assets*

Other intangible assets, when acquired separately from a business combination, include computer software and licences. Cost comprises purchase price from third parties and amortisation is calculated on a straight line basis over the assets' expected economic lives, which varies depending on the nature of the asset. Licences are amortised over the length of the licence and software is amortised between 3-5 years.

Other intangible assets, acquired as part of a business combination, include franchise agreements, favourable leases and order backlog. These items are capitalised separately from goodwill if the asset is separable and if the fair value can be measured reliably on initial recognition. Such assets are stated at fair value less accumulated amortisation which is calculated on a straight line basis. Favourable leases are amortised over 3 years, order backlog is amortised as the orders are fulfilled and franchise agreements have an indefinite life. Intangible assets with an indefinite useful life are tested annually for impairment. Amortisation is included within administrative expenses in the Statement of Comprehensive Income.

##### *Measurement period adjustment*

The Group assesses the fair value of assets acquired and finalises purchase price allocation within the measurement period following acquisition and in accordance with IFRS 3. This includes an exercise to evaluate other material separately identifiable intangible assets such as franchise agreements, favourable leases and order backlog.

The finalisation of purchase price allocations may result in a change in the fair value of assets acquired.

In accordance with IFRS 3 measurement period adjustments are reflected in the financial statements as if the final purchase price allocation had been completed at the acquisition date.

#### Impairment of non-financial assets

Assets not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and intangible assets are not subject to amortisation but are assessed for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. The group of CGUs to which the goodwill is allocated (being groups of dealerships connected by manufacturer brand) represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount which is the higher of value in use or fair value less costs of disposal. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate which represents the time value of money and asset specific risks.

## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Financial assets

##### *Classification*

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method. They are included in current assets except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

##### *Impairment of financial assets*

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty, or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating costs in the Income Statement. On confirmation that the trade receivable will not be collectable the gross carrying value of the asset is written off against the associated provision.

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### Inventories and purchases of inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are included and cost is based on price including delivery costs less specific trade discounts. Net realisable value is based on estimated selling price less further costs to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Inventories held on consignment are recognised on the balance sheet with a corresponding liability when the terms of a consignment agreement and industry practice indicate that the principal benefit of owning the inventory (the ability to sell it) and principal risks of ownership (inventory financing charges, responsibility for safekeeping and some risk of obsolescence) rest with the Group. Inventory financing charges from manufacturers and other vehicle funding facilities are presented within finance costs. These charges are expensed over this period that vehicles are funded.

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



## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Cash, cash equivalents and net debt

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities.

Net debt as presented in the cash flow statement comprises asset backed finance and bank borrowings net of cash balances.

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

#### Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due in one year or less. If payment is due at a later date they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade payables include the liability for vehicles held on consignment with the corresponding asset included within inventories.

#### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

#### Provisions

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

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

#### Share based payments

The Group allows employees to acquire shares in the Company through share option schemes. The fair value of share options granted is recognised as an employee expense within underlying earnings, with a corresponding increase in equity. The Group operates a number of equity-settled, share-based compensation plans. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities, as described below.

Revenue comprises sales and charges for vehicles sold and services rendered during the year including sales to other Marshall of Cambridge (Holdings) Limited group companies but excluding inter-company sales within the Group. Revenue from the sale of new and used vehicles is recognised at the point at which a customer takes possession of a vehicle. Revenue in respect of other services is recognised once the service has been provided.

The income received in respect of warranty policies sold and administered by the Group is recognised over the period of the policy on a straight line basis. Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and the income is recognised when the vehicle is recognised as sold. The Group acts as agent on behalf of principals and the commission earned is also recorded at an agreed rate when the transaction has occurred.

Vehicles leased out under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets are passed to the lessee and hire purchase contracts, are both shown as debtors in the balance sheet at the amount of the net investment in the lease. The interest elements of the rental obligations are credited to the profit and loss over the period of the lease and are apportioned based on a pattern reflecting a constant periodic rate of return. Finance lease income is presented in revenue.

Vehicles leased out under operating leases are held within property, plant and equipment at their cost to the Group and are depreciated to their residual values over the terms of the leases.

Rental income from finance leases is recognised in revenue over the period of the lease. These assets are transferred into inventory at their carrying amount when they cease to be rented and they become available for sale as part of the Groups ordinary course of business

#### *Deferred income*

Where the Group receives an amount in advance of future income streams the value of the receipt is amortised over the period of the contract as the services are delivered. The unexpired element is disclosed in other liabilities as deferred revenue.

#### *Rebate income*

The Group receives income in the form of rebates from suppliers and other partners. These are generally based on achieving certain objectives such as specific volumes. Rebate income is recognised as a credit to cost of sales at the point when it is reasonably certain that the targets have been achieved and when income can be measured reliably based on the terms of the contract. The accrued value at the reporting date is included within trade receivables.

#### Dividend distribution

Final dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

#### Leases

The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease. Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset the lease is treated as a "finance lease". The accounting policy for leased assets is disclosed in 'Property, plant and equipment' above.

Rental payable under operating leases is charged to profit and loss on a straight line basis over the lease term.

## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Net finance costs

##### *Finance costs*

Finance costs comprise interest payable on borrowings, stock financing charges and other interest.

##### *Finance income*

Finance income comprises interest receivable on funds invested. Interest income is recognised in the income statement as it accrues using the effective interest method.

#### Income tax

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### Employee benefits: Pension obligations

Employees of the Group participate as members of two pension schemes; the Marshall Group Executive Pension Plan ("the Plan") which is operated by Marshall of Cambridge (Holdings) Limited and has two sections, one of which operates on a defined benefit basis and one of which operates on a defined contribution basis. The second is a defined contribution scheme (Marshall Motor Holdings Defined Contribution Pension Scheme).

For the defined contribution arrangements, the Group charges contributions to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme. For the defined benefit section of the Plan, the Group accounts for its contributions as if it were a defined contribution scheme. There is no contractual agreement or stated policy for charging the net defined benefit cost between the individual companies within the Marshall of Cambridge (Holdings) Limited Group.



## Notes to the Consolidated Financial Statements

### 1. Accounting policies *(continued)*

#### Alternative performance measures

Certain items recognised in reported profit or loss before tax can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the Group's underlying performance. The Directors believe that the 'underlying profit before tax' and 'underlying basic earnings per share' measures presented provide a clear and consistent presentation of the underlying performance of the Group's on-going business for shareholders. Underlying profit is not defined by IFRS and therefore may not be directly comparable with the 'adjusted' profit measures of other companies.

Non-underlying items which are not included within underlying profit before tax and may include:

- Acquisition costs
- Profit/losses arising on closure or disposal of businesses
- Restructuring and reorganisation costs – these are one-off in nature and do not relate to the Group's underlying performance.
- Investment property fair value movements – these reflect the difference between the fair value of an investment property at the reporting date and its carrying amount at the previous reporting date
- One-off tax charges and pension costs
- Asset impairments

### 2. Critical accounting judgements and estimates

The Group makes estimates and judgements concerning the future. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

#### *Valuation of goodwill and other indefinite life assets*

The Group reviews the goodwill and intangible assets arising on the acquisition of subsidiaries or businesses and values each identifiable asset separately. Intangible assets are then allocated to cash generating units ('CGUs'), however this allocation exercise requires a high level of judgement and the Group consults with independent experts as required.

#### *Estimated useful life of intangible assets, property, plant and equipment and impairment testing*

The Group estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial year end. The Group also tests for impairment when a trigger event occurs or annually as appropriate.

The impairment review is performed by projecting the future cash flows, excluding finance and tax, based upon budgets and plans and making appropriate judgements about rates of growth and discounting these using a rate that takes into account the time value of money and the risk inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying net assets and related goodwill an impairment charge would be taken to the profit or loss in the Income Statement unless the fair value less cost of disposal of the related asset is higher than the carrying value.

#### *Pension benefits*

As described in notes 1 and 29 the Group accounts for any contributions payable to the Plan and the Marshall Motor Holdings Defined Contribution Pension Scheme as defined contribution schemes. The Group has paid all of its contributions due under the current recovery plan to remove the funding deficit on a technical provisions basis in the defined benefit section of the Plan revealed by the actuarial valuation as at 31 December 2013. The next actuarial valuation of the Plan is due as at 31 December 2016 and the extent of any future cash contributions by the Group will be considered once the valuation has been performed during 2017. As described on page 62, on the basis that there is no contractual agreement or stated policy for changing net defined benefit cost between the individual companies within the Marshall Group, it is accounted for as if it were a defined contribution scheme.

#### *Inventory valuation*

Motor vehicle inventories are stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using reputable industry valuation data which is based upon recent industry activity and forecasts. Whilst this data is deemed representative of current value it is possible that ultimate sales values can vary from those applied.

## Notes to the Consolidated Financial Statements

### 2. Critical accounting judgements and estimates *(continued)*

#### *Assets held for contract hire*

Vehicles are depreciated on a straight line basis to residual values which mirror those utilised in the creation of the original client contract. Care is taken to minimise the risk of an exposure to losses at contract end, and the entire portfolio is reassessed utilising an independent valuation tool throughout the life of the underlying contracts.

#### *Tax*

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. Judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing or level of future taxable income.

### 3. Segmental information

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 before taxation, 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 on our leasing fleet is presented within cost of sales.

