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Marshall Motor Holdings PLC
15 March 2017

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MARSHALL MOTOR HOLDINGS plc

("MMH" or the "Group")

Annual results for the twelve months ended 31 December 2016

Marshall delivers transformational growth; strongly positioned for the future

Marshall Motor Holdings plc, one of the UK's leading automotive retail and leasing groups, is delighted to announce its annual results for the twelve months ended 31 December 2016.

Financial highlights

- Revenue increased by 54.1% to £1.9bn (2015: £1.2bn).
- Strong like-for-like revenue growth, up 10.7%.
- Underlying profit before tax* up 60.4% to £25.4m (2015: £15.8m).
- Underlying basic earnings per share of 26.2p, up 66.1% (2015: 15.8p**).
- Full year proposed dividend of 5.50p, up 84.6% (2015 pro-rata: 2.98p).
- Net debt (excluding asset-backed leasing loans) of £54.5m (2015: Net cash £24.1m). Net debt to EBITDA 1.4x (1.2x including full year contribution from Ridgeway acquisition).
- Strong balance sheet. Net assets per share £1.88 (2015: £1.68). £106.5m of Freehold / long leasehold property.

Operational & Strategic highlights

- Record trading performance driven by organic growth, contributions from acquisitions and ongoing portfolio management.
- New car revenues up by 54.2% (like-for-like up by 13.1%).
- Used car revenues up by 56.4% (like-for-like up by 8.3%).
- Aftersales revenues up by 58.4% (like-for-like up by 5.7%).
- Underlying operating profit margin of 1.7%, up 18 basis points.
- Strategic acquisition of Ridgeway for £106.9m.
- Three new flagship Jaguar Land Rover dealerships opened during the year.

Daksh Gupta, Group Chief Executive, said:

"Following our IPO in 2015, 2016 was another transformational year for the Group and the Board is delighted to announce another set of record results. This was underpinned by strong like-for-like organic growth, contributions from recent acquisitions and ongoing portfolio management. The strategic acquisition of Ridgeway was a unique opportunity for significant growth, extending our geographic footprint into new territories and further strengthening our brand partner relationships. We are now the 7th largest UK dealer group and remain well positioned to exploit further growth opportunities".

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

"I would like to take this opportunity on behalf of the Board to thank our entire team and our brand partners for their continued support."

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**underlying profit before tax is presented excluding non-underlying items (as set out in Note 5 to the financial statements below).*

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

Notes to Editors

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

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

In May 2016 the Group was recognised by the Great Place to Work Institute, being ranked the 19th best place to work in the UK (large company category). In November 2016 Marshall Leasing was named Fleet Service Company of the Year 2016 by the Association of Car Feet Operators (ACFO), an award it also won in 2010 and 2013.

Cautionary statement

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

Marshall Motor Holdings plc

Annual results for the year ended 31 December 2016

Chairman's Statement

Introduction

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

Strategy

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

Results

The Group has delivered another record year:

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

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

Dividend

As previously stated, the Board intends to maintain a progressive dividend policy where dividends are covered between 4 to 5 times by underlying earnings. The Board is therefore pleased to recommend a final dividend of 3.70p per share which, with the interim dividend of 1.80p per share, gives a total dividend for the Year ended 31 December 2016 of 5.50p per share.

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

People and Partnerships

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

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

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

AGM

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

Outlook

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

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

Peter Johnson
Chairman

14 March 2017

**underlying profit before tax is presented excluding non-underlying items (as set out in Note 5 to the financial statements below)*
***2015 comparative calculated utilising 2016 weighted average number of shares in issue*

****excluding asset-backed leasing loans (see Net Debt Reconciliation)*

Operating Review

Overview

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

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

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

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

Following the UK referendum on EU membership in June 2016, the overall UK economy has entered a period of economic uncertainty. This was reflected in a slowing of growth of new car registrations in the second half of 2016, increasing by 1.2% (H1: 3.2%). Despite this, our performance in the second half of the Year strengthened, with like-for-like new car sales in the second half of the Year up 8.1% versus the comparable period in 2015.

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

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

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

Class leading returns

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

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

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

Customer first

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

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

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

Retailing excellence

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

During the Year, the second iteration of the Group's bespoke management information ('MI') system, Phoenix 2, was implemented and in the second half of the Year was rolled out in our acquired businesses, allowing management to leverage the benefits of a significantly increased stock holding. Phoenix 2 also has a number of new modules developed to assist management operate their respective areas of responsibility.

