Marshall Motor Holdings plc

Annual Report & Accounts 2015

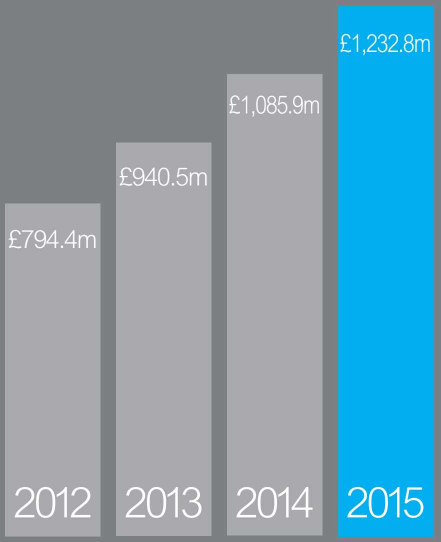
106 years of putting our customers above all else

Marshall Motor Holdings plc | Annual Report & Accounts 2015

Historical Financial Trends

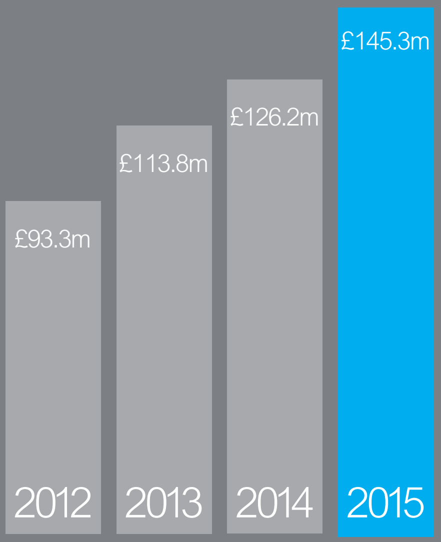
The Group has delivered a record trading performance for the year ended 31 December 2015

Revenue £m



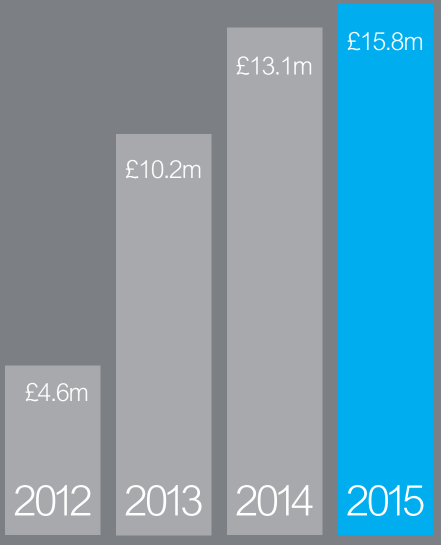
CAGR 15.8%

Gross Profit £m



CAGR 15.9%

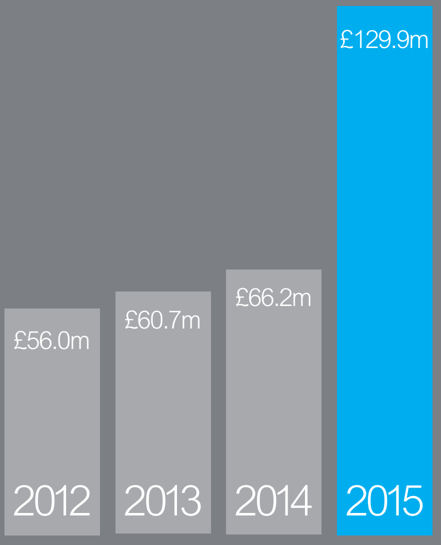
Adjusted Profit Before Tax* £m



CAGR 51.5%

* Profit before tax and acquisition costs

Net Assets £m



CAGR 32.4%

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Marshall
Motor Holdings plc

Chairman's Statement

Peter Johnson
Chairman

In April 2015 we successfully completed our listing on the AIM market of the London Stock Exchange, raising gross proceeds of £40m.

In November 2015 we completed the acquisition of SG Smith

The Group has a strong balance sheet and is well positioned to drive further organic and acquisitive growth.

Introduction

I am delighted to present our first Annual Report & Accounts as an independent public company for the year ended 31 December 2015 (the "Year"). In April 2015 we successfully completed our listing on the AIM market of the London Stock Exchange ("Admission"), raising gross proceeds of £40m. This major milestone in the Company's 106 year history leaves us well positioned to exploit further growth opportunities in the future.

Strategy

Our vision to become the UK's premier automotive retail and leasing group remains and I am pleased to report considerable progress in each of the strategic pillars which underpin this vision. In particular, on 16 November 2015 we completed the acquisition of the entire issued share capital of SG Smith Holdings Limited ("SG Smith") for a cash consideration of approximately £24.0m. We are particularly pleased to have acquired this long established, family run business and we welcome our new colleagues to the Marshall Motor Holdings plc group of companies (the "Group"). The acquisition is in line with our stated strategy to grow scale with existing brand partners and extend our geographic footprint into new regions. The business is a good cultural fit for the Group and we are delighted to have significantly grown our relationship with Audi, strengthened our Skoda representation and extended our partnership with Mercedes-Benz in commercial vehicles.

Results

The Group has enjoyed another record year, delivering 13.5% revenue growth and 21.4% adjusted PBT growth despite absorbing significant additional costs as a result of our new public company status. Net cash at 31 December 2015 of £24.1m continues to underpin the balance sheet and, together with its unutilised £75m debt facility, leaves the Group well positioned to drive further organic and acquisitive growth.

Dividend

As stated at Admission, 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 2.40p per share which, with the pro-rata interim dividend of 0.58p per share, gives a total dividend for the Year ended 31 December 2015 of 2.98p per share. If approved by shareholders at our AGM on 24 May 2016, the final dividend will be paid by 27 May 2016 to shareholders who are on the Company's register at close of business on 22 April 2016.

People and Partnerships

I have been able to visit over sixty of our dealerships since Admission and have been immensely impressed with the energy and commitment of the colleagues I have met.

We have excellent relationships with our brand partners which we value highly. Working in partnership with them we will drive further organic and acquisition related growth.

AGM

Our first annual general meeting as a public company will be held on 24 May 2016 and I look forward to meeting all shareholders who are able to attend.

Outlook

Trading in the current financial year has started in line with our expectations. Based on current market conditions and visibility of the important March plate change month, we continue to have confidence in delivering further material growth in 2016 in line with current expectations.

Finally, I would like to thank the Board, the executive team, our brand partners, business suppliers and colleagues throughout the Group for their support in what was an historic year for the Group.

Peter Johnson
Chairman
16 March 2016

Coulsdon Audi acquired as part of the SG Smith acquisition

Operating Review

Daksh Gupta
Chief Executive Officer

The Group has delivered a record trading performance during the Year.

Both our retail and leasing segments have reported significant growth in profit before tax, up 29.0% and 24.0% respectively.

**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*

Overview

I am delighted to report that the Group has delivered a record trading performance during the Year. Revenue of £1,232.8m was ahead of last year by 13.5% and adjusted PBT was up 21.4%. Both our retail and leasing segments have reported significant growth in profit before tax, up 29.0% and 24.0% respectively.

The UK economic and market backdrop has remained generally positive, providing a stable platform for further growth and development. Following three consecutive years of strong growth in the UK new car market, the rate of underlying growth has returned to more normalised levels. UK new car registrations in 2015 were 6.3% ahead of 2014 including self/dealer registrations. The strength of sterling in 2015 and slower growth rates in some overseas markets made the UK an attractive market for many of our brand partners.

Our strategy to become the UK's premier automotive and leasing group remains central to everything we do. We measure and monitor performance against our five strategic pillars of creating value for our shareholders through: class leading returns; putting our customers first; delivering retailing excellence for the benefit of our customers particularly with the use of technology; being people centric by focusing on employee engagement; and pursuing strategic growth both organically and through targeted acquisitions.

Class leading returns

During the Year the Group recorded new vehicle revenue growth of 17.1% (10.5% like-for-like*) and used vehicle revenue growth of 11.2% (3.1% like-for-like).

The Group's retail segment showed strong growth in aftersales. Revenue grew by 8.5% aligned to a 12.8% improvement in margin. We benefitted from a growing UK vehicle parc (particularly in vehicles aged between 1-3 years old where customers typically return to franchised dealerships for aftersales services) and a number of continuing management initiatives.

The Group also made significant progress within its leasing segment with profitability up 24.0%. At 31 December 2015, the leasing fleet was 6,029 vehicles (31 December 2014: 6,031).

Customer first

The Group continues to enjoy high levels of customer advocacy. In 2015 43.1% of 28,755 customers surveyed who visited our showrooms indicated that they were either previous customers or were recommended to us. Plans are well advanced to launch our new website in the first half of 2016 which will provide additional content and functionality to support the customer journey.

Retailing excellence

We recognise the importance of the opportunities that exist from the use of technology to both attract customers and provide them with an enhanced retail experience. In particular, during the second half of the Year we commenced the implementation across the Group of a tablet-based enquiry management system which facilitates a seamless customer experience and assists compliance in the marketing and sale of ancillary products.

We have now completed the second iteration and roll out of "Phoenix", the Group's bespoke management information system. This in-house developed system provides real-time management information on all operational and financial aspects of the business and is a valuable tool in driving returns and competitive performance.

People centric

The Group has continued to focus on all aspects of colleague engagement and we were delighted that this was recognised by The Great Place to Work Institute in April 2015 with the Group being ranked amongst the best companies in the UK, including Capital One, Microsoft, Cisco Systems and the Hyatt Group.

Every January the Group holds 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 Abu Dhabi and Las Vegas 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 2015 around 150 colleagues and their partners were invited to the annual loyalty event at the Belfry. *(Pictured below - right)*

Strategic growth
We will continue to grow scale with our existing brand partners and our strong balance sheet will facilitate further organic and acquisition related growth in new regions. Our acquisitive growth agenda has always been conducted by working in partnership with all of our brand partners.

I would like to take this opportunity to thank our brand partners for their continued support, particularly in respect of our Admission in 2015.

Retail Segment
Overview
During the Year the retail segment achieved a record profit before tax of £18.8m, a growth of 29.0% versus the same period last year.

During the Year the Group operated 76 franchise dealerships representing 24 manufacturer brands as well as a number of after sales and used car operations. The Group operates a well-balanced portfolio of volume, prestige and alternate premium brands giving it the highest market coverage of any UK dealer group. The Board believes this diversified spread of representation helps mitigate the effect of the cyclical nature of individual brand performance. In addition, the Group has significant headroom with a number of its manufacturer partners to achieve further scale in representation through future acquisitions in line with the Group's strategy.

Twelve months ended 31 December 2015	Revenue £m	Revenue mix*	Gross Profit £m	Gross Profit mix
New Car	637.8	52.1%	45.7	33.6%
Used Car	459.2	37.5%	33.3	24.5%
Aftersales	127.8	10.4%	56.9	41.9%
Internal	(29.3)			
Total	**1,195.5**	**100.0%**	**135.9**	**100.0%**

Twelve months ended 31 December 2014	Revenue £m	Revenue mix*	Gross Profit £m	Gross Profit mix
New Car	544.8	50.6%	39.3	33.4%
Used Car	413.1	38.4%	27.7	23.6%
Aftersales	117.9	11.0%	50.5	43.0%
Internal	(25.3)			
Total	**1,050.5**	**100.0%**	**117.5**	**100.0%**

* mix calculation excludes internal revenue

Integration of acquisitions made in 2014
We have now successfully completed the integration of the three acquisitions made in 2014 all of which have made a positive contribution in 2015 and are performing in line with expectations.

Acquisition of SG Smith
In November 2015 we completed the acquisition of SG Smith, our first acquisition as a public company. This acquisition was in line with our stated strategy of growth with existing brand partners in new geographic territories.

This acquisition has significantly grown our relationship with Audi with four franchised dealerships in the attractive markets of Wimbledon, Coulsdon, Bexley and Beckenham along with an Audi approved used car centre in Sydenham. We have also strengthened our Skoda representation with the addition of Croydon Skoda and extended our partnership with Mercedes Benz in Commercial vehicles with an authorised repair facility in Croydon. In addition, the acquisition included two Volkswagen Group Trade Parts Specialist businesses in the South London area.

We expect this acquisition to be materially earnings enhancing in 2016.

Investment in existing businesses
In addition to the acquisition of SG Smith, we have undertaken significant investment in our existing portfolio with facility improvements at our Cambridge Ford Commercial Vehicles, Cambridge Peugeot, Milton Keynes Volvo, Taunton VW, Plymouth Audi and a number of our North West Mercedes-Benz sites.