	Retail (see below) £'000	Leasing £'000	Unallocated £'000	Total £'000
<b>For the year ended 31 December 2016</b>				
<b>Revenue</b>				
Total revenue	1,859,734	39,349	322	1,899,405
<b>Total revenue from external customers</b>	<b>1,859,734</b>	<b>39,349</b>	<b>322</b>	<b>1,899,405</b>
Depreciation and amortisation	(6,862)	(6)	(22)	(6,890)
Segment operating profit/(loss)	32,637	5,653	(9,236)	29,054
Finance cost	(5,319)	(749)	(835)	(6,903)
Underlying profit before tax	28,900	4,904	(8,404)	25,400
Non-underlying items	(1,582)	-	(1,667)	(3,249)
<b>Profit/(loss) before taxation</b>	<b>27,318</b>	<b>4,904</b>	<b>(10,071)</b>	<b>22,151</b>
Total assets	620,365	91,512	89,775	801,652
Total liabilities	417,622	73,454	164,917	655,993
<b>Additions in the period (including acquisitions)</b>				
Property, plant, equipment and software assets	94,344	35,537	-	129,881

## Notes to the Consolidated Financial Statements

## 3. Segmental information (continued)

	Retail (see below) £'000	Leasing £'000	Unallocated £'000	Total £'000
<b>For the year ended 31 December 2015</b>				
<b>Revenue</b>				
Total revenue	1,195,506	37,022	233	1,232,761
<b>Total revenue from external customers</b>	<b>1,195,506</b>	<b>37,022</b>	<b>233</b>	<b>1,232,761</b>
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)
Underlying profit before tax	18,760	4,876	(7,798)	15,838
Non-underlying items	-	-	(475)	(475)
<b>Profit/(loss) before taxation</b>	<b>18,760</b>	<b>4,876</b>	<b>(8,273)</b>	<b>15,363</b>
Total assets	297,195	74,691	85,660	457,546
Total liabilities	225,572	60,356	41,705	327,633
<b>Additions in the period (including acquisitions)</b>				
Property, plant, equipment and software assets	16,585	29,738	-	46,323

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

	2016 £'000	2015 £'000
New	983,314	637,774
Used	718,329	459,235
Aftersales & other	202,568	127,840
Internal	(44,477)	(29,343)
<b>Total</b>	<b>1,859,734</b>	<b>1,195,506</b>

## Notes to the Consolidated Financial Statements

### 4. Operating expenses

	2016 £'000	2015 £'000
Employee costs (note 7)	101,170	64,562
Depreciation on property, plant and equipment (note 13)	5,838	3,600
Amortisation of other intangibles (note 12)	1,052	227
Profit on disposal of business units	(285)	-
Profit on disposal of property, plant and equipment	(38)	(61)
Operating lease rentals – property	10,324	6,907
Management charges from Marshall of Cambridge (Holdings) Limited	199	1,127
Auditors' remuneration (note 6)	366	355
Legal and professional charges (including acquisition costs of £2,163,000)	3,152	1,100
Other expenses	69,624	49,246
	<b>191,402</b>	<b>127,063</b>

£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. Ongoing charges from Marshall of Cambridge (Holdings) Limited relate to various property and facilities related activities. Acquisition costs of £2,163,000 were incurred in connection with the acquisition of Ridgeway Garages (Newbury) Limited.

### 5. Non-underlying items

	2016 £'000	2015 £'000
Acquisition costs	2,163	475
Profit on disposal of business units	(285)	-
Amortisation of acquired order book	769	-
Gain on interest rate swap termination	(294)	-
Restructuring costs	1,566	-
Investment property fair value movements (see note 14)	(670)	-
	<b>3,249</b>	<b>475</b>

- At the point of the acquisition, Ridgeway had a claim in progress in respect of the alleged mis-selling of certain historic interest rate swap products, which have since been settled, giving rise to a gain on termination of £294,000.
- Amortisation of acquired order book is considered non-underlying by virtue of its nature, having been recognised as an intangible asset on acquisition and realised as orders were fulfilled.
- Restructuring and reorganisation costs relate to one-off costs of integration and reorganisation which have been necessary following the acquisitions of Ridgeway and SGS. The costs, which are mostly people related, have been recognised have been expensed/paid for during the year or provided for in line with IAS 37.



## Notes to the Consolidated Financial Statements

### 6. Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	251	245
Fees payable to the Company's auditors for other services		
– audit of Group's subsidiaries	79	70
– review of interim financial statements	36	40
	<b>366</b>	<b>355</b>

### 7. Employees and directors

#### a) Employee costs for the Group during the year

	2016 £'000	2015 £'000
Wages and salaries	101,678	67,219
Social security costs	10,613	7,051
Other pension costs	1,714	1,229
	<b>114,005</b>	<b>75,499</b>

Employee costs are included in:

	2016 £'000	2015 £'000
Cost of sales	12,835	10,937
Operating expenses	101,170	64,562
	<b>114,005</b>	<b>75,499</b>

Average number of people (including Executive Directors) employed:

	2016	2015
Retail	3,567	2,115
Leasing	43	40
Unallocated	316	214
	<b>3,926</b>	<b>2,369</b>

## Notes to the Consolidated Financial Statements

### 7. Employees and directors *(continued)*

#### b) Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	2016 £'000	2015 £'000
Aggregate emoluments	1,993	1,480
Pension contribution	85	64
	<b>2,078</b>	<b>1,544</b>

#### *Highest paid Director*

	2016 £'000	2015 £'000
Aggregate emoluments including pension contribution	1,200	862

Prior to Admission, the cost of Directors' services was met by a management charge to the parent company, Marshall of Cambridge (Holdings) Limited. The management charge in 2015 was £1,127,000 inclusive of £656,000 in respect of historic LTIP liabilities for the highest paid director which crystallised when the Company's shares were admitted to AIM. The Directors' emoluments set out above include Directors' salaries since the Admission.

The 2015 comparative data represents Directors' remuneration from the date of Admission (2 April 2015) to 31 December 2015.

The highest paid Director exercised 134,228 share options during the year.

#### c) Key management compensation

The following table details the aggregate compensation paid in respect of key management personnel – which comprises both senior management who sit on the operational board and statutory directors.

	2016 £'000	2015 £'000
Wages and salaries	3,600	2,855
Post-employment benefits	175	311
Compensation for loss of office	83	290
Share based payments	1,313	556
	<b>5,171</b>	<b>4,012</b>

Details of the share option schemes are provided in note 26.

### 8. Finance costs

	2016 £'000	2015 £'000
Interest income on short term bank deposits	(40)	(33)
Interest payable on asset backed finance	749	1,125
Stock financing charges and other interest	3,958	1,498
Interest payable on bank borrowings	2,236	293
<b>Net finance costs</b>	<b>6,903</b>	<b>2,883</b>

## Notes to the Consolidated Financial Statements

### 9. Taxation

	2016 £'000	2015 £'000
<b>Current tax</b>		
Current tax on profits for the year	5,598	4,258
Adjustments in respect of prior years	316	210
<b>Total current tax</b>	<b>5,914</b>	<b>4,468</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(18)	(840)
Impact of change in tax rates	(1,334)	(223)
Adjustments in respect of prior years	(165)	244
Total deferred tax (note 24)	(1,517)	(819)
<b>Total taxation charge</b>	<b>4,397</b>	<b>3,649</b>

	2016 Underlying £'000	2016 Non- underlying £'000	2016 Total £'000	2015 Underlying £'000	2015 Non- underlying £'000	2015 Total £'000
Profit before taxation	25,400	(3,249)	22,151	15,838	(475)	15,363
Taxation	5,153	(756)	4,397	3,649	-	3,649
<b>Effective tax rate</b>	<b>20.29%</b>	<b>23.27%</b>	<b>19.85%</b>	<b>23.04%</b>	<b>0.00%</b>	<b>23.75%</b>

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20.0% (2015: 20.25%). The differences are explained below.

	2016 £'000	2015 £'000
Profit before tax	22,151	15,363
Profit multiplied by the rate of corporation tax of 20.0% (2015: 20.25%)	4,430	3,111
Effects of:		
Other expenses not deductible	717	239
Acquisition costs	433	96
Adjustments in respect of prior years	151	454
Utilisation of brought forward losses	-	(51)
Impact of change in tax rate	(1,334)	(200)
<b>Total taxation charge</b>	<b>4,397</b>	<b>3,649</b>

The applicable tax rate for the current year is 20.0% (2015: 20.25%) following the reduction in the main rate of UK corporation tax from 21.0% to 20.0% with effect from 1 April 2015.

A reduction to the corporation tax rate to 19.0% (effective from 1 April 2017) was substantively enacted on 26 October 2016 and a further reduction to 17.0% (effective from 1 April 2020) was substantively enacted on 9 September 2016.

## Notes to the Consolidated Financial Statements

### 10. 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 after taking account of the weighted average dilutive impact of shares under option of 2,380,040 at 31 December 2016 (2015: 1,929,528). (See note 26).

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

The diluted earnings per share are based on the weighted average number of shares.

	2016 £'000	2015 £'000
Profit for the year	17,762	11,721
Non-controlling interests	(8)	(7)
<b>Basic earnings</b>	<b>17,754</b>	<b>11,714</b>
Weighted average number of ordinary shares in issue for the basic earnings per share	77,326,970	59,425,171
Diluted weighted average number of shares in issue for diluted earnings per share	79,500,548	60,886,960
<b>Basic earnings per share (in pence per share)</b>	<b>23.0</b>	<b>19.7</b>
<b>Diluted earnings per share (in pence per share)</b>	<b>22.3</b>	<b>19.2</b>
Non-underlying items	3.2	0.8
<b>Underlying earnings per share (non GAAP measure)</b>	<b>26.2</b>	<b>20.5</b>

### 11. Dividends

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 ordinary share in issue at that time.

An interim dividend in respect of the year ended 31 December 2016 of £1,393,000, representing a payment of 1.80p per ordinary share in issue at that time, was paid on 23 September 2016.

A final dividend of 3.70p per share in respect of the year ended 31 December 2016 is to be proposed at the annual general meeting on 23 May 2017. The ex-dividend date will be 20 April 2017 and the associated record date will be 21 April 2017. This dividend will be paid subject shareholder approval on 26 May 2017 and these financial statements do not reflect this final dividend payable.