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

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

People centric

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

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

Strategic growth

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

Retail segment

Twelve months ending 31 December 2016	**Revenue**		**Gross Profit**	
	£m	**mix***	**£m**	**mix**
New Car	983.3	51.6%	68.9	32.5%
Used Car	718.3	37.7%	50.7	23.9%
Aftersales	202.6	10.7%	92.3	43.6%
Internal	(44.5)			
Total	**1,859.7**	**100.0%**	**211.8**	**100.0%**

Twelve months ending 31 December 2015	**Revenue**		**Gross Profit**	
	£m	**mix***	**£m**	**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%**

* mix calculation excludes internal revenue

Overview

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

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

Integration of acquisitions

The integration of Ridgeway, which was acquired on 26 May 2016, is progressing well. The Group's operational, financial and commercial organisation has been restructured and key management information systems have been implemented such as Phoenix 2. More recently, all former Ridgeway and SGS car franchises have now been rebranded as "Marshall" and have a consistent online and social media strategy. Key supplier reviews have been carried out with the aim of harmonising terms and leveraging potential scale benefits.

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

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

Investment in new retail locations

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

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

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

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

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

Investment in existing businesses

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

- Croydon Mercedes-Benz Commercial: extension of aftersales facility;
- Bexley Audi: showroom extension and customer experience refurbishment;
- Melton Mowbray Land Rover: significant site expansion;
- Mercedes-Benz Blackpool, Preston and South Lakes: aftersales customer experience refurbishment;
- Bedford Land Rover: new PDI facility centre opened to support the planned redevelopment of Bedford Land Rover;
- Mercedes-Benz Chichester: showroom refurbishment.

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

Acquisitions

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

New vehicles

	2016	2015	Growth Total	Growth LFL
Total New Units	48,884	35,103	39.3%	5.5%

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

Despite tougher market conditions in the second half of the Year following the UK referendum on EU membership, the Group continued to grow new unit sales, achieving further strong like-for-like growth in the second half of the Year of 8.1% versus market growth of 1.2%.

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

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

Total gross profit from new vehicles increased by 50.7%.

Used vehicles

	2016	2015	Growth Total	Growth LFL
Total Used Units	37,787	27,699	36.4%	0.4%

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

The increase in the Group's scale and stock holding following the acquisitions of SGS and Ridgeway have allowed the Group to offer more availability and choice for customers. The Group's entire used car stock is visible and available to all dealerships through the Group's bespoke MI platform, Phoenix 2.

As we have seen in the new car market, PCP finance penetration is increasing in the used car market. During the Year, over 50% of used vehicles purchased from the Group on finance were made using a PCP product. This helps stabilise and protect residual values which underpin the PCP financing model as well as providing further aftersales and servicing opportunities.

Total gross profit from used vehicles increased by 52.5%.

Aftersales

	2016	2015	Growth Total	Growth LFL
Revenue (£m)	202.6	127.8	58.4%	5.7%

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

Aftersales involves the servicing, maintenance and repair of vehicles. In addition to our franchised dealerships, the Group now operates five standalone bodyshops, five trade parts centres and one PDI centre. Aftersales contributed 43.6% of retail gross profit and, therefore, makes a significant financial contribution to the Group which is important in the context of a more cyclical new car market. The aftersales market is highly dependent on the UK vehicle parc which has seen a period of 5 consecutive years of growth. As such, the UK car parc currently stands at c.34m vehicles, increasing over recent years as a result of the strong new car market.

As well as supporting new and used car sales, PCP also aids customer retention in aftersales. Vehicles sold on finance are frequently sold with service plans which allow customers to plan and budget for service costs with a higher level of certainty and ensuring repeat visits to the dealership. The cycle of vehicle replacement on PCP builds customer relations and improves loyalty.

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

Leasing segment

	2016	2015
Additions	2,185	1,771
Disposals	2,022	1,773
Fleet	6,192	6,029

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

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

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

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

Robust risk management and control is a core discipline of the leasing segment's business model and the segment employs sophisticated techniques to monitor and control residual value risk. As anticipated there has been some pressure on disposal profitability during the Year driven in part by the mix of vehicles de-fleeting.

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

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

Summary

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

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

Daksh Gupta
Chief Executive Officer
14 March 2017

Financial Review

Group results

Turnover: £1.9bn
2015: £1.2bn

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

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

Operating expenses of £191.4m were 50.6% higher than the same period last year, primarily driven by the impact of acquisitions. Within our retail segment, operating overheads on a like-for-like basis grew by 5.2%, significantly below revenue growth rate.