Investment in new retail locations
Further material investment projects were progressed during the Year. In particular:

- In March 2015, we purchased the long-leasehold interest of our Jaguar/Land Rover facility in Cambridge in preparation for the re-development of the site.
- In December 2015, we completed the purchase of land for development in Ipswich to support the establishment of a new Jaguar/Land Rover facility. This development is part of the reorganisation of the Jaguar/Land Rover Suffolk market area and will see the relocation of the Group's existing Halesworth Land Rover and Ipswich Jaguar dealerships to the new site.
- We exchanged contracts for (and in March 2016 subsequently completed) the purchase of land for development in Exeter to support the relocation of our Audi facility.

Each of these new facilities is expected to commence trading in the latter part of 2016. Whilst a period of disruption to these businesses is likely they are all expected to generate additional revenue and profitability over the medium to longer term.

Acquisitions
We continue to review a number of potential acquisition opportunities in line with our stated strategy to grow scale with existing brand partners and extend our geographic footprint into new regions. Our focus remains on ensuring a strong strategic and financial case for any transaction we seek to make working alongside our brand partners.

Artist's impression of the new JLR 'Arch concept' which we will be opening in Cambridge and Ipswich

Taunton Volkswagen Dealership

Artist's impression of Exeter Audi

New Vehicles

	2015	2014	Growth Total	Growth LFL
Total New Units	35,103	31,951	9.9%	7.2%

During the Year, the Group increased its new car unit sales by 9.9% (like-for-like 7.2%). This strong performance was delivered against an overall year-on-year increase of 6.3% in new car registrations including self/dealer registrations, of which the private registration element of the UK market increased by 2.5% with fleet growing at 11.8%.

Market growth in new vehicle sales continues to be driven by the availability of low interest finance. Personal contract purchase ("PCP") with minimal or zero deposit requirements and affordable monthly payments have been instrumental in driving the new retail market. In addition, a weaker than expected economic recovery in the Eurozone and the strength of sterling in 2015, coupled with slower demand in certain overseas markets, have resulted in additional new vehicle supplies being drawn to the UK market.

Recent reductions in fuel costs, the introduction of more fuel efficient vehicles and a stable used car market have also played their part in driving new retail sales as consumers seek to access the benefits of new car ownership.

Total gross profit from new vehicles increased by 16.3%.

Scunthorpe BMW Dealership

Range Rover Evoque Convertible

Scarborough Honda Dealership

BMW 7 series

Used Vehicles

	2015	2014	Growth Total	Growth LFL
Total Used Units	27,699	25,598	8.2%	1.5%

During the Year, the Group increased its used car unit sales by 8.2% (like-for-like 1.5%).

The Group continues to operate a prudent 56 day stocking policy and continues to account for used car refurbishment and preparation costs at full retail rates. Whilst these policies impact the Group's reported margin in used cars, we consider these combined policies promote improved stock turnover, reduce residual value stock holding risk and ensure rigour in appraising and valuing part exchange vehicles acquired by the Group.

Used car gross margin at 7.2% was 0.5% up against the same period last year (2014: 6.7%) and remains a key area of opportunity moving forward. This was driven by both improved F&I performance and other point of sale initiatives. The Group continues to implement a number of incremental margin-driving initiatives including a greater focus on used vehicles aged between three to five years. These vehicles have a lower average selling price whilst maintaining similar levels of gross profit per unit and are attractive to consumers seeking reassurance and warranty protection from a franchised dealer.

Total gross profit from used vehicles increased by 19.8%.

Aftersales

	2015	2014	Growth Total	Growth LFL
Revenue (£m)	127.8	117.9	8.5%	2.4%

During the Year, the Group increased aftersales revenue by 8.5% (like-for-like 2.4%).

Aftersales involves the servicing, maintenance and repair of vehicles. The Group operates two standalone body shops and one standalone petrol forecourt. Aftersales 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. The latest estimate from the Society of Motor Manufacturers and Traders is that the UK car parc currently stands at 31.9m vehicles, increasing over recent years as a result of the strong new car market.

In addition, increased penetration of service plans has supported market growth allowing customers to plan and budget for service costs with a higher level of certainty and ensuring repeat visits to the dealership. In addition to offering brand partner service plans, the Group operates its own-brand service plan covering both new and used vehicles. This represents a key area of focus for the Group moving forward.

The policy of charging full retail for preparation costs means our aftersales performance is strong which we believe acts as a defensive driver against any downturn. This strategy ensures the Group enjoys a significantly higher overhead absorption compared to the UK average.

Gross margin at 44.5% has also seen a significant improvement, up from 42.8% in the same period last year partly due to workshop efficiency, productivity improvements and management initiatives.

Volvo Milton Keynes workshop

Leasing Segment

	FYR 2015	FYR 2014
Additions	1,771	1,712
Disposals	1,773	1,291
Fleet	**6,029**	**6,031**

During the Year the leasing segment achieved a record profit before tax of £4.9m, a growth of 24.0% versus the same period last year.

The leasing segment continues to focus on its business-to-business strategy, providing a service-led fleet management offering high added value service to clients. During the Year the Group successfully recruited a number of new clients and converted a number of existing clients to exclusive supply arrangements. The segment is fully integrated within the Group and wherever possible, sources new vehicles and de-fleets end of lease vehicles via the Group's retail segment. Of the 1,771 additions to the fleet, 1,335 were sourced via the Group's retail operation.

The client base of the leasing segment remains well diversified and balanced with no single customer representing more than 11.0% of the fleet and with the top 10 customers accounting for 44.0% 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. The used car market remained stable during the Year and management continues to monitor residual values closely.

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 2015 was £62.5m against £51.4m of loans (2014: £58.3m against £47.0m of loans).

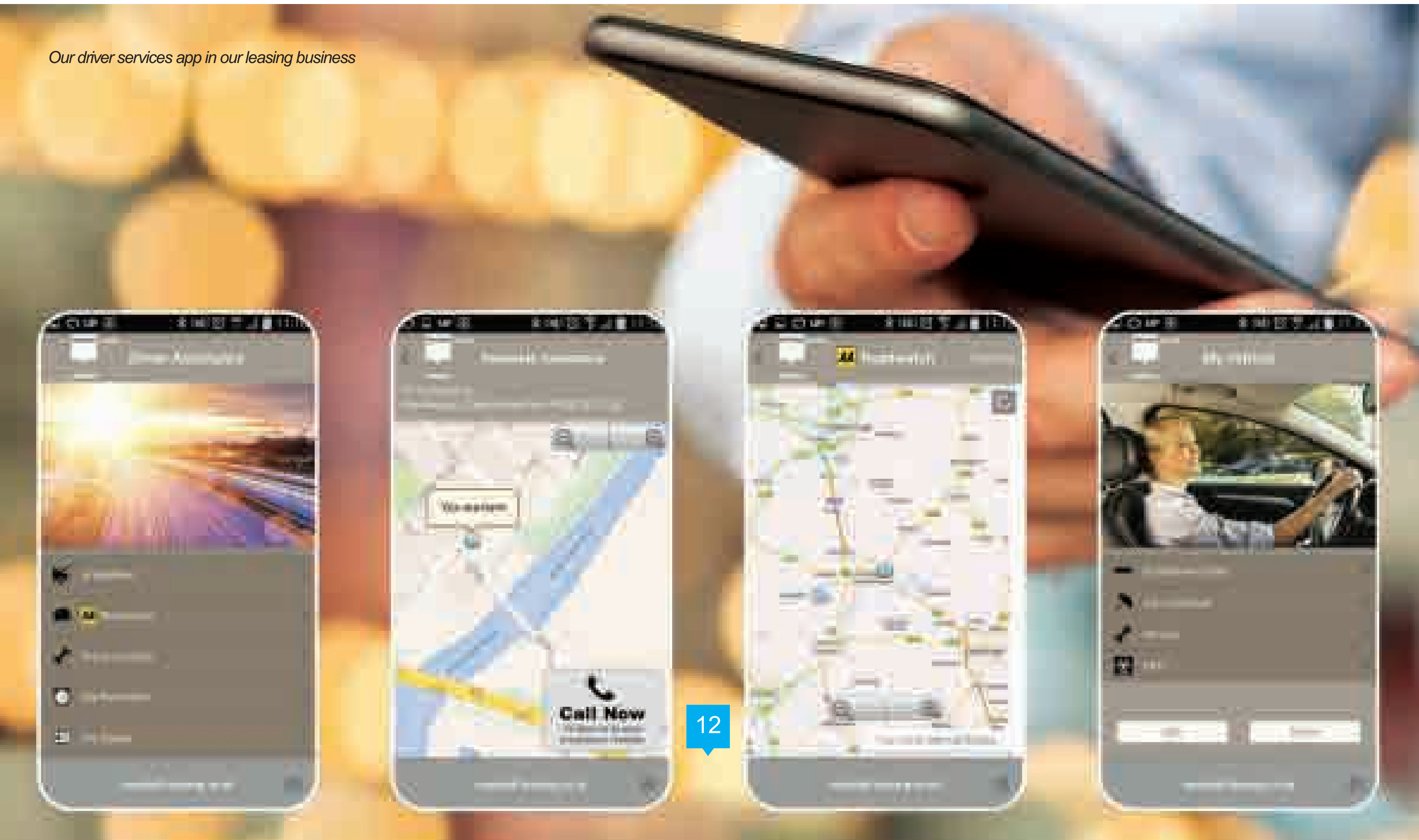
We believe that a prudent approach to residual value setting in the leasing fleet provides a sustainable and resilient model for the business. The leasing segment will therefore remain focused on recruiting and retaining clients through its service-driven offering.

Summary

2015 was an historic year for the Group. Our Admission in April 2015 facilitated our largest acquisition to date in November 2015. During the Year we also achieved record results in both our retail and leasing agreements. We look forward to building on this success in 2016.

I would therefore like to join the Chairman in thanking our brand partners, business suppliers and my colleagues through the Group for their hard work and support and I look forward to continuing to work with them in the coming year.

Daksh Gupta
Chief Executive Officer
16 March 2016



Our driver services app in our leasing business

Volvo XC90

Mercedes Benz E-Class

Volkswagen Tiguan

Highest brand coverage of any dealer group

Franchised Dealerships

% 2015 Manufacturer Market Share	Locations
6.33	Beckenham & Bromley, Bexley, Coulsdon, Exeter, Plymouth, Taunton and Wimbledon
6.36	Grimsby and Scunthorpe
3.04	Cambridge
12.73	Bury St Edmunds, Cambridge and Kings Lynn
2.03	Harrogate, Hull, Leicester North, Leicester South, Peterborough, Scarborough and York
3.35	Cambridge
0.91	Cambridge, Peterborough, Lincoln and Ipswich
2.98	Ipswich, Scunthorpe
2.53	Bedford, Cambridge, Halesworth, Lincoln, Melton Mowbray and Peterborough
0.05	Peterborough
5.52	Blackburn, Blackpool, Bolton, Preston and South Lakes
2.41	Grimsby
5.85	Boston, Bury St Edmunds, Grantham and Lincoln
3.96	Cambridge, Peterborough and St Neots
1.81	Cambridge, Leicester and Braintree
2.84	Barnstaple and Croydon
0.32	Blackpool and Bolton
3.75	Kings Lynn and Peterborough
10.24	Ipswich, Knebworth, Leicester, Peterborough and Welwyn Garden City
8.50	Barnstaple, Taunton, Scunthorpe and Grimsby
1.65	Bishops Stortford, Cambridge, Grantham, Peterborough, Nottingham, Milton Keynes and Welwyn Garden City

Other stand-alone Operating Units

Unit	Locations
TPS Trade Parts Specialist	Exeter, Mitcham and Old Kent Road / Dartford
Bodyshop	Cambridge and Peterborough
Forecourt	Cambridge
Leasing	Huntingdon
Approved Centre	Sydenham
Used Car Centre	Cambridge
Commercial Vehicles	Croydon
DAS WELT	Bridgwater

76

Franchised Dealerships at 31 December 2015

Marshall Motor Holdings is a top 10 UK motor dealer group. Since 2008 the Group has restructured its dealership portfolio, operating 76 full franchise dealerships and representing 24 brand partners. In addition, the Group operates a number of aftersales and used car operations.

Financial Review

Mark Raban
Chief Financial Officer

Like-for-like revenues showed pleasing growth of 6.5%. Revenues in new, used and aftersales all recorded growth against the same period last year.

A new £75m three year banking facility was put in place in March 2015.

Group results

Turnover £1,232.8m

2014: £1,085.9m

Group turnover increased by 13.5% to £1,232.8m (2014: £1,085.9m). Like-for-like revenues showed pleasing growth of 6.5%. Revenues in new, used and aftersales all recorded growth against the same period last year.