## Notes to the Consolidated Financial Statements

## 12. Intangible assets

	Goodwill £'000	Franchise agreements £'000	Software £'000	Favourable leases £'000	Order backlog £'000	Total £'000
<i>Cost</i>						
At 1 January 2015	22,055	-	-	-	-	22,055
Additions (restated – see below)	4,777	13,552	159	-	-	18,488
Adjustments	(50)	-	-	-	-	(50)
Disposals	-	-	(58)	-	-	(58)
Transfers	-	-	522	-	-	522
<b>At 31 December 2015</b>	<b>26,782</b>	<b>13,552</b>	<b>623</b>	<b>-</b>	<b>-</b>	<b>40,957</b>
Additions	-	-	506	-	-	506
Additions on acquisition	23,516	58,563	-	172	769	83,020
Disposals	(1,222)	-	(50)	-	-	(1,272)
<b>At 31 December 2016</b>	<b>49,076</b>	<b>72,115</b>	<b>1,079</b>	<b>172</b>	<b>769</b>	<b>123,211</b>
<i>Accumulated amortisation</i>						
At 1 January 2015	-	-	-	-	-	-
Charge for the year	-	-	227	-	-	227
Disposals	-	-	(57)	-	-	(57)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>170</b>
Charge for the year	-	-	250	33	769	1,052
Disposals	-	-	(44)	-	-	(44)
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>376</b>	<b>33</b>	<b>769</b>	<b>1,178</b>
<i>Net book amount</i>						
At 31 December 2015	26,782	13,552	453	-	-	40,787
<b>At 31 December 2016</b>	<b>49,076</b>	<b>72,115</b>	<b>703</b>	<b>139</b>	<b>-</b>	<b>122,033</b>

## Acquisitions and disposals – 2015

On 16 November 2015 the Company acquired the entire share capital of (“SGS”). SGS itself is the holding company of 9 wholly owned subsidiary companies, SG Smith Automotive Limited, SG Smith (Motors) Limited, SG Smith (Motors) Beckenham Limited, SG Smith (Motors) Forest Hill Limited, SG Smith (Motors) Crown Point Limited, SG Smith (Motors) Sydenham Limited, SG Smith (Motors) Croydon Limited, SG Smith Trade Parts Limited and Prep-Point Limited. The companies acquired operate Audi, Skoda and Mercedes-Benz Commercial dealerships and service centres in Kent, Surrey and London.

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

	<b>SG Smith Holdings Limited £'000</b>
Intangible assets*	13,552
Deferred tax on acquired intangible assets (note 24)	(2,439)
Property, plant & equipment	6,750
Inventories	24,195
Trade receivables and other current assets	5,548
Cash and cash equivalents	2,477
Trade and other payables*	(29,982)
<b>Net assets acquired</b>	<b>20,101</b>
Deferred tax liability arising on transition to IFRS (note 24)	(903)
Goodwill*	4,777
<b>Total cash consideration</b>	<b>23,975</b>

\* restated as described on page 72

## Notes to the Consolidated Financial Statements

### 12. Intangible assets *(continued)*

#### *Acquisitions and disposals – 2015*

The Group recognised in the 2015 financial statements a provisional fair value of net assets acquired of £9,092,000 and a provisional fair value for goodwill of £15,786,000, in respect of the acquisition of S.G. Smith Holdings Limited ("SGS").

Within the measurement period following acquisition of SGS and in accordance with IFRS 3, the purchase price allocation has been finalised. This included an exercise to search for other material separately identifiable intangible assets such as franchise agreements, favourable leases and order backlog. As a result of this, a value of £13,552,000 has been ascribed to franchise agreements reflecting the ability to sell manufacturer vehicles and to offer manufacturer standard aftersales services in a particular geographic area. This amount has been reclassified from goodwill to franchise agreements, and a corresponding deferred tax liability of £2,439,000 (note 24) has been recognised. The Directors' judgement is that this intangible asset has an indefinite useful life and therefore will be reviewed for impairment on an annual basis.

The finalisation of the completion accounts exercise also resulted in an increase in the fair value of trade and other payables acquired of £104,000 (note 21).

In accordance with IFRS 3, the measurement period adjustment has been reflected in these financial statements as if the final purchase price allocation had been completed at the acquisition date. The impact of this was to increase the value of goodwill by £2,543,000, increase the value of trade payables by £314,000 and increase the value of deferred tax liabilities by £2,439,000 from the figures previously reported at 31 December 2015.

Acquisition costs of £475,000 were charged to the consolidated income statement for the year ended 31 December 2015.

#### *Acquisitions and disposals – 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).

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.

£59,504,000 of separately identifiable intangible assets were acquired on 25 May 2016 as part of the acquisition of Ridgeway. A valuation of these intangible assets has been performed by Globalview Advisors, an independent external specialist. The franchise agreements identified have been assigned indefinite lives on the basis that these arrangements are expected to be renewed for the foreseeable future. The goodwill arising on the acquisition of the above company is attributable to the anticipated profitability of the distribution of the Group's products in new markets and the anticipated operating synergies derived from the combination.

## Notes to the Consolidated Financial Statements

### 12. Intangible assets *(continued)*

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	Ridgeway Garages (Newbury) Limited 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	(436)	64,978
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	(175,041)	(3,249)	(178,290)
Debt	(25,705)	-	(25,705)
Provisions	-	(5,026)	(5,026)
Deferred tax	(954)	(6,645)	(7,599)
Derivatives	(1,258)	-	(1,258)
<b>Net assets acquired</b>	<b>53,471</b>	<b>30,096</b>	<b>83,567</b>
Goodwill			23,380
<b>Total cash consideration</b>			<b>106,947</b>

## Notes to the Consolidated Financial Statements

### 12. Intangible assets (continued)

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. Settlement of this liability has been agreed subsequent to the year ended 31 December 2016 and the liability of £4.2m is included as a fair value adjustment in the preceding table and is carried within provisions at 31 December 2016. Fair value adjustments also include provisional adjustments for property related matters, inventory valuations, deferred tax, intangible assets and goodwill.

Acquisition costs of £2,163,000 have been charged to the consolidated income statement for the year ended 31 December 2016.

The table below summarises the amount of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated income statement for the period since acquisition.

	Revenue £'000	Profit before tax £'000
Ridgeway Garages (Newbury) Limited	414,643	5,557

On 2 November 2016 Marshall Motor Group Limited acquired the trade and assets of Scratch Match Accident Repair Centre from RLMO Limited. The net assets at the date of acquisition are stated at their provisional fair value as set out below.

	Scratch Match Accident Repair Centre £'000
Property, plant & equipment	76
<b>Net assets acquired</b>	<b>76</b>
Goodwill	136
<b>Total cash consideration</b>	<b>212</b>

The table below summarises the amount of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated income statement for the period since acquisition.

	Revenue £'000	(Loss) before tax £'000
Scratch Match Accident Repair Centre	38	(72)

The table below summarises the amount of the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.

	Revenue £'000	Profit before tax £'000
Marshall Motor Holdings plc	2,228,157	25,212



## Notes to the Consolidated Financial Statements

### 12. Intangible assets *(continued)*

#### *Impairment testing*

For the purpose of impairment testing goodwill and intangible assets are allocated to each cash generating unit ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination. CGUs are groups of dealerships connected by manufacturer brand. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for management purposes.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Impairment reviews have been performed for all CGU groups for the years ending 31 December 2016 and 2015.

The recoverable amounts of all CGUs have been determined based on value in use calculations. These calculations use projections based on financial budgets approved by management which are extrapolated using the estimated long term growth rates. The budgets were prepared to 31 December 2017 and then projected for a further 4 years. A discounted cash flow model was prepared taking into account management's assumptions for growth in EBITDA and the long term growth rate for the industry. These assumptions are based on past experience of growth rates in both existing and new markets. The discount rate used is 10% (2015: 10%) and the perpetual EBITDA growth rate beyond 5 years is assumed as 2% (2015: 2%) to arrive at a terminal value.

Management has prepared separate sensitivity analyses on the basis that the discount rate increases to 12% and that EBITDA decreases by 50% and has concluded that there is no impairment.

## Notes to the Consolidated Financial Statements

## 13. Property, plant and equipment

	Freehold and long leasehold land and buildings £'000	Leasehold improvement £'000	Plant and equipment £'000	Assets held for contract rental £'000	Assets under construction £'000	Total £'000
<i>Cost</i>						
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)
<b>At 31 December 2015</b>	<b>37,381</b>	<b>12,372</b>	<b>27,177</b>	<b>96,890</b>	<b>-</b>	<b>173,820</b>
Additions at cost	1,370	236	3,545	35,537	23,633	64,321
Additions on acquisition	53,276	2,872	5,007	-	3,899	65,054
Disposals	(1,397)	(278)	(3,443)	(30,483)	-	(35,601)
Transfers	17,857	(187)	2,840	-	(20,510)	-
<b>At 31 December 2016</b>	<b>108,487</b>	<b>15,015</b>	<b>35,126</b>	<b>101,944</b>	<b>7,022</b>	<b>267,594</b>
<i>Accumulated Depreciation</i>						
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)
<b>At 31 December 2015</b>	<b>9,121</b>	<b>2,540</b>	<b>20,445</b>	<b>34,429</b>	<b>-</b>	<b>66,535</b>
Charges for the year	934	1,146	3,758	17,343	-	23,181
Disposals	(1,103)	(259)	(3,057)	(19,514)	-	(23,933)
Transfers	44	(44)	-	-	-	-
<b>At 31 December 2016</b>	<b>8,996</b>	<b>3,383</b>	<b>21,146</b>	<b>32,258</b>	<b>-</b>	<b>65,783</b>
<i>Net book amount</i>						
At 31 December 2015	28,260	9,832	6,732	62,461	-	107,285
<b>At 31 December 2016</b>	<b>99,491</b>	<b>11,632</b>	<b>13,980</b>	<b>69,686</b>	<b>7,022</b>	<b>201,811</b>

As at 31 December 2016, the Group had capital commitments totalling £11.7m relating to new retail sites at Newbury Jaguar Land Rover and Exeter Audi.