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

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

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

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

Finance costs and taxation

Finance costs: £6.9m
2015: £2.9m

Finance costs of £6.9m were £4.0m higher than the same period last year. This was driven by a number factors, principally in connection with the Ridgeway acquisition. The acquisition was funded by a combination of cash on the Group's balance sheet (£24.1m as at 31 December 2015), the release of equity from the Group's previously unencumbered retail inventory (£49.4m as at 31 December 2015, the partial release of equity from the leasing fleet (£11.1m at 31 December 2015) and the first time drawing against the Group's previously un-utilised £120m revolving credit facility ("RCF"). In addition, the Group incurred various arrangement fees and non-utilisation charges in relation to the RCF.

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

Acquisitions

Spend (net of cash acquired): £94.5m
2015: £21.5m

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

As disclosed at the time of the acquisition, Ridgeway's consolidated statutory accounts for the year ended 31 December 2015 included a contingent liability note in respect of various historic film tax planning initiatives. Subsequent to the Year end, I am pleased to announce the Group has reached a full and final settlement agreement with HMRC for the sum of £4.2m. This amount has been included as part of the fair value exercise and will be paid during the course of 2017 and 2018.

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

Adjusted net debt

£54.5m
2015: £24.1m (net cash)

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

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

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

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

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

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

Dividends

5.50p per share
2015: 2.98p per share

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

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

The Board intends to maintain a progressive dividend policy whereby dividends are covered between 4 to 5 times underlying earnings and paid in an approximate one-third (interim dividend) and two-thirds (final dividend) split.

Mark Raban
Chief Financial Officer

14 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016	2015
		£'000	£'000
Revenue	3	1,899,405	1,232,761
Cost of sales		(1,678,949)	(1,087,452)
Gross profit		**220,456**	**145,309**
Operating expenses	4	(191,402)	(127,063)
Group operating profit		**29,054**	**18,246**
Finance costs	6	(6,903)	(2,883)
Profit before taxation		**22,151**	**15,363**
Analysed as:			
Underlying profit before tax		25,400	15,838
Non-underlying items	5	(3,249)	(475)
Taxation	7	(4,397)	(3,649)
Profit for the year		**17,754**	**11,714**

Attributable to:			
Owners of the parent		17,762	11,721
Non-controlling interests		(8)	(7)
		17,754	11,714
Total comprehensive income for the year net of tax		**17,754**	**11,714**
Attributable to:			
Owners of the parent		17,762	11,721
Non-controlling interests		(8)	(7)
		17,754	**11,714**
Earnings per share (expressed in pence per share)			
Basic earnings per share	8	23.0	19.7
Diluted earnings per share	8	22.3	19.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	**Share capital**	**Share premium**	**Retained earnings**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total equity**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2015		**2,250**	**-**	**63,870**	**66,120**	**36**	**66,156**
Profit for the year		-	-	11,721	11,721	(7)	11,714
Total comprehensive income		**-**	**-**	**11,721**	**11,721**	**(7)**	**11,714**
Transactions with owners							
Dividends paid		-	-	(15,448)	(15,448)	-	(15,448)
Issue of share capital		47,181	19,672	-	66,853	-	66,853
Share based payment charge		-	-	556	556	-	556
Deferred tax on share based payments		-	-	82	82	-	82
Balance at 31 December 2015		**49,431**	**19,672**	**60,781**	**129,884**	**29**	**129,913**
Profit for the year		-	-	17,762	17,762	(8)	17,754
Total comprehensive income		**-**	**-**	**17,762**	**17,762**	**(8)**	**17,754**
Transactions with owners							
Dividends paid	9	-	-	(3,251)	(3,251)	-	(3,251)
Issue of share capital		100	-	(100)	-	-	-
Share based payments charge		-	-	1,313	1,313	-	1,313

Deferred tax on share based payments	-	-	(70)	(70)	-	(70)
Balance at 31 December 2016	**49,531**	**19,672**	**76,435**	**145,638**	**21**	**145,659**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

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

Total liabilities	**655,993**	**327,633**
Total equity and liabilities	**801,652**	**457,546**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2016

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

NET DEBT RECONCILIATION

For the year ended 31 December 2016

	2016	2015
	£'000	**£'000**
Reconciliation of net cash flow to movement in (net debt)/cash		
(Reduction)/increase in net cash and cash equivalents	(24,047)	22,304
Proceeds from drawdown of RCF	(35,000)	-
Repayment of asset backed borrowings	37,308	30,811
Proceeds of asset backed borrowings	(50,444)	(28,642)
Repayment of other borrowings	7,382	-
Debt acquired with acquisitions	(25,705)	-
Derivatives acquired with acquisitions	(1,258)	-
Movement in net debt	(91,764)	24,473
Opening net debt	(27,247)	(51,720)
Net debt at period end	**(119,011)**	**(27,247)**

Asset backed finance within leasing segment	(64,513)	(51,377)
Adjusted (net debt)/cash at year end (non GAAP measure)	**(54,498)**	**24,130**

NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 December 2016

1. General information

Marshall Motor Holdings plc (the 'Company') is a Public Limited Company which is listed on the Alternative Investment Market ("AIM"), and incorporated and domiciled in the United Kingdom. The address of the registered office is Airport House, The Airport, Cambridge, CB5 8RY. The Company is the holding company of a group of companies whose activities consist principally of car and commercial vehicle sales, leasing, distribution, service and associated activities (the "Group"). The registered number of the Company is 2051461.