Gross margin at 11.8% is 0.2% up on the prior year (2014: 11.6%). An increase in the mix of lower margin new vehicles (particularly fleet) has been more than offset by margin improvement in used vehicles and aftersales.

Operating expenses of £127.1m were 14.5% higher than in the same period last year principally driven by the growth of the business through acquisitions but allied to the anticipated increase in the unallocated segment costs as a result of our new public company status. Within our retail segment operating overheads on a like-for-like basis grew by 5.8%.

Adjusted profit before tax* at £15.8m was 21.4% ahead of last year. This was achieved through a combination of organic performance improvement, full year contributions from acquisitions and portfolio management undertaken in 2014.

The retail and leasing segments showed PBT growth of 29.0% and 24.0% respectively which represented record results for each segment.

The unallocated segment consists principally of administrative and asset management functions which are not directly attributable to the Group's retail or leasing segment. The unallocated segment recorded a loss of £7.8m which was, as previously highlighted at the time of our interim results, £2.4m higher than the same period last year. This was driven in part by the first time occurrence of on going costs to support our new public company status and a one-off cost relating to the settlement of historic, pre-Admission long term incentive plan liabilities.

During the period, the Directors reassesed the economic life of freehold buildings to 50 years. This change in estimate resulted in a reduction in the depreciation charge for the year of £0.5m.

Finance costs and taxation

Finance costs £2.9m

2014: £2.4m

Finance costs of £2.9m were £0.5m higher than the same period last year, reflecting increased costs associated with the Group's unutilised £75m revolving credit facility, including amortisation of arrangement fees and non-utilisation charges. The Group has also incurred higher stock funding costs driven by additional working capital requirements in line with the significant revenue growth of the Group.

At 23.8%, the effective tax rate is above last year (2014: 22.9%) partly as a result of the impact of disallowable acquisition expenses.

Acquisitions

Spend (net of cash acquired) £21.5m

2014: £15.8m

On 16 November 2015 the Group acquired the entire issued share capital of SG Smith for approximately £24.0m.

The consideration included approximately £9.1m in respect of the total net assets and £15.8m in respect of goodwill (after adjusting for deferred tax arising on IFRS conversion).

The net assets included approximately £6.8m of property, plant and equipment and £2.5m of cash. The net assets are subject to finalisation of completion accounts.

The Group incurred £0.5m of transaction costs in relation to this acquisition. These costs are presented separately on the face of the income statement and are excluded from adjusted profit before tax.

** Adjusted profit before tax is presented excluding acquisition costs*

Vauxhall Astra


Skoda Octavia

Ford Focus

Cash Flow

Net increase in cash £22.3m

2014: £0.1m

Total cash inflow in the Year was £22.3m (2014: £0.1m).

The Group received net proceeds from the Admission of £36.9m after charging certain fees and expenses in relation to the Admission to the share premium account. As part of the Admission process the Group separated from its former parent's treasury arrangements through a number of related transactions which were described in the Admission document (available on the Company's website at www.mmhplc.com).

Excluding the impact of all Admission related transactions and the acquisition of SG Smith, the underlying total cash inflow of the Group in the Year was £8.3m, after retail capital expenditure of £9.8m. The Group has planned for a significant increase in retail capital expenditure during 2016 to support facility developments, particularly in Jaguar/Land Rover and Audi. As at 31 December 2015, the Group had capital commitments totalling £10.8m.

Total inventory at 31 December 2015 was £240.6m (2014: £163.0m) including £29.2m relating to SG Smith. As reported at the time of the Group's interim results, increases to inventory are primarily being driven by increases in new consignment stock to support new products. At the period end the Group had £186.2m of vehicle financing arrangements (2014: £110.5m) in relation to its total inventory holding. At 31 December 2015, the Group had £49.4m of fully paid and unencumbered inventory providing further balance sheet strength.

Net cash

£24.1m

2014: £1.8m

Net cash at 31 December 2015 was £24.1m. Including the £51.4m asset-backed loans within the leasing segment, total net debt was £27.2m.

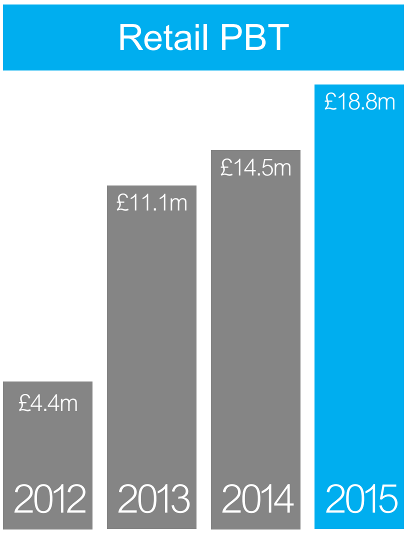
A new £75m three year banking facility was put in place in March 2015 for general corporate purposes including acquisitions and working capital requirements. The facility remains undrawn providing significant resources to fund organic and acquisitive growth opportunities. The facility agreement contains a £25m extension option which is available by agreement with the two lending banks. The Group is also able to extend the term of the facility by up to 12 months.

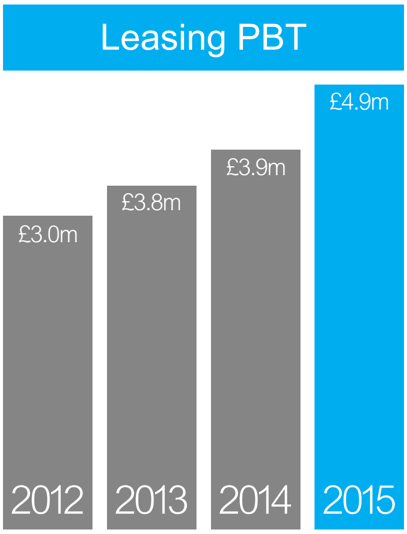
The Board continues to believe it is in the best interests of all stakeholders that the Group maintains a sound financial position. In this respect, the Board continues to target net bank indebtedness (excluding leasing segment loans) of not more than 1.25x net debt/EBITDA. This leverage may rise for a period of time towards the Group's banking facility limit of not more than 3.0x should an exceptional investment opportunity arise and provided a clear plan exists to achieve reduction in the target over the investment cycle.

Dividends

The Board is pleased to recommend a final dividend of 2.40p per share which, with the pro-rata interim dividend of 0.58p per share, gives a total dividend for the Year of 2.98p per share. If approved by shareholders, the dividend will be paid by 27 May 2016 to shareholders who are on the company's register at close of business on 22 April 2016. As set out in our Admission document, the Board intends to maintain a progressive dividend policy where dividends are covered between 4 to 5 times underlying earnings.

Mark Raban
Chief Financial Officer
16 March 2016





Honda Civic Type R

Kia Sportage

Nissan Qashqai

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

The Group's results of operations are affected by overall economic conditions and the level of consumer confidence and spending in the UK.

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.

A deterioration in the economic conditions in the UK could also 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 referendum on 23 June 2016 regarding the UK's ongoing membership of the European Union may give rise to a period of economic uncertainty and could adversely impact the market for the supply of motor vehicles in the UK in which the Group operates.

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 product or vehicles to sell, earn the manufacturer volume bonuses associated with the targets set by each manufacturer, perform warranty repairs or carry out warranty repairs.

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.

Working capital – The nature of the Group's business creates an inherent liquidity risk. A sudden drop in demand, either within the wider motor industry or more locally, could impact the Group's ability to maintain sufficient cash reserves required to meet the Group's working capital requirements. This could impact the Group's ability to meet its financial obligations as they fall due.

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 growth. The Group's acquisition strategy of acquiring premium and prestige brand franchises faces risks in terms of the availability, quality and price of such brands and the ability to fund this acquisitive growth.

Acquisitions involve numerous risks including potential disruption of the Group's on going 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 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 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 16 March 2016.

Mark Raban
Chief Financial Officer

Board of Directors

1. Peter Johnson

Non-Executive Chairman and Chair of the Nominations Committee

Peter has over 40 years' experience in the automotive sector, spending 30 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 was a non-executive Director of Marshall of Cambridge (Holdings) Limited until Admission.

2. Daksh Gupta

Chief Executive Officer

Daksh has over 20 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 Admission.

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 at Admission.

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 Committee of the Institute of Chartered Accountants of Scotland.

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.

6. Christopher Sawyer

Non-Executive Director

From 1991 to 2006, Christopher led Deltron Electronics plc which was quoted in 1996 and sold to ABACUS Electronics Plc in 2006. In 2007, Christopher became chairman of the Lorien Limited group. Between 2006 and 2013, he was chairman of the parent of Bearmach Limited, a global distributor of Land Rover parts. Christopher has been a non-executive director of Marshall of Cambridge (Holdings) Limited since 2008 and currently chairs its audit committee. Christopher joined the Company at Admission as a nominated director of Marshall of Cambridge (Holdings) Limited.

7. Francesca Ecsery

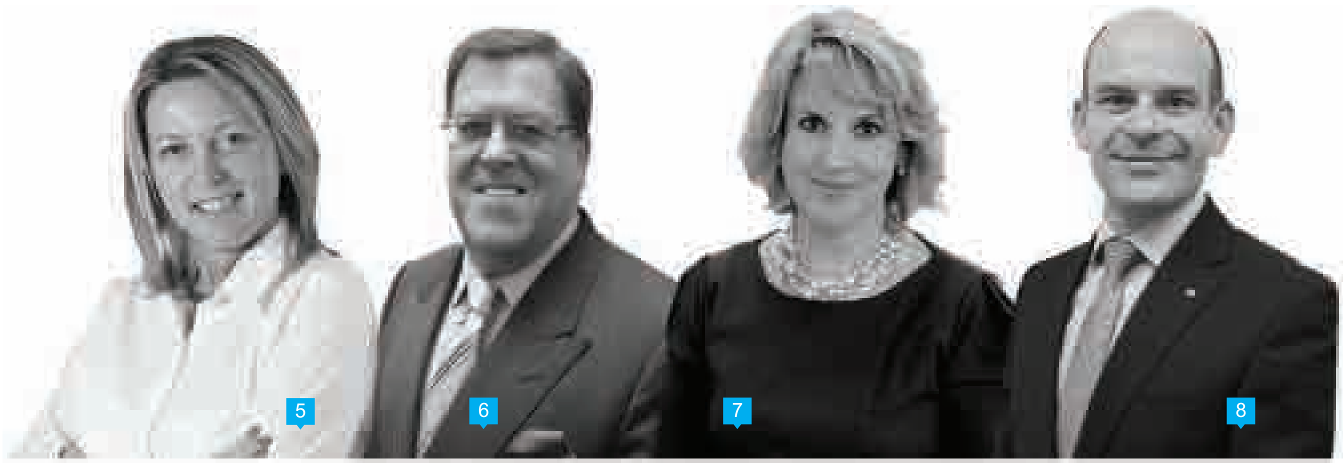
Non-Executive Director

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 joined the Company at Admission.

8. 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 shortly before Admission.



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 2015 (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 Group income statement. The Directors recommend the payment of a final dividend of 2.40p per ordinary share to be paid on 27 May 2016 to shareholders who are on the Company's register at close of business on 22 April 2016.

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 22 to 23. The directors who served during the Year and subsequently are detailed below.

Current Directors

Non-Executive Directors

Peter Johnson	
Alan Ferguson	(Appointed 11 March 2015)
Sarah Dickins	(Appointed 11 March 2015)
Francesca Ecsery	(Appointed 25 March 2015)
Christopher Sawyer	(Appointed 2 April 2015)

Executive Directors

Daksh Gupta	
Mark Raban	(Appointed 2 April 2015)

Other Directors who held office during the year

Sir Michael Marshall	(Resigned 25 March 2015)
Robert Marshall	(Resigned 25 March 2015)
William Dastur	(Resigned 25 March 2015)
Francis Laud	(Resigned 25 March 2015)
Christopher Walkinshaw	(Resigned 25 March 2015)
Peter Cakebread	(Resigned 2 April 2015)

In accordance with the Articles of Association of the Company adopted on 12 March 2015 (the "Articles"), having been appointed since the date of the last annual general meeting of the Company, Alan Ferguson, Sarah Dickins, Francesca Ecsery, Christopher Sawyer and Mark Raban will each retire by rotation and offer themselves for reappointment at the annual general meeting to be held on 24 May 2016 (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 33 to 40.

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 25 to the financial statements. The issued share capital of the Company at 31 December 2015 was 77,236,263 ordinary shares of 64p each.