## Notes to the Consolidated Financial Statements

### 14. Investment property

	2016 £'000	2015 £'000
Fair value at 1 January	1,920	1,920
Change in fair value (see note 5)	670	-
<b>Fair value at 31 December</b>	<b>2,590</b>	<b>1,920</b>

Investment properties are stated at fair value. The Group's leasehold investment property was valued on a fair value basis as at 31 December 2016 at £590,000 and the Group's freehold investment property on a fair value basis as at 31 December 2016 at £2,000,000. A revaluation surplus of £670,000 has been taken to the Statement of Comprehensive Income in 2016 and is included in non-underlying items in note 5. The valuations were undertaken at 31 December 2016 by Rapleys, Chartered Surveyors on an open market value basis.

The Group policies in relation to investment property are included in note 1. The properties are rented out to third parties. Rental income of £322,000 was recognised in 2016 (2015: £233,000). There are no restrictions on the Group's ability to dispose of the investment property or use any funds arising on disposal. There are no contractual commitments for further development of the investment properties.

### 15. Investments

The consolidated financial statements include the results of all subsidiaries owned by Marshall Motor Holdings plc as listed on pages 97 and 98 of the annual report. Certain of these subsidiaries, which are listed below have taken the exemption from an audit for the year ended 31 December 2016 by virtue of s479A of the Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the parent company, Marshall Motor Holdings plc, has given a statutory guarantee of all the outstanding liabilities as at 31 December 2016 of the subsidiaries listed below. Where this audit exemption has been taken, it is in anticipation of the completion of a corporate entity reorganisation programme.

The subsidiaries which have taken an exemption from audit for the year ended 31 December 2016 by virtue of s479A of the Companies Act 2006 are:

Tim Brinton Cars Limited	S.G. Smith (Motors) Limited
Marshall of Scunthorpe Limited	S.G. Smith (Motors) Beckenham Limited
CMG 2007 Limited	S.G. Smith (Motors) Forest Hill Limited
S.G. Smith Automotive Limited	S.G. Smith (Motors) Crown Point Limited
Exeter Trade Parts Specialists LLP	S.G. Smith (Motors) Sydenham Limited
Astle Limited	Prep-Point Limited
Crystal Motor Group Limited	S.G. Smith Trade Parts Limited

A list of all subsidiary undertakings as at 31 December 2016 and 31 December 2015 is given in note 3 of the Marshall Motor Holdings plc company only financial statements (pages 97 and 98).

## Notes to the Consolidated Financial Statements

### 16. Finance leases – Group as lessor

Lease agreements in which the other party, as lessee, is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments. At 31 December 2016 these receivables amounted to £494,000 (2015: £572,000) and will bear interest income until their maturity dates.

	<b>Total future payments £'000</b>	<b>2016 Unearned interest income £'000</b>	<b>Present value £'000</b>
Within 1 year	234	3	231
Between 1 and 5 years	308	45	263
	<b>542</b>	<b>48</b>	<b>494</b>

	<b>Total future payments £'000</b>	<b>2015 Unearned interest income £'000</b>	<b>Present value £'000</b>
Within 1 year	214	11	203
Between 1 and 5 years	411	42	369
	<b>625</b>	<b>53</b>	<b>572</b>

The Group leases out vehicles under finance leases mainly through one of its subsidiaries Marshall Leasing Limited.

The majority of the leases typically run for a non-cancellable period of one and five years. Under the contracts, title either passes to the lessee at the conclusion of the lease period, or the arrangements include an option to purchase the leased equipment after that period.

### 17. Operating leases – Group as lessor

The Group has entered into non-cancellable operating leases, as lessor, on a number of its assets held for contract rental included in property, plant and equipment and property included in investment property. The terms of these leases vary.

Future minimum lease payments receivable for assets held for contract rental under non-cancellable operating leases are as set out below.

	<b>2016 £'000</b>	<b>2015 £'000</b>
Within 1 year	26,408	23,105
Between 1 and 5 years	71,891	63,142
	<b>98,299</b>	<b>86,247</b>

Future minimum lease payments receivable for property under non-cancellable operating leases are as set out below.

	<b>2016 £'000</b>	<b>2015 £'000</b>
Within 1 year	275	233
Between 1 and 5 years	813	825
After 5 years	908	1,108
	<b>1,996</b>	<b>2,166</b>



## Notes to the Consolidated Financial Statements

### 18. Inventories

	2016 £'000	2015 £'000
Work in progress	688	424
Finished goods	388,684	244,863
Less: Provisions	(9,356)	(4,655)
<b>Inventory (Net)</b>	<b>380,016</b>	<b>240,632</b>

Finished goods include new and used vehicles held for resale, vehicle parts and other inventory. As at 31 December 2016 £364,695,000 (2015: £186,185,000) of finished goods are held under vehicle financing arrangements (see note 21).

Inventory recognised in cost of sales during the year as an expense was £1,630m (2015: £1,038m).

The 2015 comparative for stock provision has been restated for provision amounts of £789,000 which were previously included in finished goods. There is no change to the total inventory balance as previously stated.

### 19. Trade and other receivables

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade receivables due but not past due	54,509	25,669
Trade receivables past due	18,441	4,091
Trade receivables past due but impaired	(1,944)	(839)
<b>Trade receivables – net</b>	<b>71,006</b>	<b>28,921</b>
Other receivables	13,648	8,961
Amounts due from related undertakings (note 28)	7	311
Prepayments	10,412	4,531
	<b>95,073</b>	<b>42,724</b>

Trade and other receivables are all due within 12 months and any fair value difference is not material. Trade receivables are considered to be past due once they have passed their contracted due date and are reviewed for impairment if they are past due beyond 30 days.

Other receivables include finance lease and hire purchase receivables of £494,000 (2015: £572,000). Of these £283,000 (2015: £396,000) are amounts due in more than one year. The comparative for 2015 included £7,467,000 manufacturer bonus debtors within other receivables. These are now included within trade receivables. There is no change to the total trade and other receivables balance.

Movements on the provision for impairment of trade receivables were as follows:

	2016 £'000	2015 £'000
At 1 January	839	444
Additional provision for receivables impairment	1,915	1,014
Receivables written off during the year as uncollectable	(810)	(619)
<b>At 31 December</b>	<b>1,944</b>	<b>839</b>

The creation and release of provision for impaired receivables have been included in 'Other expenses' (note 4). Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount due.

## Notes to the Consolidated Financial Statements

## 20. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	83	24,130

## 21. Trade and other payables

	2016 £'000	2015 £'000
Trade payables:		
– vehicle financing arrangements	364,695	186,185
– other trade payables	85,206	34,490
Amounts owed to related undertakings (note 28)	102	654
Other tax and social security payable	3,601	2,472
Other payables	10,634	10,944
Accruals and deferred income	40,564	33,845
	<b>504,802</b>	<b>268,590</b>
Trade and other payables due within 1 year	497,340	260,321
Trade and other payables due after 1 year	7,462	8,269
	<b>504,802</b>	<b>268,590</b>

Trade and other payables, excluding social security and other taxes, are designated as financial liabilities carried at amortised cost. Their fair value is deemed to be equal to their carrying value.

The Group finance the purchases of new and use vehicle inventories using vehicle funding facilities' provided by various lenders including the captive finance companies associated with brand partners. These finance arrangements generally have a maturity of 90 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date.

Amounts due to finance companies in respect of vehicle funding are included within trade payables and disclosed under vehicle financing arrangements. Related cash flows are reporting within cash flows from operating activities within the Consolidated Statement of Cash Flows.

Vehicle financing facilities are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest.

Management considers the carrying amount of trade and other payables to approximate to their fair value. Long-term payables have been discounted where the time value of money is considered to be material.

## Notes to the Consolidated Financial Statements

## 22. Loans and Borrowings

	2016 £'000	2015 £'000
<b>Non-current</b>		
Asset backed financing (leasing)	33,833	24,677
Bank borrowings	7,531	-
	<u>41,364</u>	<u>24,677</u>
<b>Current</b>		
Asset backed financing (leasing)	30,680	26,700
Bank borrowings	47,050	-
	<u>77,730</u>	<u>26,700</u>
<b>Total borrowings</b>	<u><b>119,094</b></u>	<u><b>51,377</b></u>

Total borrowings include bank borrowings which are unsecured, except as described below, and asset backed financing, which is secured by a fixed charge over specific vehicles held for leasing. The related finance comprises chattel mortgages.

## Interest rate profile of interest bearing borrowings

	Debt £'000	2016 Average effective interest rate	Debt £'000	2015 Average effective interest rate
<b>Fixed rate borrowings</b>				
Asset backed financing	64,513	1.94	51,377	2.39
Bank borrowings	54,581	1.75	-	0.00
<b>Weighted average cost of drawn borrowings</b>	<u><b>119,094</b></u>	<u><b>1.85</b></u>	<u><b>51,377</b></u>	<u><b>2.39</b></u>

The carrying amounts and fair value of the non-current borrowings are as below.

	Carrying amount £'000	2016 Fair value £'000	Carrying amount £'000	2015 Fair value £'000
Asset backed financing	33,833	32,032	24,677	23,030
Bank borrowings	7,531	5,254	-	-

The fair values are based on cash flows discounted using the prevailing rates.

Borrowings have the following maturity profile:

	2016 £'000	2015 £'000
6 months or less	57,484	13,770
6 – 12 months	20,246	12,930
1 – 5 years	36,340	24,677
Over 5 years	5,024	-
	<u><b>119,094</b></u>	<u><b>51,377</b></u>

The Group has access to banking facilities amounting to £120,000,000 represented by a revolving credit facility of £95,000,000 (of which £35,000,000 was drawn at 31 December 2016) and an overdraft facility of £25,000,000 (of which £12,707,000 was drawn at 31 December 2016). These facilities are available for general corporate purposes including acquisitions or working capital requirements. Interest is chargeable on the amounts drawn under the facilities at between 1.2% and 2.0% above LIBOR. The facilities are secured by cross guarantees granted by the certain members of the Group. The facility is available until 25 August 2019. The Group is also able to extend the term of the facility by up to 12 months. More information in respect of principal risk management is provided in note 25.

## Notes to the Consolidated Financial Statements

## 23. Provisions

	Tax £'000	Closed sites £'000	Dilapidations £'000	Onerous leases and vacant property £'000	Total £'000
At 1 January 2016	-	122	649	280	1,051
Acquired provisions	4,242	12	310	462	5,026
Charged to income statement in the year	-	194	450	428	1,072
Utilised during the year	-	(133)	(315)	(9)	(457)
<b>As at 31 December 2016</b>	<b>4,242</b>	<b>195</b>	<b>1,094</b>	<b>1,161</b>	<b>6,692</b>

Provisions have been allocated between current and non-current as below.

	2016 £'000	2015 £'000
Current	5,242	762
Non-current	1,450	289
	<b>6,692</b>	<b>1,051</b>

## Tax

As described in note 12, the tax provision above relates to tax liabilities for film tax planning initiatives which were acquired with Ridgeway

## Closed sites

The Group manages its portfolio carefully and either closes or sells sites which no longer fit with the Group's strategy. When sites are closed or sold provisions are made for any residual costs or commitments.

## Dilapidations

The Group operates from a number of leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases.

## Onerous leases and vacant property

Where property commitments exist at sites which are closed or closing the Group provides for the unavoidable cost of those leases post closure.

## 24. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as below.

	2016 £'000	2015 £'000
Deferred tax assets:		
– Deferred tax asset	36	58
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months (2015 restated)	(20,803)	(4,324)
<b>Deferred tax liabilities (net)</b>	<b>(20,767)</b>	<b>(4,266)</b>



## Notes to the Consolidated Financial Statements

### 24. Deferred tax *(continued)*

The gross movement on the deferred tax account is as below.

	2016 £'000	2015 £'000
At 1 January	(4,266)	(1,689)
Deferred tax arising on IFRS conversion of acquisition (note 12) (2015 restated)	(17,373)	(3,342)
Deferred tax acquired	(563)	(136)
Income statement charge (note 9)	1,517	819
Credited directly to equity	(82)	82
<b>At 31 December</b>	<b>(20,767)</b>	<b>(4,266)</b>

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as below.

	Accelerated tax depreciation £'000	Fair value gains £'000	Other £'000	Total £'000
<i>Deferred tax liabilities</i>				
At 1 January 2015	-	53	2,734	2,787
Charged to the income statement	-	(53)	735	682
Impact of corporation tax rate reduction	-	-	(271)	(271)
Acquisition of subsidiaries (note 12) (2015 restated)	-	-	3,342	3,342
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>6,540</b>	<b>6,540</b>
Charged/(credited) to the income statement	-	-	(122)	(122)
Impact of corporation tax rate reduction	-	-	(1,471)	(1,471)
Acquisition of subsidiaries (note 12)	-	-	17,373	17,373
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>22,320</b>	<b>22,320</b>
	Accelerated tax depreciation £'000	Fair value gains £'000	Other £'000	Total £'000
<i>Deferred tax assets</i>				
At 1 January 2015	845	94	159	1,098
Credited/(charged) to the income statement	837	(31)	473	1,279
Impact of corporation tax rate reduction	(36)	(5)	(8)	(49)
Credited directly to equity	-	-	82	82
Acquisition of subsidiaries	(136)	-	-	(136)
<b>At 31 December 2015</b>	<b>1,510</b>	<b>58</b>	<b>706</b>	<b>2,274</b>
Credited/(charged) to the income statement	341	(16)	(264)	61
Impact of corporation tax rate reduction	(112)	(6)	(19)	(137)
Charged/(credited) directly to equity	-	-	(82)	(82)
Acquisition of subsidiaries	(852)	-	289	(563)
<b>At 31 December 2016</b>	<b>887</b>	<b>36</b>	<b>630</b>	<b>1,553</b>

## Notes to the Consolidated Financial Statements

### 24. Deferred tax *(continued)*

Deferred income tax assets are recognised for tax loss as carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £263,000 (2015: £359,000) in respect of losses amounting to £1,549,000 (2015: £1,887,000) that can be carried forward against future taxable income. These losses do not have an expiry date.

### 25. Financial instruments – risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt market prices and interest rates. The Group's treasury management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board adopts an on-going process for identifying, evaluating and managing the significant risks faced by the Group.

#### Market risk – cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings, which are issued at various rates that expose the Group to cash flow interest rate risk. The Group's borrowings are denominated in sterling.

The interest rate exposure of the Group is managed within the constraints of the Group's business plan and the financial covenants under its facilities.

#### Credit risk

Credit risk arises from cash and deposits with banks as well as credit exposures to customers. Individual customer risk limits are set based on external credit reference agency ratings and the utilisation of these credit limits is regularly monitored. Further disclosure on credit exposure is given in note 19.

#### Liquidity risk

Ultimate responsibility for liquidity risk rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Disclosed within note 22 are the undrawn banking facilities that the Group has at its disposal in order to further reduce liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All borrowings are denominated in sterling.

	Less than one year £'000	Greater than one year £'000	Total £'000
Borrowings (note 22)	77,730	41,364	119,094
Trade and other payables (excluding other taxes and social security)	493,739	7,462	501,201
<b>At 31 December 2016</b>	<b>571,469</b>	<b>48,826</b>	<b>620,295</b>

## Notes to the Consolidated Financial Statements

### 25. Financial instruments – risk management *(continued)*

	Less than one year £'000	Greater than one year £'000	Total £'000
Borrowings (note 22)	26,700	24,677	51,377
Trade and other payables (excluding other taxes and social security)	257,849	8,269	266,188
<b>At 31 December 2015</b>	<b>284,549</b>	<b>32,946</b>	<b>317,495</b>

#### Capital risk management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group must ensure that sufficient capital resources are available for working capital requirements and meeting principal and interest payment obligations as they fall due.

Consistent with others in this industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as adjusted net debt divided by total capital. Adjusted net debt is calculated as total borrowings, excluding asset backed finance within the leasing segment (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as total shareholders' equity.

The Group had adjusted net debt of £54,498,000 at 31 December 2016 as disclosed in the *Net debt reconciliation* (2015: Net cash of £24,130,000).

#### Financial instruments by category

The table below analyses financial instruments by type. All such financial assets and liabilities are carried at amortised cost. For all financial assets and liabilities fair value equals carrying value except for long term borrowings as disclosed in note 22.

	2016 £'000	2015 £'000
<i>Group assets</i>		
Assets as per the balance sheet		
Trade and other receivables excluding prepayments (note 19)	84,661	38,193
Cash and cash equivalents (note 20)	83	24,130
<b>Total</b>	<b>84,744</b>	<b>62,323</b>
<i>Group liabilities</i>		
Liabilities as per the balance sheet		
Borrowings (note 22)	119,094	51,377
Trade and other payables excluding non-financial liabilities (note 21)	501,201	268,590
<b>Total</b>	<b>620,295</b>	<b>319,967</b>

## Notes to the Consolidated Financial Statements

### 25. Financial instruments – risk management *(continued)*

#### Credit quality of financial assets

	2016 £'000	2015 £'000
<i>Counterparties without external credit rating</i>		
Group 1	701	133
Group 2	83,960	38,060
<b>Total unimpaired trade receivables</b>	<b>84,661</b>	<b>38,193</b>
Cash at bank and short-term bank deposits		
A (Negative)*	83	24,130

\* Standard & Poor's rating (long term)

Group 1 – new customers/related parties (less than 6 months).

Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.

### 26. Called up share capital and share premium

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2015	2,250,000	2,250	-	2,250
Issued 27 March 2015	30,000,000	30,000	-	30,000
Subdivision	18,140,625	-	-	-
Issued 2 April 2015	26,845,638	17,181	19,672	36,853
<b>At 31 December 2015</b>	<b>77,236,263</b>	<b>49,431</b>	<b>19,672</b>	<b>69,103</b>
Issued 27 May 2016	156,599	100	-	100
<b>At 31 December 2016</b>	<b>77,392,862</b>	<b>49,531</b>	<b>19,672</b>	<b>69,203</b>

On 27 March 2015 30 million ordinary shares of 100p each were issued at par and subsequently the entire share capital of the company was subdivided into 50,390,625 ordinary shares of 64p each.

On 2 April 2015 26,845,638 new ordinary shares of 64p each were issued at 149p each. The premium arising on issue is shown net of transaction costs amounting to £3.1 million.

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

All shares issued are fully paid.



## Notes to the Consolidated Financial Statements

### 26. Called up share capital and share premium *(continued)*

#### Share option schemes

Under the Company's equity settled share option scheme, share options may be granted to executive Directors and selected employees and grants were made on Admission of the Company to AIM and during the year to 31 December 2016. Share options comprise IPO Performance Awards, IPO Restricted Share Awards and 2016 Performance Awards. The extent of vesting of awards granted to executive Directors of the Company (other than an IPO Restricted Share Award) will be subject to performance conditions set by the Remuneration Committee. The extent of vesting of awards granted to other participants may be subject to performance conditions set by the Remuneration Committee.

The weighted average remaining period until expiry for the awards outstanding at 31 December 2016 is 8.6 years (2015: 9.3 years).

The fair value of nil cost awards granted under both the IPO Performance Awards and IPO Restricted Awards is the market value of the related shares at the time of grant.

The weighted average fair value at 31 December 2016 is £1.65 (2015: £1.49)

All options issued are nil cost awards and therefore there is no range of weighted average exercise price, as all are nil.

As at 31 December 2016, outstanding share options under the IPO Performance Awards and 2016 Performance Awards were as below.