Substantial Shareholdings

As at 14 March 2016, 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	65.24%
Union Investments and Development Limited	6,375,839	8.25%
FIL Limited	5,300,000	6.86%
Schroders plc	3,907,275	5.06%
Polar Capital LLP	3,087,900	4.00%

Share Option Schemes
Details of employee share option schemes are set out in Note 25 to the consolidated financial statements.

Charitable and Political Donations
During the Year, the Group made the following charitable donations during the year: £49,000 (2014: £12,000).

No political contributions were made during the year (2014: £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. 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 auditors will be put to the shareholders at the AGM.

AGM
Notice of the AGM to be held on 24 May 2016 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 ending 31 December 2015*

  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 2015.
- *Resolution 2 – Declaration of dividend*

  This resolution concerns the Company's final dividend payment. The directors are recommending a final dividend of 2.40p per ordinary share in respect of the year ended 31 December 2015 which, if approved, will be payable on 27 May 2016 to the shareholders on the register of members on 22 April 2016.
- *Resolutions 3 to 7 (inclusive) – Re-appointment of Directors*

  Having been appointed since the date of the last annual general meeting of the Company, Alan Ferguson, Sarah Dickins, Francesca Ecsery, Christopher Sawyer and Mark Raban will each retire by rotation and offer themselves for reappointment at the AGM in accordance with the Articles.
- *Resolution 8 – Re-appointment of Auditors*

  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 9 – Auditors' remuneration*
  This resolution authorises the Directors to fix the auditors' remuneration

By order of the Board

Stephen Jones
Company Secretary
16 March 2016

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 of choice. We use a range of tools and assessment methods to ensure we recruit people who can deliver their objectives in line with our values.

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 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 used the Great Place to Work Institute's engagement programme. This has given us the opportunity to seek feedback from our colleagues each year to ensure high levels of engagement. Our scores continue to build year on year; in 2015 not only did we increase our own previous scores but we out-performed the external benchmark in each category. As a result we were proud to be ranked 26 in the Best Workplace 2015, Large company category.

Great Place to Work – Trust Index Scores	MMH 2015	MMH 2014	2015 UK Best Workplaces, Large
Credibility	84%	82%	80%
Respect	82%	80%	79%
Fairness	83%	79%	78%
Pride	84%	82%	81%
Camaraderie	86%	83%	83%
Overall Trust Index Score	83%	81%	80%

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 the past 16 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 team at Grimsby BMW Bikes recently took part in a local Motorbike Run to raise money for their local children's hospice, St Andrews,
- Our Blackpool Mercedes-Benz team sponsored their local fun run in aid of their local RNLI at Lytham,
- Our Bedford Land Rover team organised a football match with Cambridge Land Rover for their local Sue Ryder St John's Hospice.

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.

Community

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

Health & Safety

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

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

Our Health, Safety & Environmental Department aims to provide support and direction to all sites by reviewing the policies and procedures, supporting and advising managers to fulfil responsibilities. They coordinate training for first aiders; fire marshall's and risk assessors as required, as well as monitoring, reporting and investigating of all incidents.

Health and Safety Statistics in 2015

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

*Reporting of Injuries, Dangerous Occurrences Regulations 2013

Environmental

Embracing our environmental responsibilities

MARSHALL GOING GREEN

We introduced Marshall LEAF (Lowering Energy to Aid the Future) in the Year, as part of our aim to lower the impact we have on the environment.

In line with Energy Saving Opportunity Scheme (ESOS), we are currently undertaking an audit of our energy usage to identify future energy saving measures. Our objective is to reduce our energy usage by 10%.

In line with our regulatory responsibilities, arrangements 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 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 since Admission is set out below.

THE BOARD

The table below sets out details of all directors who have served since Admission and their membership of Board Committees. This includes details of each member's attendance at the seven board meetings during the Year since Admission. There are separate attendance statements in respect of the Audit and Remuneration Committees on pages 32 and 34.

Director	Date appointed	Role	Committees (C = current chair)	Board attendance
Peter Johnson	27 June 2014	Non-Executive Chairman	Nomination Committee (C)	7/7
Alan Ferguson	11 March 2015	Senior Independent Director	Audit Committee (C) Remuneration Committee Nomination Committee	7/7
Francesca Ecsery	25 March 2015	Independent Non-Executive	Audit Committee Remuneration Committee Nomination Committee	7/7
Sarah Dickins	11 March 2015	Independent Non-Executive	Audit Committee Remuneration Committee (C) Nominations Committee	7/7
Christopher Sawyer*	2 April 2015	Non-Executive	Audit Committee Remuneration Committee Nomination Committee	7/7
Daksh Gupta	1 October 2008	Chief Executive Officer	n/a	7/7
Mark Raban	2 April 2015	Chief Financial Officer	n/a	7/7

**Christopher Sawyer is a nominated director of Marshall of Cambridge (Holdings) Limited.*

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 seven directors, of which three are independent non-executives.

Under the terms of a Relationship Agreement with Marshall of Cambridge (Holdings) Limited ("MCHL") (details of which are set out below), MCHL is entitled to appoint two of its nominated directors to the Board, so long as it holds 30% or more of the Company's ordinary shares. Since Admission, MCHL has appointed one of its nominated directors, being Christopher Sawyer.

Performance evaluation

The Board and its Committees have not conducted a formal internal performance evaluation since Admission but intends to do so in 2016. In addition the non-executive directors intend to meet without the presence of executive directors, during which the performance of executive directors will be assessed and without the presence of the Chairman (to assess the performance of the Chairman).

Re-election

In accordance with the Company's Articles, having been appointed since the date of the last annual general meeting of the Company, Alan Ferguson, Sarah Dickins, Francesca Ecsery, Christopher Sawyer and Mark Raban will each retire by rotation and offer themselves 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 Dickins, 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 will meet annually or at such other times as may be necessary. In light of the board appointments made in connection with Admission, the Nomination Committee did not meet during the Year since Admission.

Remuneration Committee

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

Further information on the Remuneration Committee is set out on pages 33 to 40.

Audit Committee

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

Further information on the Audit Committee is set out on pages 31 to 32.

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.

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;
- an organisational structure with defined levels of responsibility;
- a forecasting process at each quarter end;
- 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.

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 20 to 21.

By order of the Board
Stephen Jones
Company Secretary
16 March 2016

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 Alan Ferguson (Chair of the Committee), 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 22 and 23, the Chair of the Audit Committee, Alan Ferguson, was an experienced Finance Director who has served on the boards of a number of large companies throughout his executive career. He is 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 financial statements (including its annual and interim reports, interim management statements preliminary results' announcements and any other formal announcement relating to its financial performance);
- review significant financial reporting issues and judgments;
- keep under review the effectiveness of internal controls and risk management systems;
- review arrangements for 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 audit quality, effectiveness and fees.

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 four 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 since Admission, 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 Admission to the date of this report, the Audit Committee has:

- reviewed its terms of reference and adopted 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 preliminary and interim results announcements;
- reviewed and approved an amendment to the Company's policy with regard to the depreciation of freehold buildings, and with regard to intangible assets;
- reviewed and after challenge, approved the external auditor's audit plan for 2015, 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.
- agreed a plan to appoint a new external audit partner for 2016 and monitored progress against that plan;
- approved the programme of work for the internal audit department in 2015 and considered the output of that work. In addition, it approved the internal audit plan for 2016;
- considered the risk management process and set a timetable for the on going review of 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, the chair of the Audit Committee also meets with the external and internal auditor outside of the formal meetings.

Alan Ferguson
Chair of the Audit Committee
16 March 2016

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") first Remuneration Report following Admission providing details of the remuneration of the Directors for the financial year ending 31 December 2015 and of our remuneration policy and principles.

Remuneration policy

A full review of the Company's remuneration policy and principles was undertaken prior to Admission. A key objective of this review was to ensure that an appropriate remuneration policy was in place for an AIM listed company, taking into account current regulation and best practice in main market listed companies.

Remuneration outcomes for the period to 31 December 2015

For the year under review base salaries, annual bonus targets and Performance Share Plan ("PSP") opportunities for both Daksh Gupta and Mark Raban were set on Admission.

Annual bonus opportunities are based on the achievement of profit after tax ("PAT") targets. Following a successful year with revenue growth of 13.5% and adjusted profit before tax growth of 21.4% bonuses of 125% of basic salary and 100% of basic salary have been awarded to the Chief Executive and Chief Financial Officer respectively respect of profit-related bonus for the twelve month period ended 31 December 2015.

The Executive Directors received an IPO Award under the Company's new PSP, which was adopted on Admission. The majority of the IPO Awards are subject to demanding three year earnings per share ("EPS") targets (the "IPO Performance Awards"), with 50% of the IPO Performance Awards vesting on the third anniversary of Admission and the remaining 50% vesting on the fourth anniversary of Admission. In addition, IPO Awards without performance conditions ("IPO Restricted Share Awards") were granted to the Executive Directors subject only to continuing employment. These awards vest in three equal tranches on the first, second and third anniversaries of Admission.

Key remuneration decisions for the year to 31 December 2016

The Committee has considered carefully the remuneration packages for the Chief Executive Officer and Chief Financial Officer.

The Committee reviewed salaries in the year and concluded that the salaries set at Admission remain appropriate. The maximum annual bonus potential will be 125% of salary for the CEO and 100% of salary for the CFO. The bonus plan will continue to be based on PAT targets set in line with the financial plan.

The Committee intends to make awards in the year 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 year 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 period ended 31 December 2015. 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
16 March 2016

Directors' Remuneration Report

REMUNERATION GOVERNANCE

Throughout the period from Admission to 31 December 2015, 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 financial year.

Committee member	Role	Attendance record
Sarah Dickins	Chair of the Committee	2/2
Alan Ferguson	Non-Executive Director	2/2
Francesca Ecsery	Non-Executive Director	2/2
Christopher Sawyer	Non-Executive Director	2/2

Between the end of the Year and the date of this report there have been a further two meetings of the committee which was attended by all members of the Remuneration Committee:

The Chair, 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; and
- recommending and overseeing the implementation of share related schemes, including scheme grants.

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 has engaged the external advisers listed below to assist it in meeting its responsibilities:

- New Bridge Street ("NBS"), part of Aon plc, has been appointed as independent advisers to the Committee and provided advice encompassing all elements of our remuneration packages. NBS 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.
- During the year, the Company also received advice relating to remuneration from Dentons UKMEA LLP on tax and legal matters respectively, in connection with the Admission.

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 appropriate mid-market benchmarks 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
BASIC SALARY			
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
ANNUAL BONUS			
Incentivises achievement of business objectives by providing reward for performance against annual financial targets	Paid in cash after the end of the financial year to which it relates. Recovery and withholding provisions apply	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	Performance is normally measured over one year, based solely on financial targets (e.g. profit after tax) The Committee sets threshold and maximum targets on an annual basis A sliding scale operates between threshold and maximum performance. No bonus is payable where performance is below the threshold Payment of any bonus is subject to overriding discretion of the Committee
LONG-TERM INCENTIVES – MMH PERFORMANCE SHARE PLAN			
Alignment of interests with shareholders by providing long-term incentives designed to incentivise and recognise execution of the business strategy over the longer-term	Grant of £nil cost options under the PSP. Options normally vest 3 years from grant subject to the achievement of performance and continued employment A 12 months post-vesting holding period applies for awards made from 2016	150% of base salary (up to 200% of base salary in exceptional circumstances) in any financial year Current award levels are set in the Annual Report on Remuneration	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
LONG-TERM INCENTIVES – MMH PERFORMANCE SHARE PLAN (CONTINUED)			
	A dividend equivalent provision applies Recovery and withholding provisions apply at the discretion of the Committee within three years of vesting		
BENEFITS			
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, 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
PENSION			
Attract and retain Executive Directors for the long term by providing funding for retirement	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. Only base salary is pensionable	The Chief Executive receives a 16% of base salary contribution. 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%	None
SHARE OWNERSHIP GUIDELINES			
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
NON-EXECUTIVE DIRECTOR FEES ("NED")			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy	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 Daksh Gupta is a director of BEN - Motor and Allied Trades Benevolent Fund. Mark Raban is a director of Precise Finance Limited. Precise Finance Limited is the company owned by Mr Raban and used to provide consultancy services prior to his appointment to Marshall Motor Holdings plc.
Non-executive directors	All Non-Executives are subject to re-election every three years. No compensation payable if 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
Peter Johnson	27 June 2014
Daksh Gupta	1 October 2008
Mark Raban	2 April 2015
Alan Ferguson	11 March 2015
Sarah Dickins	11 March 2015
Francesca Ecsery	25 March 2015
Christopher Sawyer	2 April 2015

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

Annual Report on Remuneration

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 (2014: £1,818,000).