Award date	No of shares over which options are outstanding	Exercise price	Date from which exercisable	Expiry date
2 April 2015	1,406,040	Nil	2 April 2018	2 April 2025
13 June 2016	660,801	Nil	13 June 2020	13 June 2026
	<b>2016 No.</b>	<b>2016 WAEP</b>	<b>2015 No.</b>	<b>2015 WAEP</b>
<i>2016 Performance Award</i>				
Outstanding as at 1 January	-	-	-	-
Granted during the year	675,364	-	-	-
Forfeited during the year	(14,563)	-	-	-
<b>Outstanding as at 31 December</b>	<b>660,801</b>	-	-	-
	<b>2016 No.</b>	<b>2016 WAEP</b>	<b>2015 No.</b>	<b>2015 WAEP</b>
<i>IPO Performance Award</i>				
Outstanding as at 1 January	1,459,730	-	-	-
Granted during the year	-	-	1,486,575	-
Forfeited during the year	(53,690)	-	(26,845)	-
<b>Outstanding as at 31 December</b>	<b>1,406,040</b>	-	<b>1,459,730</b>	-
<b>Exercisable as at 31 December</b>	-	-	-	-

The performance condition applying to the IPO Performance Awards and 2016 Performance Awards is based on the growth in the Company's underlying basic Earnings Per Share (EPS). In respect of IPO Performance Awards 25% will vest for achieving growth in underlying basic EPS of CPI plus 4% per annum increasing on a straight line basis up to 100% vesting for achieving growth of CPI plus 10% per annum between 2014 and 2017. 50% of the IPO Performance Awards vest on the third anniversary of Admission and the remaining 50% vest on the fourth anniversary subject to continued employment. In respect of the 2016 Performance Awards 25% will vest for achieving underlying basic EPS of CPI plus 3% per annum increasing on a straight line basis up to 100% vesting for achieving CPI plus 8% per annum between 2016 and 2018. A 12 month holding period applies to the 2016 Performance Awards.

## Notes to the Consolidated Financial Statements

### 26. Called up share capital and share premium *(continued)*

As at 31 December 2016, outstanding share options under the IPO Restricted Share Awards were as below.

Award date	No of shares over which options are outstanding	Exercise price	Date from which exercisable	Expiry date
2 April 2015	313,199	Nil	2 April 2016	2 April 2025
	2016 No.	2016 WAEP	2015 No.	2015 WAEP
<i>IPO Restricted Share Award</i>				
Outstanding as at 1 January	469,798	-	-	-
Granted during the year	-	-	469,798	-
Exercised	(156,599)	-	-	-
<b>Outstanding as at 31 December</b>	<b>313,199</b>	<b>-</b>	<b>469,798</b>	<b>-</b>
<b>Exercisable as at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The IPO Restricted Share Awards vest in three equal tranches on the first, second and third anniversaries of Admission.

The fair value of options granted during the year was £2.06 (2015: £1.49). The fair value of equity settled share options granted was based on market value on 13 June 2016 when the share options were granted.

A share based payment charge of £1,313,000 (2015: £556,000) has been recognised during the period.

See note 8 of the Company only financial statements on page 100 for further details of the share option schemes.

## Notes to the Consolidated Financial Statements

### 27. Commitments and contingencies

#### Operating lease commitments

The Group, as lessee, has non-cancellable operating lease agreements. The lease terms vary and the majority of lease agreements are renewable at the end of the lease period at market rate.

The lease expenditure charged to the income statement during the year is disclosed in note 4.

The future aggregate minimum lease payments under non-cancellable operating leases are set out below.

	2016 £'000	2015 £'000
Within 1 year	11,494	7,804
Later than 1 year and less than 5 years	40,909	29,206
After 5 years	72,578	62,031
	<b>124,981</b>	<b>99,041</b>

### 28. Related party transactions

Key management compensation is given in note 7.

Details of Directors' interests in shares of the Company are set out in the Directors' Remuneration Report.

During 2015 and 2016 the Directors were members of a car purchase loan scheme under which the following transactions were made in the year. The Directors purchased 14 cars in 2016 (2015: 15) at a price of £983,000 (2015: £1,043,000) and sold back 14 (2015: 13) at a price of £994,000 (2015: £899,000).

The following table shows the aggregate transactions with companies within Marshall of Cambridge (Holdings) Limited other than those of Marshall Motor Holdings plc.

2016	Sales £'000	Purchases £'000	Year-end balance £'000
<i>Entities with significant influence over the entity</i>			
Marshall of Cambridge (Holdings) Limited	83	337	(24)
<i>Other related parties</i>			
Marshall of Cambridge Aerospace Limited	106	315	(78)
Marshall Thermo King Limited	695	28	7
Marshall Fleet Solutions Limited	-	13	-
Marshall Group Properties Limited	134	1,312	-
Aeropeople Limited	7	-	-
Marshall Land Systems Limited	31	-	-
	<b>1,056</b>	<b>2,005</b>	<b>(95)</b>

## Notes to the Consolidated Financial Statements

### 28. Related party transactions *(continued)*

2015	Sales £'000	Purchases £'000	Year-end balance £'000
<i>Entities with significant influence over the entity</i>			
Marshall of Cambridge (Holdings) Limited	70	1,127	(110)
<i>Other related parties</i>			
Marshall of Cambridge Aerospace Limited	112	490	(59)
Marshall Thermo King Limited	538	3	34
Marshall Fleet Solutions Limited	-	19	(8)
Marshall Group Properties Limited	402	1,700	(147)
Aeropeople Limited	14	-	-
Marshall Land Systems Limited	42	-	-
Marshall Specialist Vehicles Limited	18	-	-
MGPB Limited	10	158	(55)
	<b>1,206</b>	<b>3,497</b>	<b>(345)</b>

### 29. Pensions

#### Post-employment benefits

As detailed in accounting policy note 1, the Group accounts for all of its pension contributions as if they were part of a defined contribution scheme.

The actuarial valuation for the defined benefit section of the Marshall Group Executive Pension Plan revealed a deficit on a technical provisions basis of £1.5 million as at 31 December 2013. Marshall of Cambridge (Holdings) Limited has paid all of its contributions (£1.24 million) as at 31 December 2016 under the current recovery plan. The contributions by Marshall Motor Holdings plc to this plan during 2016 were £nil (2015: £41,000).

The next actuarial valuation of the Marshall Group Executive Plan is expected as at 31 December 2016. The extent of any future cash contributions by the Group will then be considered.

In line with the disclosure requirements of IAS 19, for group schemes where there is no contractual agreement for charging the net defined benefit cost between individual companies the information below details information about the defined benefit section of the Marshall Group Executive Plan. The information in the note that follows will be included in the 2016 Annual Report of Marshall of Cambridge (Holdings) Limited. These are disclosure items only and are not reflected in the Statement of Financial Position of Marshall Motor Holdings plc.



## Notes to the Consolidated Financial Statements

### 29. Pensions (continued)

	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Balance sheet obligations				
– Fair value of assets at end of year	36,975	34,546	34,119	32,005
– Present value of obligations at end of year	(54,485)	(46,062)	(46,968)	(39,961)
– Deficit at 31 December 2016	(17,510)	(11,516)	(12,849)	(7,956)
Defined pension benefits				
– Related deferred tax asset	2,977	2,073	2,570	1,591
<b>Liability in the balance sheet</b>	<b>(14,533)</b>	<b>(9,443)</b>	<b>(10,279)</b>	<b>(6,365)</b>
Income statement charge included in operating profit				
– For defined pension benefits	(947)	(858)	(741)	(818)
	<b>(947)</b>	<b>(858)</b>	<b>(741)</b>	<b>(818)</b>

Marshall of Cambridge (Holdings) Limited operates the Plan which has a section which provides defined benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the Plan, pensions in payment are generally updated in line with the retail price index. The board of trustees must be composed of representatives of Marshall of Cambridge (Holdings) Limited and plan participants in accordance with the Trust Deed and Rules and legislation.

The significant actuarial assumptions were as set out below.

	2016	2015
Discount Rate	2.54%	3.60%
RPI Inflation	3.31%	3.00%
CPI Inflation	2.31%	2.00%
Salary Growth Rate	3.06%	2.60%
Pension Growth Rate – RPI min 0%, max 5%	3.31%	3.00%
Pension Growth Rate – RPI min 3%	3.36%	3.35%
Pension Growth Rate – RPI min 2.7%, max 5%	3.31%	3.21%
Pension Growth Rate – RPI min 0%, max 8.5%	3.31%	3.00%
Post retirement mortality	73%S1PXA	73%S1PXA
Post retirement improvements	CMI 2013 table with 1.25% p.a. and 1.0% p.a. long term improvement trend for males and females respectively (rebased to 2008)	CMI 2013 table with 1.25% p.a. and 1.0% p.a. long term improvement trend for males and females respectively (rebased to 2008)
	2014	2013
Discount Rate	3.50%	4.50%
RPI Inflation	3.16%	3.33%
CPI Inflation	1.96%	2.13%
Salary Growth Rate	2.90%	3.74%
Pension Growth Rate – RPI min 0%, max 5%	3.16%	3.33%
Pension Growth Rate – RPI min 3%	3.29%	3.41%
Pension Growth Rate – RPI min 2.7%, max 5%	3.21%	3.35%
Pension Growth Rate – RPI min 0%, max 8.5%	3.16%	3.33%
Post retirement mortality	73%S1PXA	73%S1PXA
Post retirement improvements	CMI 2013 table with 1.25% p.a. and 1.0% p.a. long term improvement trend for males and females respectively (rebased to 2008)	CMI 2013 table with 1.0% p.a. long term improvement trend (rebased to 2008)

## Notes to the Consolidated Financial Statements

## 29. Pensions (continued)

Plan assets are comprised as follows:

2016	Quoted £'000	Unquoted £'000	Total £'000	%
UK Equities	5,320	-	5,320	14
Overseas Equities	12,216	-	12,216	33
Property	6,850	-	6,850	19
Liability Driven Investments	4,311	-	4,311	12
Dynamic Asset Allocation	5,860	-	5,860	16
Cash and Net Current Assets	120	-	120	-
Insured Pensions	-	2,298	2,298	6
<b>Total</b>	<b>34,677</b>	<b>2,298</b>	<b>36,975</b>	<b>100%</b>
2015	Quoted £'000	Unquoted £'000	Total £'000	%
UK Equities	4,737	-	4,737	14
Overseas Equities	10,165	-	10,165	30
Property	7,159	-	7,159	21
Liability Driven Investments	4,280	-	4,280	12
Dynamic Asset Allocation	5,895	-	5,895	17
Cash and Net Current Assets	129	-	129	-
Insured Pensions	-	2,181	2,181	6
<b>Total</b>	<b>32,365</b>	<b>2,181</b>	<b>34,546</b>	<b>100%</b>
2014	Quoted £'000	Unquoted £'000	Total £'000	%
UK Equities	9,871	-	9,871	29
Overseas Equities	5,041	-	5,041	15
Property	6,543	-	6,543	19
Liability Driven Investments	4,223	-	4,223	12
Dynamic Asset Allocation	5,997	-	5,997	18
Cash and Net Current Assets	155	-	155	-
Insured Pensions	-	2,289	2,289	7
<b>Total</b>	<b>31,830</b>	<b>2,289</b>	<b>34,119</b>	<b>100%</b>
2013	Quoted £'000	Unquoted £'000	Total £'000	%
UK Equities	9,335	-	9,335	29
Overseas Equities	4,406	-	4,406	14
Property	5,713	-	5,713	18
Liability Driven Investments	4,478	-	4,478	14
Dynamic Asset Allocation	5,889	-	5,889	18
Cash and Net Current Assets	-	-	-	-
Insured Pensions	-	2,232	2,232	7
<b>Total</b>	<b>29,821</b>	<b>2,232</b>	<b>32,053</b>	<b>100%</b>

## Notes to the Consolidated Financial Statements

### 29. Pensions *(continued)*

Through the defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The Plan holds 80% growth assets and these will not provide a hedge to the movement in the discount rate. Consequently, the difference in the values of the assets and liabilities will be quite volatile. Similarly returns on scheme assets will be affected by changes in gilt yields.
Inflation risk	The majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).
Life expectancy	Increases in life expectancy will increase plan liabilities, the inflation linkage of the benefits also means that inflationary increases result in a higher sensitivity to increases in life expectancy.

### 30. Ultimate parent company

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Marshall of Cambridge (Holdings) Limited. This is both the immediate parent undertaking and the ultimate parent undertaking. In light of its aggregate shareholding in the capital of the Company, Marshall of Cambridge (Holdings) Limited has entered into a relationship agreement in order to regulate the relationship between it and the Company and enable the Company to act independently of Marshall of Cambridge (Holdings) Limited and its affiliates.

Copies of the group financial statements for Marshall of Cambridge (Holdings) Limited can be obtained from Airport House, The Airport, Cambridge, CB5 8RY.

## Company Financial Statements

### Statement of Financial Position

As at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments	3	163,194	54,084
<b>Current assets</b>			
Debtors	4	7,104	18,543
Cash at bank and in hand		1,329	19,638
		<u>8,433</u>	<u>38,181</u>
<b>Creditors: Amounts falling due within one year</b>	6	(82,753)	(7,992)
<b>Net current (liabilities)/assets</b>		<u>(74,320)</u>	<u>30,189</u>
<b>Net assets</b>		<u><b>88,874</b></u>	<u><b>84,273</b></u>
<b>Capital and reserves</b>			
Called-up equity share capital	7	49,531	49,431
Share premium		19,672	19,672
Profit and loss account		19,671	15,170
<b>Shareholders' funds</b>		<u><b>88,874</b></u>	<u><b>84,273</b></u>

No profit and loss account is presented by the Company, as permitted under section 408 of the Companies Act 2006. The profit of the Company for the year ended 31 December 2016 was £6,539,000 (2015: £21,951,000).

The financial statements were approved for issue by the Board of Directors and authorised for issue on 14 March 2017

**M.D. Raban**

Director

14 March 2017

## Company Financial Statements

### Statement of Changes in Equity

	Note	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2015</b>		2,250	-	8,111	10,361
Loss for the financial year		-	-	(3,049)	(3,049)
Dividends received		-	-	25,000	25,000
<b>Total comprehensive income for the year</b>		-	-	21,951	21,951
Equity dividends paid	9	-	-	(15,448)	(15,448)
New shares issued		47,181	19,672	-	66,853
Share based payment charge		-	-	556	556
<b>At 31 December 2015</b>		<b>49,431</b>	<b>19,672</b>	<b>15,170</b>	<b>84,273</b>
Loss for the financial year		-	-	(5,961)	(5,961)
Dividends received		-	-	12,500	12,500
<b>Total comprehensive income for the year</b>		-	-	6,539	6,539
Equity dividends paid	9	-	-	(3,251)	(3,251)
New shares issued		100	-	(100)	-
Share based payment charge	8	-	-	1,313	1,313
<b>At 31 December 2016</b>		<b>49,531</b>	<b>19,672</b>	<b>19,671</b>	<b>88,874</b>



## Notes to the Company Financial Statements

### 1. Basis of preparation & statement of compliance

Marshall Motor Holdings plc is a Public Limited Company incorporated in England. The registered office is Airport House, The Airport, Cambridge, CB5 8RY. The parent company financial statements have been prepared in compliance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The financial statements are prepared in sterling which is the presentational and functional currency of the company and rounded to the nearest £'000.

The company accounts have also adopted the following disclosure exemptions as permitted by FRS 102:

- Presentation of a cash-flow statement and related notes
- Financial instrument-related disclosures
- Key management personnel compensation disclosures

The Company is part of the consolidated financial statements of Marshall Motor Holdings plc.

The auditors' remuneration for audit and other services was £3,000 (2015: £3,000).

### 2. Accounting policies

#### Investments

Investments in subsidiaries are recognised at cost less any impairment. Impairments are recognised directly through profit and loss.

#### Share based payments

The Company allows employees to acquire shares in the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The Company operates a number of equity settled, share based compensation plans. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statements with a corresponding adjustment to equity.

#### Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated without discounting using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense/(income) is presented either in the income statement, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).

## Notes to the Company Financial Statements

### 2. Accounting policies *(continued)*

#### Financial instruments

The company has non-derivative financial instruments comprising trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. The company has no non-derivative financial instruments measured at fair value.

#### Dividend distribution

Final dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3. Investments

	<b>Subsidiary undertakings £'000</b>
<i>Cost</i>	
At 1 January 2016	54,084
Additions	109,110
<b>At 31 December 2016</b>	<b>163,194</b>

The Company owns directly or indirectly the whole of the issued and fully paid ordinary share capital of the following subsidiary undertakings.

Additions in the period include £2,163,000 of acquisition costs which have been capitalised.

<b>Name of Undertaking</b>	<b>Country of incorporation</b>	<b>Principal activity</b>
Marshall Motor Group Limited	England and Wales	Franchised motor dealership
Marshall of Cambridge (Garage Properties) Limited	England and Wales	Property holding
Marshall Leasing Limited	England and Wales	Motor vehicle leasing
Gates Contract Hire Limited	England and Wales	Dormant
Tim Brinton Cars Limited* (reg no. 01041301)	England and Wales	Property holding
Marshall of Ipswich Limited**	England and Wales	Franchised motor dealership
Marshall of Peterborough Limited**	England and Wales	Franchised motor dealership
S.G. Smith Holdings Limited	England and Wales	Holding company
S.G. Smith Automotive Limited* (reg no. 00622112)	England and Wales	Holding company
S.G. Smith (Motors) Limited* (reg no. 00287379)	England and Wales	Property holding
S.G. Smith (Motors) Beckenham Limited* (reg no. 00648395)	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Forest Hill Limited* (reg no. 00581710)	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Crown Point Limited* (reg no. 00581711)	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Sydenham Limited* (reg no. 00660066)	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Croydon Limited	England and Wales	Dormant
S.G. Smith Trade Parts Limited* (reg no. 01794317)	England and Wales	Motor parts sales

## Notes to the Company Financial Statements

### 3. Investments (continued)

Name of Undertaking	Country of incorporation	Principal activity
Prep-Point Limited* (reg no. 00660067)	England and Wales	Maintenance and repair of motor vehicles
Marshall of Stevenage Limited**	England and Wales	Franchised motor dealership
Marshall Commercial Vehicles Limited	England and Wales	Dormant
Marshall North West Limited	England and Wales	Franchised motor dealership
Marshall of Scunthorpe Limited* (reg no. 01174004)	England and Wales	Franchised motor dealership
Silver Street Automotive Limited	England and Wales	Franchised motor dealership
Exeter Trade Parts Specialists LLP* (reg no. OC329331)	England and Wales	Motor parts sales
Audi South West Limited	England and Wales	Dormant
Hanjo Russell Limited	England and Wales	Dormant
CMG 2007 Limited* (reg no. 06275636)	England and Wales	Holding company
Astle Limited* (reg no. 01114983)	England and Wales	Franchised motor dealership
Crystal Motor Group Limited* (reg no. 04813767)	England and Wales	Franchised motor dealership
Ridgeway Garages (Newbury) Limited	England and Wales	Franchised motor dealership
Pentagon Limited	England and Wales	Franchised motor dealership
Pentagon South West Limited	England and Wales	Dormant
Ridgeway TPS Limited	England and Wales	Motor parts sales
Ridgeway Bavarian Limited	England and Wales	Franchised motor dealership
Wood in Hampshire Limited	England and Wales	Dormant
Wood of Salisbury Limited	England and Wales	Dormant

The registered office for all subsidiary companies listed above is Airport House, The Airport, Cambridge, CB5 8RY. All listed subsidiaries are included within the Group consolidation on pages 50 to 93.

\* subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the year ended 31 December 2016.

\*\* these subsidiaries are 99% owned by the Group.

### 4. Debtors

	2016 £'000	2015 £'000
Trade debtors	1	-
Amounts owed by Group undertakings	6,219	17,470
Other debtors	252	700
VAT	10	54
Prepayments and accrued income	310	197
Deferred tax asset (note 5)	312	122
	<b>7,104</b>	<b>18,543</b>

Amounts owed by Group undertakings are unsecured, bear no interest and have no fixed repayment date.