The remuneration of the Directors for the period from Admission to 31 December 2015 is as follows:

	Basic salary £'000	Fees £'000	Benefits £'000	Pension £'000	Annual bonuses* £'000	Long term incentives £'000	Total £'000
Executive Directors							
Daksh Gupta	298	-	14	50	500	-	862
Mark Raban	187	-	3	14	250	-	454
Total	**485**	**-**	**17**	**64**	**750**	**-**	**1,316**
Non-Executive Directors							
Peter Johnson	-	97	-	-	-	-	97
Alan Ferguson	-	37	-	-	-	-	37
Sarah Dickins	-	34	-	-	-	-	34
Francesca Ecsery	-	30	-	-	-	-	30
Christopher Sawyer	-	30	-	-	-	-	30
Total	**-**	**228**	**-**	**-**	**-**	**-**	**228**
Aggregate directors emoluments	**485**	**228**	**17**	**64**	**750**	**-**	**1,544**

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

* As described on page 33 annual bonuses are presented for the year as a whole and have been awarded in respect of the 12 month period ended 31 December 2015.

Directors' IPO Awards

The aggregate awards made on Admission are set out below:

	Number at 1 January 2015	Lapsed in Year	Granted in Year	Number at 31 December 2015
Daksh Gupta	-	-	1,073,824	1,073,824
Mark Raban	-	-	335,570	335,570

Details of the IPO 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
Daksh Gupta	IPO Performance Award	2 April 2015	2 April 2018	Nil	149.0	671,140
	IPO Restricted Share Award	2 April 2015	2 April 2016	Nil	149.0	402,684
Mark Raban	IPO Performance Award	2 April 2015	2 April 2018	Nil	149.0	268,456
	IPO Restricted Share Award	2 April 2015	2 April 2016	Nil	149.0	67,114

The performance condition applying to each IPO Performance Award is explained in Note 25 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 2015 and their connected persons had interests in the issued share capital of the Company as at 31 December 2015 as follows:

	Number of ordinary shares beneficially held on admission (02/04/15)	Acquisitions /disposals	Number of ordinary shares beneficially held as at 31/12/15	Outstanding PSP awards
Peter Johnson	134,228	16,100	150,328	-
Daksh Gupta	671,140	22,370	693,510	1,073,824
Mark Raban	33,557	5,798	39,355	335,570
Alan Ferguson	33,557	-	33,557	-
Sarah Dickins	6,711	-	6,711	-
Francesca Ecsery	2,013	-	2,013	-
Christopher Sawyer	134,228	80,270	214,498	-

No share options were vested but unexercised as at 31 December 2015.

The middle market price of the shares as at 31 December 2015 was 184.5p and the range during the financial period since flotation was 161.5p to 192.0p.

Implementation of remuneration policy for the year ending 31 December 2016

The annual salaries and fees to be paid to directors in the year ending 31 December 2016 are set out below, together with any increase expressed as a percentage.

	31 December 2016 £'000	31 December 2015 £'000	Increase %
Peter Johnson	130	130	-
Daksh Gupta	400	400	-
Mark Raban	250	250	-
Alan Ferguson	55	50	10%
Sarah Dickins	45	45	-
Francesca Ecsery	40	40	-
Christopher Sawyer	40	40	-

Following a review of Non-Executive Director fees it was decided to increase the fee paid to Alan Ferguson from £50,000 to £55,000 (which is inclusive of all committee roles), the increase reflects his significant breadth of industry experience and outstanding contribution. All other fees remain unchanged.

The figures shown in respect of 31 December 2015 have been annualised from those actually paid for the period from Admission to that date.

The maximum annual bonus for the year ending 31 December 2016 will be 125% of salary for the CEO and 100% of salary for the CFO. Awards are determined based on PAT targets. Recovery and withholding provisions will apply.

The Committee intends to grant options under the PSP in 2016. 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
16 March 2016

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;
- 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

Report on the Financial Statements

We have audited the financial statements of Marshall Motor Holdings plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity and the related notes 1 to 29 for the group financial statements and notes 1 to 11 for 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".

This report is made solely to the 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 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.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 41, 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.

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 and financial statements 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.

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 2015 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 matter prescribed by the Companies Act 2006

In our opinion 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.

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

Matters on which we are required to report by exception

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
- 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.

Bob Forsyth (Senior Statutory Auditor)
For and on behalf of
Ernst & Young LLP
Cambridge
16 March 2016

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	3	1,232,761	1,085,883
Cost of Sales		(1,087,452)	(959,712)
Gross Profit		**145,309**	**126,171**
Operating expenses	4	(127,063)	(110,928)
Group operating profit		**18,246**	**15,243**
Finance costs	7	(2,883)	(2,350)
Profit before tax and acquisition costs		15,838	13,050
Acquisition costs	11	(475)	(157)
Profit before taxation		**15,363**	**12,893**
Taxation	8	(3,649)	(2,957)
Profit for the year		**11,714**	**9,936**
Attributable to:			
Owners of the parent		11,721	9,939
Non-controlling interests		(7)	(3)
		11,714	9,936
Total comprehensive income for the year net of tax		**11,714**	**9,936**
Attributable to:			
Owners of the parent		11,721	9,939
Non-controlling interests		(7)	(3)
		11,714	**9,936**
Earnings per share (expressed in pence per share)			
Basic earnings per share	9	19.7	282.6
Diluted earnings per share	9	19.2	282.6

Consolidated Statement of Changes in Equity

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2014		2,250	-	58,431	60,681	39	60,720
Profit for the year		-	-	9,939	9,939	(3)	9,936
Total comprehensive income		**-**	**-**	**9,939**	**9,939**	**(3)**	**9,936**
Transactions with owners							
Dividends paid	10	-	-	(4,500)	(4,500)	-	(4,500)
Balance at 31 December 2014		**2,250**	**-**	**63,870**	**66,120**	**36**	**66,156**
Profit for the year		-	-	11,721	11,721	(7)	11,714
Issue of share capital	25	47,181	19,672	-	66,853	-	66,853
Total comprehensive income		**47,181**	**19,672**	**11,721**	**78,574**	**(7)**	**78,567**
Transactions with owners							
Dividends paid	10	-	-	(15,448)	(15,448)	-	(15,448)
Share based payments charge	25	-	-	556	556	-	556
Deferred tax on share based payments	23	-	-	82	82	-	82
Balance at 31 December 2015		**49,431**	**19,672**	**60,781**	**129,884**	**29**	**129,913**

Consolidated Statement of Financial Position
At 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Goodwill	11	37,791	22,055
Other intangible assets	11	453	-
Property, plant and equipment	12	107,285	91,037
Investment property	13	1,920	1,920
Investments	14	10	10
Deferred tax asset	23	58	94
Total non-current assets		**147,517**	**115,116**
Current assets			
Inventories	17	240,632	163,011
Trade and other receivables	18	42,724	73,181
Cash and cash equivalents	19	24,130	1,826
Total current assets		**307,486**	**238,018**
Total assets		**455,003**	**353,134**
Shareholders' equity			
Share capital	25	49,431	2,250
Share premium	25	19,672	-
Retained earnings		60,781	63,870
Equity attributable to owners of the parent		**129,884**	**66,120**
Share of equity attributable to non-controlling interests		29	36
Total equity		**129,913**	**66,156**
Non-current liabilities			
Loans and borrowings	21	24,677	25,205
Trade and other payables	20	8,269	8,579
Provisions	22	289	-
Deferred tax liabilities	23	1,885	1,783
Total non-current liabilities		**35,120**	**35,567**
Current liabilities			
Loans and borrowings	21	26,700	28,342
Trade and other payables	20	260,217	221,442
Provisions	22	762	-
Current tax liabilities		2,291	1,627
Total current liabilities		**289,970**	**251,411**
Total liabilities		**325,090**	**286,978**
Total equity and liabilities		**455,003**	**353,134**

The financial statements on pages 44 to 80 were approved for issue by the Board of Directors on 16 March 2016:

Daksh Gupta
Chief Executive Officer

Mark Raban
Chief Financial Officer

Consolidated Cash Flow Statement
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit before taxation		15,363	12,893
Adjustments for:			
Depreciation and amortisation	11/12	21,087	20,995
Finance costs	7	2,883	2,350
Share based payment charge	25	556	-
(Profit)/Loss on disposal of property, plant & equipment		(61)	(55)
		39,828	36,183
Changes in working capital:			
(Increase)/decrease in inventories		(77,621)	(13,816)
Decrease/(increase) in trade and other receivables		30,457	5,646
(Decrease)/increase in trade and other payables		38,465	22,202
Increase/(decrease) in provisions	22	1,051	-
		(7,648)	14,032
Tax paid		(3,804)	(4,145)
Interest paid		(2,883)	(2,350)
Net cash inflow from operating activities		**25,493**	**43,720**
Cash flows from investing activities			
Purchase of property, plant and equipment	11/12	(39,573)	(33,059)
Purchase of investment property	13	-	(100)
Acquisition of subsidiary, net of cash acquired	11	(21,498)	(15,788)
Proceeds from disposal of property, plant and equipment		8,646	8,382
Net cash outflow from investing activities		**(52,425)**	**(40,565)**
Cash flows from financing activities			
Proceed from borrowings	21	28,642	25,263
Repayment of borrowings	21	(30,811)	(23,851)
Dividends paid	10	(15,448)	(4,500)
Issue of share capital net of costs	25	66,853	-
Net cash (outflow)/ inflow from financing activities		**49,236**	**(3,088)**
Net increase in cash and cash equivalents		22,304	67
Cash and cash equivalents at 1 January		1,826	1,759
Cash and cash equivalents at period end		**24,130**	**1,826**
Reconciliation of net cash flow to movement in net debt			
Increase in net cash		22,304	67
Repayment of borrowings	21	30,811	23,851
Proceeds of borrowings	21	(28,642)	(25,263)
Movement in net debt		24,473	(1,345)
Opening net debt		(51,720)	(50,375)
Net debt at period end		**(27,247)**	**(51,720)**

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), International Financial Reporting Standards Interpretations Committee ("IFRICs") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of investments and investment properties. The consolidated financial statements include the results of all subsidiaries wholly owned by Marshall Motor Holdings plc as listed on page 87 of the annual report.

The Group's first financial statements under IFRS were those for the year ended 31 December 2014 as disclosed in the document prepared for the Group's Admission. The comparative information for 2014 in these financial statements is as reported in the Admission document and the transition adjustments on conversion are disclosed in our Admission document which is available on our website: www.mmhplc.com

IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has elected:

- not to restate its business combinations made prior to 1 January 2012 to comply with IFRS 3 Business Combinations;
- to retain previous UK GAAP carryng values of property, plant and equipment, treating any historic revelations as deemed cost at 1 January 2012.

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 2015

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 "Leasing"

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. IFRS9 has not yet been adopted by the EU.

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 these changes on the accounting policies of the Group. IFRS 15 has not yet been adopted by the EU.

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. The Directors are currently assessing the impact of these changes on the accounting policies of the Group.

Notes to the Consolidated Financial Statements

1. Accounting policies *(continued)*

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.

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 adjusted 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 either in profit or loss or as a change to other comprehensive income. 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.

Notes to the Consolidated Financial Statements

1. Accounting policies *(continued)*

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.

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.

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.

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 is 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 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. The property, plant and equipment under finance leases is depreciated over the shorter of the useful life of the asset and lease term.

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.

Goodwill is not subject to amortisation but is 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.

Goodwill 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.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any impairment losses. Other intangible assets include computer software and licences. Costs comprise 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. 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 for other material separately identifiable intangible assets such as brand value, supplier agreements, franchise relationships and customer relationships.

The finalisation of the purchase price allocation 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.

Financial assets

Classification

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

Notes to the Consolidated Financial Statements

1. Accounting policies *(continued)*

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 balance sheet 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

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 (stockholding cost, responsibility for safekeeping and some risk of obsolescence) rest with the Group.

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 that are repayable on demand and 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.

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 method.

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

Notes to the Consolidated Financial Statements

1. Accounting policies *(continued)*

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 balance sheet 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 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 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.

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.

Notes to the Consolidated Financial Statements

1. Accounting policies *(continued)*

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 on a straight line basis 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 the income can be measured reliably based on the terms of the contract.

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.

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.

Notes to the Consolidated Financial Statements

1. Accounting policies *(continued)*

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 income 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 income taxes 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Employee benefits: Pension obligations

Employees of the Group are 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.

For the defined contribution arrangements the Group charges contributions to the Income Statement 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.

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items helps provide additional useful information regarding the Group's underlying business performance. Examples of events which may give rise to the classification of items as exceptional include material transaction costs, closure costs, assets impairment, one-off tax items and pensions. Exceptional items are not included within adjusted profit before tax.