## Notes to the Company Financial Statements

### 5. Deferred taxation

	2016 £'000	2015 £'000
At 1 January	122	-
Changes in provision	190	122
<b>At 31 December</b>	<b>312</b>	<b>122</b>

The balance of the deferred tax asset consists of the tax effect of the timing differences in respect of:

	2016 £'000	2015 £'000
Other timing differences	312	122
<b>Total deferred tax (note 4)</b>	<b>312</b>	<b>122</b>

### 6. Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Bank loan	35,000	-
Trade creditors	56	24
Amounts owed to Group undertakings	45,224	2,478
Corporation tax	1,765	1,965
Other taxes and social security	59	58
Other creditors	6	2,517
Accruals and deferred income	643	950
	<b>82,753</b>	<b>7,992</b>

The bank loan of £35,000,000 relates to a drawdown of the revolving credit facility as described in note 22 of the Group Financial Statements.

### 7. Share capital

	2016 £'000	2015 £'000
77,392,862 (2015:77,236,263) ordinary shares of 64p each	49,531	49,431
<i>Ordinary shares</i>	<b>2016 £'000</b>	<b>2015 £'000</b>
At 1 January	49,431	2,250
Issued on 27 March 2015	-	30,000
Issued on 2 April 2015	-	17,181
Issued on 27 May 2016	100	-
	<b>49,531</b>	<b>49,431</b>

On 27 March 2015, 30 million ordinary shares of 100p each were issued at par and subsequently the entire share capital of the Company was subdivided into 50,390,625 ordinary shares of 64p each.

On 2 April 2015 26,845,638 new ordinary shares of 64p each were issued at 149p each. The premium arising on issue is shown net of transaction costs amounting to £3.1 million.

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

## Notes to the Company Financial Statements

### 8. Share-based payments

Under the Company's equity settled share option scheme, share options are granted to executive Directors and to selected employees and were granted on admission of the Company to AIM. The extent of vesting awards granted to executive Directors of the Company (other than the IPO Restricted Share Award) will be subject to performance conditions set by the remuneration committee. The extent of vesting of awards granted to other participants may be subject to performance conditions set by the Remuneration Committee.

The weighted average remaining period until expiry for the awards outstanding at 31 December 2016 is 8.6 years (2015: 9.3 years).

The fair value of nil cost awards granted under both the IPO Performance Awards and IPO Restricted Awards is the market value of the related shares at the time of grant.

The weighted average fair value at 31 December 2016 is £1.65 (2015: £1.49)

All options issued are nil cost awards and therefore there is no range of weighted average exercise price, as all are nil.

#### 2016 Performance Award

The performance condition applying to the 2016 Performance Awards is based on the growth in the Company's underlying basic Earnings Per Share (EPS). 25% will vest for achieving growth in underlying basic EPS of CPI plus 3% per annum increasing on a straight line basis up to 100% vesting for achieving growth of CPI plus 8% per annum between 2016 and 2018. A 12 month holding period applies to the 2016 Performance Awards.

#### IPO Performance Award

The performance condition applied to the IPO Performance Award will be based on the growth in the Company's underlying basic earnings per share from 2014 to 2017. 25% of each IPO Performance Award will vest for achieving growth in adjusted earnings per share of CPI plus 4% per annum increasing on a straight-line basis up to 100% vesting for achieving growth in adjusted earnings per share of CPI plus 10% per annum. 50% of the IPO Performance Award vest on the third anniversary of Admission and the remaining 50% vest on the fourth anniversary subject to continued employment. The contractual life of the option is 10 years and there are no cash settlement alternatives.

#### IPO Restricted Share Award

The IPO Restricted Share Award vests in three equal tranches on the first, second and third anniversaries of Admission.

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2016 is £1,313,000 (2015: £556,000).

The following tables illustrate the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
<i>2016 Performance Award</i>				
Outstanding as at 1 January	-	-	-	-
Granted during the year	675,364	-	-	-
Forfeited during the year	(14,563)	-	-	-
<b>Outstanding as at 31 December</b>	<b>660,801</b>	-	-	-
	2016 No.	2016 WAEP	2015 No.	2015 WAEP
<i>IPO Performance Award</i>				
Outstanding as at 1 January	1,459,730	-	-	-
Granted during the year	-	-	1,486,575	-
Forfeited during the year	(53,690)	-	(26,845)	-
<b>Outstanding as at 31 December</b>	<b>1,406,040</b>	-	<b>1,459,730</b>	-
<b>Exercisable as at 31 December</b>	-	-	-	-



## Notes to the Company Financial Statements

### 8. Share-based payments *(continued)*

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
<i>IPO Restricted Share Award</i>				
Outstanding as at 1 January	469,798	-	-	-
Granted during the year	-	-	469,798	-
Exercised	(156,599)	-	-	-
<b>Outstanding as at 31 December</b>	<b>313,199</b>	<b>-</b>	<b>469,798</b>	<b>-</b>
<b>Exercisable as at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The fair value of options granted during the year was £2.06 (2015: £1.49). The fair value of equity settled share options granted was based on market value on 13 June 2016 when the share options were granted.

### 9. Dividends

	2016 £'000	2015 £'000
<i>Paid during the year</i>		
Final dividend for 2014	-	15,000
Interim dividend for 2015	-	448
Final dividend for 2015	1,858	-
Interim dividend for 2016	1,393	-

A final dividend of £15,000,000 for the year ended 31 December 2014 was paid in March 2015 before Admission representing a payment of 666.67p per ordinary share in issue and 426.67p per share after adjustment to reflect the impact of the sub-division of shares described in note 7.

A final dividend of £1,858,000 for the year ended 31 December 2015 was paid in March 2016. This represented a payment of 2.40p per ordinary share in issue at that time.

An interim dividend in respect of the year ended 31 December 2016 of £1,393,000 representing a payment of 1.80p per ordinary share in issue at that time was paid on 23 September 2016. An interim dividend in respect of the year ended 31 December 2015 of £448,000 representing a payment of 0.58p per ordinary share in issue at that time was paid on 25 September 2015.

A final dividend of 3.70p per share in respect of the year ended 31 December 2016 is to be proposed at the annual general meeting on 23 May 2017. The ex-dividend date will be 20 April 2017 and the associated record date will be 21 April 2017. This dividend will be paid subject shareholder approval on 26 May 2017 and these financial statements do not reflect this final dividend payable.

### 10. Transactions with related parties

The Company has taken advantage of exemption, under the terms of Section 33 of FRS 102, not to disclose related party transactions with subsidiaries within the Group

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Marshall of Cambridge (Holdings) Limited and is therefore considered to be the ultimate parent company.

Copies of the group financial statements for Marshall of Cambridge (Holdings) Limited can be obtained from Airport House, The Airport, Cambridge, CB5 8RY.

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the “AGM”) Marshall Motor Holdings Plc (the “Company”) will be held at Airport House, the Airport, Cambridge CB5 8RY on 23 May 2017 at 11.00 a.m. for the following purposes of considering and, if thought fit, passing the following resolutions which will all be proposed as ordinary resolutions:

**1. Report and accounts**

To receive the audited annual accounts of the Company for the year ended 31 December 2016 together with the directors’ reports and the auditors’ report on those annual accounts.

**2. Declaration of dividend**

To declare a final dividend of 3.70p per ordinary share for the year ended 31 December 2016 payable on 26 May 2017 to shareholders who are on the register of members of the Company on 21 April 2017.

**3. Re-appointment of director**

To re-appoint Peter Jonson as a director, who retires by rotation in accordance with the Company’s articles of association and offers himself for reappointment.

**4. Re-appointment of director**

To re-appoint Christopher Walkinshaw as a director, who, having been appointed since the last annual general meeting of the Company, retires in accordance with the Company’s articles of association and offers himself for reappointment.

**5. Re-appointment of auditors**

To re-appoint Ernst & Young LLP as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

**6. Auditors’ remuneration**

To authorise the directors to determine the remuneration of the auditors.

Dated 20 March 2017

By Order of the Board

**Stephen Jones**

Company Secretary

Registered Office:

Airport House

The Airport

Cambridge

CB5 8RY

## Notice of Annual General Meeting *(continued)*

### Notes

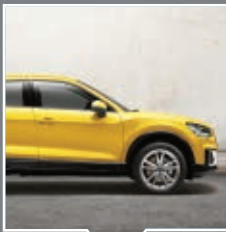
1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at close of business on 19 May 2017 (or if the AGM is adjourned at close of business, two working days before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
2. If you wish to attend the AGM in person, you should make sure that you arrive at the venue for the AGM in good time before the commencement of the meeting. You may be asked to prove your identity in order to gain admission.
3. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
4. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: Either by the appointment of a proxy (described in Note 6 below) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.
5. Copies of the executive directors' service contracts with the Company and any of its subsidiary undertakings are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM from 9 a.m. on the day of the AGM until its conclusion.
6. CREST members who wish to appoint a proxy or proxies through the CREST proxy appointment service may do so for the Meeting (and any adjournment thereof) by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Capita Registrars, RA10, by 11.00 a.m. on 19 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual (available at [www.euroclear.com/CREST](http://www.euroclear.com/CREST)) concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

## Company Information

<b>Registered Office:</b>	Airport House The Airport Cambridge CB5 8RY
<b>Company websites:</b>	<a href="http://www.mmhplc.com">www.mmhplc.com</a> <a href="http://www.marshall.co.uk">www.marshall.co.uk</a> <a href="http://www.marshall-leasing.co.uk">www.marshall-leasing.co.uk</a>
<b>Nominated Adviser and Broker:</b>	Investec Bank plc 2 Gresham Street London EC2V 7QP
<b>Auditors:</b>	Ernst & Young LLP One Cambridge Business Park Cambridge CW4 0WZ
<b>Joint Bankers:</b>	Barclays Bank plc 1 Churchill Place London E14 5HP  HSBC Bank plc 8 Canada Square London E14 5HQ
<b>Legal Advisers to the Company:</b>	Dentons UKMEA LLP One Fleet Place London EC4M 7WS
<b>Registrar:</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU



• 24 brands • 103 locations • 25 counties

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Marshall Motor Holdings plc  
Airport House, The Airport, Cambridge, CB5 8RY

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