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 and impairment of goodwill and other indefinite life assets

The Group reviews the goodwill arising on the acquisition of subsidiaries or businesses and any other indefinite life assets with an indefinite life for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. 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.

Notes to the Consolidated Financial Statements

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

Estimated useful life of intangibles, 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.

Pension benefits

As described in notes 1 and 28 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 expected as at 31 December 2016 and the extent of any future cash contributions by the Group will be considered then.

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.

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.

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.

Notes to the Consolidated Financial Statements

3. Segmental information *(continued)*

	Retail (see below) £'000	Leasing £'000	Unallocated £'000	Total £'000
For the year ended 31 December 2015				
Revenue				
Total revenue	1,195,506	37,022	233	1,232,761
Total revenue from external customers	**1,195,506**	**37,022**	**233**	**1,232,761**
Depreciation and amortisation	(3,801)	(8)	(18)	(3,827)
Segment operating profit/(loss)	20,258	6,001	(8,013)	18,246
Finance cost	(1,498)	(1,125)	(260)	(2,883)
Profit before tax and acquisition costs	18,760	4,876	(7,798)	15,838
Acquisition costs	-	-	(475)	(475)
Profit/(loss) before taxation	**18,760**	**4,876**	**(8,273)**	**15,363**
Total assets	294,652	74,691	85,660	455,003
Total liabilities	223,029	60,356	41,705	325,090
Additions in the period				
Property, plant,equipment and software assets	16,585	29,738	-	46,323
For the year ended 31 December 2014				
Revenue				
Total revenue	1,050,473	35,179	231	1,085,883
Total revenue from external customers	**1,050,473**	**35,179**	**231**	**1,085,883**
Depreciation and amortisation	(3,657)	(9)	(16)	(3,682)
Segment operating profit/(loss)	15,748	5,073	(5,578)	15,243
Finance cost	(1,210)	(1,140)	-	(2,350)
Profit before tax and acquisition costs	14,538	3,933	(5,421)	13,050
Acquisition costs	-	-	(157)	(157)
Profit/(loss) before taxation	**14,538**	**3,933**	**(5,578)**	**12,893**
Total assets	243,571	70,407	39,156	353,134
Total liabilities	185,791	57,405	43,782	286,978
Additions in the period				
Property, plant and equipment	11,221	27,265	-	38,486

Notes to the Consolidated Financial Statements

3. Segmental information *(continued)*

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

	2015 £'000	2014 £'000
New	637,774	544,835
Used	459,235	413,066
Aftersales & other	127,840	117,857
Internal	(29,343)	(25,285)
Total	**1,195,506**	**1,050,473**

4. Operating expenses

	2015 £'000	2014 £'000
Employee costs (note 6)	64,562	56,564
Depreciation on property, plant and equipment	3,600	3,010
Amortisation on other intangibles	227	-
Profit on disposal of property plant and equipment	(61)	(55)
Operating lease rentals - property	6,907	6,608
Management charges from Marshall of Cambridge (Holdings) Limited	1,127	1,818
Auditors' remuneration (note 5)	355	235
Legal and professional charges	1,100	1,843
Other expenses	49,246	40,905
	127,063	**110,928**

£982,000 of the management charges from Marshall of Cambridge (Holdings) Limited in 2015 are related to pre-admission costs.

5. Auditors' remuneration

	2015 £'000	2014 £'000
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	245	175
Fees payable to the Company's auditors and its associates for other services - audit of Group's subsidiaries	110	60
	355	**235**

In addition, fees of £560,000 were payable to the Company's auditors for reporting accountant services provided as part of the Admission to AIM.

Notes to the Consolidated Financial Statements

6. Employees and Directors

a) Employee costs for the Group during the year:

	2015 £'000	2014 £'000
Wages and salaries	67,219	59,149
Social security costs	7,051	6,104
Other pension costs	1,229	881
	75,499	**66,134**

Employee staff costs are included in:

	2015 £'000	2014 £'000
Cost of Sales	10,937	9,570
Operating expenses	64,562	56,564
	75,499	**66,134**

Average monthly number of people (including Executive Directors) employed:

	2015	2014
Retail	2,115	1,929
Leasing	40	38
Unallocated	214	193
	2,369	**2,160**

b) Directors' emoluments

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

	2015 £'000	2014 £'000
Aggregate emoluments	1,480	262
Pension contribution	64	32
	1,544	**294**

Highest paid Director

	2015 £'000	2014 £'000
Aggregate emoluments including pension contribution	862	294

Following Admission the highest paid director is different in 2015 compared to 2014.

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 (2014: £1,818,000). The Directors emoluments set out above include Directors' salaries since the Admission.

Notes to the Consolidated Financial Statements

6. Employees and Directors *(continued)*

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.

	2015 £'000	2014 £'000
Wages and salaries	2,855	2,110
Post-employment benefits	311	163
Compensation for loss of office	290	30
	3,456	**2,303**

Details of the share option schemes are provided in note 25.

7. Finance costs

	2015 £'000	2014 £'000
Interest income on short term bank deposits	(33)	-
Interest payable on bank borrowings and asset backed finance	1,418	1,140
Stock financing charges and other interest	1,498	1,210
Net finance costs	**2,883**	**2,350**

8. Taxation

	2015 £'000	2014 £'000
Current tax		
Current tax on profits for the year	4,258	3,490
Adjustments in respect of prior years	210	122
Total current tax	**4,468**	**3,612**
Deferred tax		
Origination and reversal of temporary differences	(840)	(377)
Impact of change in tax rates	(223)	-
Adjustments in respect of prior years	244	-
Other timing differences	-	(278)
Total deferred tax (note 23)	**(819)**	**(655)**
Total taxation charge	**3,649**	**2,957**

Notes to the Consolidated Financial Statements

8. Taxation *(continued)*

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below.

	2015 £'000	2014 £'000
Profit before tax	15,362	12,893
Profit multiplied by the rate of corporation tax of 20.25% (2014: 21.5%)	3,111	2,772
Effects of:		
Other expenses not deductible	239	520
Exceptional disallowable in respect of acquisition costs	96	-
Non-taxable income	-	(203)
Adjustments in respect of prior years	454	(156)
Utilisation of brought forward losses	(51)	-
Impact of change in tax rate	(200)	24
Total taxation charge	**3,649**	**2,957**

The applicable tax rate for the current year is 20.25% (2014: 21.50%) following the reduction in the main rate of UK corporation tax from 21% to 20% with effect from 1 April 2015.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015.

These changes will reduce the Group's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2015 (which has been calculated based on the expected long term rate of 18% substantively enacted at the balance sheet date).

9. 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 or the diluted weighted average number of ordinary shares in issue in the year.

The diluted earnings per share are based on the weighted average number of shares after taking account of the dilutive impact of shares under option of 1,929,528 at 31 December 2015 (2014: nil). (See note 25).

	2015 £'000	2014 £'000
Profit for the year	11,721	9,939
Non-controlling interests	(7)	(3)
Basic earnings	**11,714**	**9,936**

Weighted average number of ordinary shares in issue for the basic earnings per share	59,425,171	3,515,625
Basic earnings per share (in pence per share)	**19.7**	**282.6**
Diluted earnings per share (in pence per share)	**19.2**	**282.6**

For the year ended 31 December 2014 the weighted average number of ordinary shares in issue for the basic and diluted earnings per share has been adjusted to reflect the impact of the sub-division of shares in 2015 described in Note 25.

Notes to the Consolidated Financial Statements

10. Dividends

A final dividend of £15,000,000 for the year ended 31 December 2014 was paid in March 2015 before Admission. This represented a payment of 666.67p per share in issue at that time and 426.67p per share after adjustment to reflect the impact of the sub-division of shares described in note 25.

An interim dividend in respect of the year ended 31 December 2015 of £448,000 was paid on 25 September 2015.

A final dividend of 2.40p per share in respect of the year ended 31 December 2015 is to be proposed at the annual general meeting to be held on 24 May 2016. The ex-dividend date will be 21 April 2016 and the associated record date will be 22 April 2016. This dividend will be paid subject shareholder approval on 27 May 2016 and these financial statements do not reflect this final dividend payable.

11. Intangible assets

Goodwill

	2015 £'000	2014 £'000
Cost		
Balance at 1 January 2015	22,055	9,587
Additions	15,786	12,468
Adjustments	(50)	-
Balance at 31 December 2015	**37,791**	**22,055**

Acquisitions made in the year ended 31 December 2015

On 16 November 2015 the Company acquired the entire share capital of SG Smith Holdings Limited ('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 estimated net assets at the date of acquisition are stated at their provisional fair value as set out below.

	SG Smith Holdings Limited £'000
Property, plant & equipment	6,750
Inventories	24,195
Trade and other receivables	5,548
Cash and cash equivalents	2,477
Trade and other payables	(29,878)
Net assets acquired	**9,092**
Deferred tax liability arising on transition to IFRS (note 23)	(903)
Goodwill	15,786
Total cash consideration	**23,975**

Notes to the Consolidated Financial Statements

11. Intangible assets *(continued)*

The estimated net assets above have been estimated by the directors at the point of preparing these financial statements and are subject to the completion of the fair value exercise.

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/(Loss) before tax £'000
SG Smith Holdings Limited	17,394	(379)

Acquisition costs of £475,000 (2014: £157,000) have been charged to the consolidated income statement for the year ended 31 December 2015.

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/(Loss) before tax £'000
Marshall Motor Holdings plc	1,398,454	18,077

Acquisitions made in the year ended 31 December 2014

On 30 June 2014, Marshall Motor Group Limited acquired the trade and assets of Volvo Bishops Stortford from Regent Automotive Group. The net assets at the date of acquisition are stated at fair value as set out below.

	Volvo Bishops Stortford £'000
Property, plant & equipment	438
Inventories	229
Trade and other payables	(143)
Net assets acquired	**524**
Goodwill	75
Total cash consideration	**599**

On 1 July 2014, Marshall Motor Group Limited acquired the trade and assets of Halesworth Landrover from Hammond Landrover Limited. The net assets at the date of acquisition are stated at fair value as set out below.

	Halesworth Landrover £'000
Property, plant & equipment	129
Inventories	1,690
Trade and other payables	(214)
Net assets acquired	**1,605**
Goodwill	2,060
Total cash consideration	**3,665**

Notes to the Consolidated Financial Statements

11. Intangible assets *(continued)*

On 8 August 2014, the Company acquired the entire share capital of CMG 2007 Limited ('CMG'). CMG itself is the holding company of 2 wholly owned subsidiary companies, Astle Limited and Crystal Motor Group Limited.

Astle Limited comprises BMW Scunthorpe and BMW/MINI/BMW Bikes Grimsby, whilst Crystal Motor Group Limited comprises Boston Nissan, Grantham Nissan and Lincoln Nissan. The net assets at the date of acquisition are stated at fair value as set out below.

	CMG 2007 Limited £'000
Property, plant & equipment	4,860
Inventories	12,318
Cash and cash equivalents	(30)
Trade and other receivables	2,127
Deferred tax liability	(717)
Trade and other payables	(17,397)
Net assets acquired	**1,161**
Goodwill	10,333
Total cash consideration	**11,494**

Impairment testing

For the purpose of impairment testing goodwill acquired in a business combination is 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 unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for management purposes.

Goodwill 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 2015 and 2014.

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 the management which are extrapolated using the estimated long term growth rates. The budgets were prepared to 31 December 2016 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% and the perpetual EBITDA growth rate beyond 5 years is assumed as 2% to arrive at a terminal value.

Management has prepared separate sensitivity analyses on the basis that the discount rate increases to 15% and that EBITDA decreases by 50% and has concluded that there is no impairment.

Goodwill arising on acquisitions is attributable to the anticipated profitability of the distribution of the Group's products through the acquired dealerships.

Notes to the Consolidated Financial Statements

11. Intangible assets *(continued)*

Other intangible assets

	Software assets £'000
Cost	
Balance as at 1 January 2015	-
Additions	159
Disposals	(58)
Transfers	522
Balance as at 31 December 2015	**623**
Amortisation	
Balance as at 1 January 2015	-
Charge for the year	227
Disposals	(57)
Balance as at 31 December 2015	**170**
Net book value	
As at 31 December 2014	-
As at 31 December 2015	**453**

Notes to the Consolidated Financial Statements

12. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Assets held for contract rental £'000	Total £'000
Cost					
At 1 January 2014	27,470	2,780	27,387	89,563	147,200
Additions at cost	5,835	900	4,496	27,255	38,486
Disposals	(288)	(35)	(6,020)	(21,182)	(27,525)
At 31 December 2014	**33,017**	**3,645**	**25,863**	**95,636**	**158,161**
Additions at cost	2,670	4,609	2,403	29,732	39,414
Additions on acquisition	4,137	1,636	977	-	6,750
Disposals	-	(19)	(648)	(28,478)	(29,145)
Transfers	(2,443)	2,501	(1,418)	-	(1,360)
At 31 December 2015	**37,381**	**12,372**	**27,177**	**96,890**	**173,820**
Accumulated Depreciation					
At 1 January 2014	8,622	1,030	21,592	34,086	65,330
Charges for the year	893	181	2,608	17,313	20,995
Disposals	(154)	(1)	(5,019)	(14,027)	(19,201)
At 31 December 2014	**9,361**	**1,210**	**19,181**	**37,372**	**67,124**
Charges for the year	313	701	2,586	17,210	20,810
Disposals	-	-	(408)	(20,153)	(20,561)
Transfers	(553)	629	(914)	-	(838)
At 31 December 2015	**9,121**	**2,540**	**20,445**	**34,429**	**66,535**
Net book amount					
At 31 December 2014	23,656	2,435	6,682	58,264	91,037
At 31 December 2015	**28,260**	**9,832**	**6,732**	**62,461**	**107,285**

As detailed in note 11, within additions there are amounts relating to acquisitions of £6,750,000 in 2015 (2014: £5,427,000).

During the year ended 31 December 2015 the Directors reassessed the depreciable life of freehold buildings to 50 years (previously 25 years). This change in estimate resulted in a reduction in the depreciation charge for the year of £530,000.

As at 31 December 2015, the Group had capital commitments totalling £10.8m relating to new retail sites at Cambridge Jaguar Land Rover and Ipswich Jaguar Land Rover. After the year end, the Group made further capital commitments of £6.9m (inclusive of land purchase) relating to a new retail site at Exeter Audi.

13. Investment property

	2015 £'000	2014 £'000
Fair value at 1 January	1,920	1820
Additions at cost	-	100
Fair value at 31 December	**1,920**	**1,920**

Notes to the Consolidated Financial Statements

13. Investment property *(continued)*

Investment properties are stated at fair value. The Group's leasehold investment properties were valued on a fair value basis by the Directors as at 31 December 2015 at £530,000 and the Group's freehold investment properties on a fair value basis by the Directors as at 31 December 2015 at £1,390,000. A revaluation surplus of £264,874 has been taken to the Income Statement in 2013. The last formal valuations were undertaken at 31 December 2013 by Rapleys, Chartered Surveyors on a 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 £233,000 was recognised in 2015 (2014: £231,000). 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.

14. Investments

A list of all subsidiary undertakings as at 31 December 2015 and 31 December 2014 is given in note 3 of the Marshall Motor Holdings plc company only financial statements (page 87).

15. 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 2015 these receivables amounted to £572,000 (2014: £699,000) and will bear interest income until their maturity dates.

		2015	
	Total future payments £'000	**Unearned interest income £'000**	**Present value £'000**
Within 1 year	214	11	202
Between 1 and 5 years	411	42	370
After 5 years	-	-	-
	625	**53**	**572**

		2014	
	Total future payments £'000	**Unearned interest income £'000**	**Present value £'000**
Within 1 year	220	2	218
Between 1 and 5 years	544	71	473
After 5 years	10	2	8
	774	**75**	**699**

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 two to nine 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.

Notes to the Consolidated Financial Statements

16. 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.

	2015 £'000	2014 £'000
Within 1 year	23,105	23,170
Between 1 and 5 years	63,142	59,808
	86,247	**82,978**

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

	2015 £'000	2014 £'000
Within 1 year	233	233
Between 1 and 5 years	825	850
After 5 years	1,108	1,308
	2,166	**2,391**

17. Inventories

	2015 £'000	2014 £'000
Work in progress	424	185
Finished goods	244,074	166,513
Less: Provisions	(3,866)	(3,687)
Inventory (Net)	**240,632**	**163,011**

Finished goods include new and used vehicles held for resale, vehicle parts and other inventory. As at 31 December 2015 £185,898,000 (2014: £110,490,000) of finished goods are held under vehicle financing arrangements (see note 20).

18. Trade and other receivables

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade receivables due but not past due	18,202	16,625
Trade receivables past due	4,091	3,237
Trade receivables past due but impaired	(839)	(444)
Trade receivables – net	**21,454**	**19,418**
Other receivables	16,428	11,122
Amounts due from related undertakings	311	39,761
Prepayments	4,531	2,880
	42,724	**73,181**

Notes to the Consolidated Financial Statements

18. Trade and other receivables *(continued)*

Trade and other receivables are all current 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 £572,000 (2014: £699,000). Of these £396,000 (2014: £505,000) are amounts due in more than one year. Fair value of these items is deemed to be equal to their carrying value.

Movements on the provision for impairment of trade receivables were as below.

	2015 £'000	2014 £'000
At 1 January	444	256
Additional provision for receivables impairment	1,014	443
Receivables written off during the year as uncollectable	(619)	(255)
At 31 December	**839**	**444**

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.

19. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	24,130	1,826

20. Trade and other payables

	2015 £'000	2014 £'000
Trade payables:		
– vehicle financing arrangements	186,185	110,490
– other trade payables	34,490	35,642
Amounts owed to related undertakings	654	56,077
Other tax and social security payable	2,472	2,169
Other payables	10,840	8,113
Accruals and deferred income	33,845	17,530
	268,486	**230,021**

	2015 £'000	2014 £'000
Trade and other payables due within 1 year	260,217	221,442
Trade and other payables due after 1 year	8,269	8,579
	268,486	**230,021**

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. Financial liabilities are denominated in pounds sterling.

Notes to the Consolidated Financial Statements

20. Trade and other payables *(continued)*

The Group finance the purchases 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 stock holding interest.

The comparative for vehicle financing arrangements (previously £30,788,000) has been restated from that disclosed in the Admission document as the Directors consider that certain amounts previously disclosed as trade payables are better presented as vehicle financing arrangements.

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.

21. Borrowings

	2015 Nominal and book value £'000	2014 Nominal and book value £'000
Non-current		
Asset backed financing	24,677	25,205
Current		
Asset backed financing	26,700	21,842
Bank borrowings	-	6,500
	26,700	28,342
Total borrowings	**51,377**	**53,547**

Total borrowings include bank borrowings, which are unsecured and asset backed financing, which is secured by a fixed charge over specific vehicles held for leasing.

Asset backed finance in respect of the assets held for contract rental are secured by fixed charges over specific vehicles. The related finance comprises chattel mortgages.

Interest rate profile of interest bearing borrowings

	2015 Debt £'000	2015 Average effective interest rate	2014 Debt £'000	2014 Average effective interest rate
Fixed rate borrowings				
Asset backed financing	51,377	2.39	47,047	2.69
Bank borrowings	-	0.00	6,500	0.00
Weighted average cost of drawn borrowings	**51,377**	**2.39**	**53,547**	**2.36**

Notes to the Consolidated Financial Statements

21. Borrowings *(continued)*

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

	2015 Carrying amount £'000	Fair value £'000	2014 Carrying amount £'000	Fair value £'000
Asset backed financing	24,677	23,030	25,205	22,548

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

Borrowings have the following maturity profile:

	2015 £'000	2014 £'000
6 months or less	13,770	17,402
6 - 12 months	12,930	10,940
1 - 5 years	24,677	25,205
	51,377	**53,547**

The Group has access to additional banking facilities amounting to £75,000,000 represented by a revolving credit facility of £50,000,000 and an overdraft facility of £25,000,000. Subject to bank approval the revolving credit facility has an option to be extended by a further £25,000,000. 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. No amounts had been drawn under the facilities as at 31 December 2015. The facility is available until 27 June 2018. The Group is also able to extend the term of the facility by up to 12 months.

22. Provisions

	Closed sites £'000	Dilapidations £'000	Onerous leases £'000	Total £'000
As at 1 January 2015	-	-	-	-
Reclassified from trade and other payables	124	200	-	324
Charged to income statement in the year	-	449	280	729
Utilised during the year	(2)	-	-	(2)
As at 31 December 2015	**122**	**649**	**280**	**1,051**

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

	2015 £'000	2014 £'000
Current	762	-
Non-current	289	-
	1,051	**-**

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.

Notes to the Consolidated Financial Statements

22. Provisions *(continued)*

Dilapidations and onerous leases

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.

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

In prior periods provisions were presented within other payables.

23. Deferred tax

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

	2015 £'000	2014 £'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	58	94
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	(1,885)	(1,783)
Deferred tax liabilities (net)	**(1,827)**	**(1,689)**

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

	2015 £'000	2014 £'000
At 1 January	(1,689)	(1,567)
Deferred tax arising on IFRS conversion of acquisition (note 11)	(903)	(717)
Deferred tax acquired	(136)	(60)
Income statement charge (note 8)	819	655
Credited directly to equity	82	-
At 31 December	**(1,827)**	**(1,689)**

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

Deferred tax liabilities	Accelerated tax depreciation £'000	Fair value gains £'000	Other £'000	Total £'000
At 1 January 2014	-	53	1,972	2,025
Charged to the income statement	-	-	45	45
Acquisition of subsidiaries (note 11)	-	-	717	717
At 31 December 2014	**-**	**53**	**2,734**	**2,787**
Charged/(credited) to the income statement	-	(53)	735	682
Impact of corporation tax rate reduction	-	-	(271)	(271)
Acquisition of subsidiaries (note 11)	-	-	903	903
At 31 December 2015	**-**	**-**	**4,101**	**4,101**

Notes to the Consolidated Financial Statements

23. Deferred tax *(continued)*

Deferred tax assets	Accelerated tax depreciation £'000	Fair value gains £'000	Other £'000	Total £'000
At 1 January 2014	15	313	130	458
Credited/(charged) to the income statement	890	(219)	29	700
Acquisition of subsidiaries	(60)	-	-	(60)
At 31 December 2014	**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)
At 31 December 2015	**1,510**	**58**	**706**	**2,274**

Deferred income tax assets are recognised for tax loss carry forwards 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 £359,000 (2014: £275,000) in respect of losses amounting to £1,887,000 (2014: £1,380,000) that can be carried forward against future taxable income. The losses amounting do not have an expiry date.

24. 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 21.

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 21 are the undrawn banking facilities that the Group has at its disposal in order to further reduce liquidity risk.

Notes to the Consolidated Financial Statements

24. Financial instruments – risk management *(continued)*

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	Between one and five years £'000	Total £'000
Borrowings (note 21)	26,700	24,677	51,377
Trade and other payables			
(excluding other taxes and social security)	257,745	8,269	266,014
At 31 December 2015	**284,445**	**32,946**	**317,391**

	Less than one year £'000	Between one and five years £'000	Total £'000
Borrowings (note 21)	28,342	25,205	53,547
Trade and other payables			
(excluding other taxes and social security)	219,273	8,579	227,852
At 31 December 2014	**247,615**	**33,784**	**281,399**

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 net debt divided by total capital. Net debt is calculated as total borrowings (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 net debt of £27,247,000 at 31 December 2015 as disclosed in the Consolidated Cash Flow Statement (2014: Net debt of £51,720,000).

Notes to the Consolidated Financial Statements

24. Financial instruments – risk management *(continued)*

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 21.

	2015 £'000	2014 £'000
Group assets		
Assets as per the balance sheet		
Trade and other receivables excluding pre-payments (note 18)	38,193	70,301
Cash and cash equivalents	24,130	1,826
Total	**62,323**	**72,127**
Group liabilities		
Liabilities as per the balance sheet		
Borrowings (note 21)	51,377	53,547
Trade and other payables excluding non-financial liabilities (note 20)	268,486	230,021
Total	**319,863**	**283,568**

Credit quality of financial assets

	2015 £'000	2014 £'000
Counterparties without external credit rating:		
Group 1	133	540
Group 2	38,060	69,761
Total unimpaired trade receivables	**38,193**	**70,301**
Cash at bank and short-term bank deposits		
A (Negative)*	**24,130**	**1,826**

* 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.

Notes to the Consolidated Financial Statements

25. Called up share capital and share premium

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2014	2,250,000	2,250	-	2,250
At 31 December 2014	**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
At 31 December 2015	**77,236,263**	**49,431**	**19,672**	**69,103**

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.

All shares issued are fully paid.

Share option schemes

Under the Company's equity settled share option scheme, share options may be granted to executive Directors and to selected employees and grants were made on admission of the Company to AIM. Share options comprise IPO Performance Awards and IPO Restricted Share 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.

As at 31 December 2015, outstanding share options under the IPO Performance Award were as below.

Award date	No of shares over which options are outstanding	Exercise price	Date from which exercisable	Expiry date
2 April 2015	1,459,730	Nil	2 April 2018	2 April 2025

The performance condition applying to the IPO Performance Award will be based on the growth in the Company's adjusted 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 of plus 10% per annum. 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. The contractual life of the option is 10 years and there are no cash settlement alternatives.

As at 31 December 2015, 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	469,798	Nil	2 April 2016	2 April 2025

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

The fair value of options granted during the year was £1.49 (2014; N/A). The fair value of equity settled share options granted was based on the offer price at the IPO on 2 April 2015 when the share options were granted.

A share based payment charge of £556,000 has been recognised during the period.

Notes to the Consolidated Financial Statements

26. Commitments and contingencies

Operating lease commitments

The Group, as lessee, has non-cancellable operating lease agreements. The lease terms are various 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.

	2015 £'000	2014 £'000
Within 1 year	7,804	4,731
Later than 1 year and less than 5 years	29,206	18,160
After 5 years	62,031	40,436
	99,041	**63,327**

At Admission the Group entered formal lease arrangements with Marshall Group Properties Limited for certain properties, previously occupied under informal arrangements.

27. Related party transactions

Key management compensation is given in note 6.

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

During 2014 and 2015 the Directors were members of a car purchase loan scheme under which the following transactions were made in the year. The Directors purchased 15 cars in 2015 (2014: 22) at a price of £1,043,000 (2014: £1,108,000) and sold back 13 (2014: 20) at a price of £899,000 (2014: £1,008,000).

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

2015	Sales £'000	Purchases £'000	Year-end balance £'000
Marshall of Cambridge (Holdings) Limited	70	1,127	(110)
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	-	-
MGPH Limited	10	158	(55)
	1,206	**3,497**	**(345)**

Notes to the Consolidated Financial Statements

27. Related party transactions *(continued)*

2014	Sales £'000	Purchases £'000	Year-end balance £'000
Marshall of Cambridge (Holdings) Limited	114	1,818	(16,222)
Marshall of Cambridge Aerospace Limited	197	495	(157)
MGPH Limited	-	79	(4)
Marshall Thermo King Limited	1,071	-	67
Marshall Fleet Solutions Limited	-	2	-
Marshall of Cambridge (Airport Properties) Limited	(4)	1,323	-
Aeropeople Limited	2	-	-
Marshall Land Systems Limited	15	-	-
	1,395	**3,717**	**(16,316)**

28. 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 c£1.5 million as at 31 December 2013. Marshall of Cambridge (Holdings) Limited has paid all of its contributions (£0.93 million) due under the current recovery plan to remove this deficit. Of the £0.93 million, £0.62 million was paid in FY15 and this included a contribution of £125k made by the Group. The contributions by Marshall Motor Holdings plc. to this plan during 2015 were £41,000 (in addition to the above) (2014: £32,000).

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 IAS19, 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 2015 information will be included in the 2015 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.

	2015 £'000	2014 £'000
Balance sheet obligations		
– For fair value assets at end of year	34,546	34,119
– For present value obligations at end of year	(46,062)	(46,968)
	(11,516)	(12,849)
Defined pension benefits		
– Related deferred tax asset	2,073	2,570
Liability in the balance sheet	**(9,443)**	**(10,279)**
Income statement charge included in operating profit		
– For defined pension benefits	(858)	(741)
	(858)	**(741)**

Notes to the Consolidated Financial Statements

28. Pensions *(continued)*

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 the 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.

	2015	2014
Discount Rate	3.60%	3.50%
RPI Inflation	3.00%	3.16%
CPI Inflation	2.00%	1.96%
Salary Growth Rate	2.60%	2.90%
Pension Growth Rate – RPI min 0%, max 5%	3.00%	3.16%
Pension Growth Rate – RPI min 3%	3.35%	3.29%
Pension Growth Rate – RPI min 2.7%, max 5%	3.21%	3.21%
Pension Growth Rate – RPI min 0%, max 8.5%	3.00%	3.16%
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)

Plan assets are comprised as follows:

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	0%
Insured Pensions	-	2,181	2,181	6%
Total	**32,365**	**2,181**	**34,546**	**100%**

2014	Quoted £'000	Unquoted £'000	Total £'000	%
UK Equities	9,871	-	9,871	30%
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	17%
Cash and Net Current Assets	155	-	155	0%
Insured Pensions	-	2,289	2,289	7%
Total	**31,830**	**2,289**	**34,119**	**100%**

Notes to the Consolidated Financial Statements

28. 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 assets holds 80 per cent growth assets and these will not provide a match to the movement in the discount rate. Consequently the difference in the values of the assets and liabilities will be quite volatile. Returns on scheme assets will also be affected by changes in fixed income 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.

29. 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 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	3	54,084	29,635
Current assets			
Debtors	4	18,543	8,360
Cash at bank and in hand		19,638	-
		38,181	8,360
Creditors: Amounts falling due within one year	6	(7,992)	(27,634)
Net current assets/(liabilities)		30,189	(19,274)
Net assets		**84,273**	**10,361**
Capital and reserves			
Called-up equity share capital	7	49,431	2,250
Share premium		19,672	-
Profit and loss account		15,170	8,111
Shareholders' funds		**84,273**	**10,361**

The financial statements were approved for issue by the Board of Directors and authorised for issue on 16 March 2016

M.D. Raban
Director
16 March 2016

Company Financial Statements

Statement of Changes in Equity

	Note	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2014		2,250	-	9,272	11,522
Loss for the financial year		-	-	(1,161)	(1,161)
Dividends received		-	-	4,500	4,500
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	3,339	3,339
Equity dividends paid	9	-	-	(4,500)	(4,500)
At 31 December 2014		**2,250**	**-**	**8,111**	**10,361**
Loss for the financial year		-	-	(3,049)	(3,049)
Dividends received		-	-	25,000	25,000
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	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	8	-	-	556	556
At 31 December 2015		**49,431**	**19,672**	**15,170**	**84,273**

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 Company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 11.

The financial statements are prepared in sterling which is the 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

These exemptions have been applied as the Company is a qualifying entity and the shareholders of the Company have been notified in writing and no objection has been made to the use of the exemptions. The Company is part of the consolidated financial statements of Marshall Motor Holdings plc.

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 2015 was £21,951,000 (2014: £3,339,000).

The auditors' remuneration for audit and other services was £3,000 (2014: £3,000).

2. Accounting policies

Investments

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

3. Investments

	Subsidiary undertakings £'000	Joint ventures £'000	Total £'000
Cost			
At 1 January 2015	24,729	4,906	29,635
Additions	24,449	-	24,449
At 31 December 2015	**49,178**	**4,906**	**54,084**

Notes to the Company Financial Statements

3. Investments *(continued)*

Subsidiaries

Name of Undertaking	Country of incorporation	Principal activity
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	England and Wales	Property holding
Marshall of Ipswich Limited[1]	England and Wales	Franchised motor dealership
Marshall of Peterborough Limited[1]	England and Wales	Franchised motor dealership
S.G. Smith Holdings Limited	England and Wales	Holding company
S.G. Smith Automotive Limited	England and Wales	Holding company
S.G. Smith (Motors) Limited	England and Wales	Property holding
S.G. Smith (Motors) Beckenham Limited	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Forest Hill Limited	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Crown Point Limited	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Sydenham Limited	England and Wales	Franchised motor dealership
S.G. Smith (Motors) Croydon Limited	England and Wales	Dormant
S.G. Smith Trade Parts Limited	England and Wales	Motor parts sales
Prep-Point Limited	England and Wales	Maintenance and repair of motor vehicles
Marshall of Stevenage Limited[1]	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	England and Wales	Franchised motor dealership
Silver Street Automotive Limited	England and Wales	Franchised motor dealership
Exeter Trade Parts LLP	England and Wales	Motor parts sales
Audi South West Limited	England and Wales	Dormant
Hanjo Russell Limited	England and Wales	Dormant
CMG 2007 Limited	England and Wales	Holding company
Astle Limited	England and Wales	Franchised motor dealership
Crystal Motor Group Limited	England and Wales	Franchised motor dealership

[1] These subsidiaries are 99% directly owned

4. Debtors

	2015 £'000	**2014 £'000**
Amounts owed by Group undertakings	17,470	7,600
Other debtors	700	756
VAT	54	-
Prepayments and accrued income	197	4
Deferred tax asset (note 5)	122	-
	18,543	**8,360**

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

	2015 £'000	2014 £'000
Deferred tax		
At 1 January	-	-
Changes in provision	122	-
At 31 December	**122**	**-**

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

	2015 £'000	2014 £'000
Other timing differences	122	-
Total deferred tax	**122**	**-**

6. Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	24	284
Amounts owed to Group undertakings	2,478	26,097
Corporation tax	1,965	-
Other taxes and social security	58	-
Other creditors	2,517	-
Accruals and deferred income	950	1,253
	7,992	**27,634**

7. Share capital

	2015 £'000	2014 £'000
77,236,263 ordinary shares of 64p (2014: £1) each	49,431	2,250

Ordinary shares	2015 £'000	2014 £'000
At 1 January	2,250	2,250
Issued on 27 March 2015	30,000	-
Issued on 2 April 2015	17,181	-
	49,431	**2,250**

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.

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.

IPO Performance Award

The performance condition applied to the IPO Performance Award will be based on the growth in the Company's adjusted 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 2015 is £556,000 (2014: £nil).

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

	2015 No.	2015 WAEP	2014 No.	2014 WAEP
IPO Performance Award				
Outstanding as at 1 January	-	-	-	-
Granted during the year	1,486,575	-	-	-
Forfeited during the year	(26,845)	-	-	-
Exercised	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	**1,459,730**	**-**	**-**	**-**
Exercisable as at 31 December	**-**	**-**	**-**	**-**

	2015 No.	2015 WAEP	2014 No.	2014 WAEP
IPO Restricted Share Award				
Outstanding as at 1 January	-	-	-	-
Granted during the year	469,798	-	-	-
Forfeited during the year	-	-	-	-
Exercised	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	**469,798**	**-**	**-**	**-**
Exercisable as at 31 December	**-**	**-**	**-**	**-**

The fair value of options granted during the year was £1.49 (2014: N/A). The fair value of equity settled share options granted was based on the offer price at Admission on 2 April 2015 when the share options were granted.

Notes to the Company Financial Statements

9. Dividends

	2015 £'000	2014 £'000
Paid during the year		
Final dividend for 2013	-	4,500
Final dividend for 2014	15,000	-
Interim dividend for 2015	448	-

A final dividend of £15,000,000 for the year ended 31 December 2014 was paid in March 2015 before Admission. This represented a payment of 666.67p per ordinary share in issue at that time 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 £4,500,000 for the year ended 31 December 2013 was paid in 2014 representing a payment of 200p per ordinary share in issue and 128p per share after adjustment to reflect the impact of the sub-division of shares described in note 7.

An interim dividend in respect of the year ended 31 December 2015 of £448,000 was paid on 25 September 2015.

A final dividend of 2.40p per share in respect of the year ended 31 December 2015 is to be proposed at the annual general meeting on 24 May 2016. The ex-dividend date will be 21 April 2016 and the associated record date will be 22 April 2016. This dividend will be paid subject shareholder approval on 27 May 2016 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 wholly owned 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. The parent company of the smallest such group is Marshall Motor Holdings plc and this is also the immediate parent undertaking.

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

Notes to the Company Financial Statements

11. Transition to FRS 102

The Company has adopted FRS 102 for the year ended 31 December 2015. Whilst the transition to FRS 102 from old UK GAAP has had no effect on the Company's reported financial position or financial performance as at 1 January 2014 or 31 December 2014, there have been several presentational differences which are reflected in these financial statements. No transitional provisions on conversion to FRS 102 have been applied.

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 24 May 2016 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 2015 together with the directors' reports and the auditors' report on those annual accounts.

2. Declaration of dividend

To declare a final dividend of 2.40p per ordinary share for the year ended 31 December 2015 payable on 27 May 2016 to shareholders who are on the register of members of the Company on 22 April 2016.

3. Re-appointment of director

To re-appoint Alan Ferguson 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.

4. Re-appointment of director

To re-appoint Sarah Dickins 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 herself for reappointment.

5. Re-appointment of director

To re-appoint Francesca Ecsery 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 herself for reappointment.

6. Re-appointment of director

To re-appoint Christopher Sawyer 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.

7. Re-appointment of director

To re-appoint Mark Raban 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.

8. 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.

9. Auditors' remuneration

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

Dated 21 March 2016
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 11.00 a.m. on 20 May 2016 (or if the AGM is adjourned, 48 hours 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. The following documents 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:

   (a) Copies of the executive directors' service contracts with the Company and any of its subsidiary undertakings.

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 20 May 2016. 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) 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

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

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