The condensed consolidated financial information for the year to 31 December 2016 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies applied are consistent with those set out in the Marshall Motor Holdings plc Annual Report and Accounts 2015 published on 21 March 2016.

The financial information contained within this preliminary announcement for the years to 31 December 2016 and 31 December 2015 does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts, prepared under UK GAAP, for the year to 31 December 2015 have been filed with the Registrar of Companies and those for the year to 31 December 2016 will be filed following the Company's annual general meeting. The auditors' reports on the statutory accounts for the years to 31 December 2016 and 31 December 2015 are unqualified, do not draw attention to any matters by way of emphasis, and do not contain any statement under section 498 of the Companies Act 2006.

A copy of the full Group accounts that comply with IFRSs for the period ended 31 December 2016 can be found at www.mmhplc.com from 20 March 2017.

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

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

In preparing the preliminary announcement, the Directors have also made reasonable and prudent judgements and estimates and prepared the preliminary announcement on the going concern basis. The preliminary announcement and management report ontained herein give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

3. Segmental information

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

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

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

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

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

Segmental information

For the year ended 31 December 2015	Retail *(see below)* £'000	Leasing £'000	Unallocated £'000	Total £'000
Revenue				
Total revenue	1,195,506	37,022	233	1,232,761
Total revenue from external customers	**1,195,506**	**37,022**	**233**	**1,232,761**
Depreciation and amortisation	**(3,801)**	**(8)**	**(18)**	**(3,827)**
Segment operating profit/(loss)	20,258	6,001	(8,013)	18,246
Finance cost	(1,498)	(1,125)	(260)	(2,883)
Underlying profit before tax	18,760	4,876	(7,798)	15,838
Non-underlying items	-	-	(475)	(475)
Profit/(loss) before taxation	**18,760**	**4,876**	**(8,273)**	**15,363**
Total assets	297,195	74,691	85,660	457,546
Total liabilities	225,572	60,356	41,705	327,633
Additions in the period (including acquisitions)				
Property, plant, equipment and software assets	16,585	29,738	-	46,323

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

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

4. Operating expenses

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

	191,402	**127,063**

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

5. Non-underlying items

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

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

6. Finance costs

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

7. Taxation

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

8. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares during the year and the diluted weighted average number of ordinary shares in issue in the year after taking account of the weighted average dilutive impact of shares under option of 2,380,040 at 31 December 2016 (2015: 1,929,528).

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

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

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

9. Dividends

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

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

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

10. Property, plant and equipment

	Freehold and long leasehold land and buildings	Leasehold improvement	Plant and equipment	Assets held for contract rental	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2015	33,017	3,645	25,863	95,636	-	158,161
Additions at cost	2,670	4,609	2,403	29,732	-	39,414
Additions on acquisition	4,137	1,636	977	-	-	6,750
Disposals	-	(19)	(648)	(28,478)	-	(29,145)
Transfers	(2,443)	2,501	(1,418)	-	-	(1,360)

At 31 December 2015	**37,381**	**12,372**	**27,177**	**96,890**	**-**	**173,820**
Additions at cost	1,370	236	3,545	35,537	23,633	64,321
Additions on acquisition	53,276	2,872	5,007	-	3,899	65,054
Disposals	(1,397)	(278)	(3,443)	(30,483)	-	(35,601)
Transfers	17,857	(187)	2,840	-	(20,510)	-
At 31 December 2016	**108,487**	**15,015**	**35,126**	**101,944**	**7,022**	**267,594**
Accumulated Depreciation						
At 1 January 2015	9,361	1,210	19,181	37,372	-	67,124
Charges for the year	313	701	2,586	17,210	-	20,810
Disposals	-	-	(408)	(20,153)	-	(20,561)
Transfers	(553)	629	(914)	-	-	(838)
At 31 December 2015	**9,121**	**2,540**	**20,445**	**34,429**	**-**	**66,535**
Charges for the year	934	1,146	3,758	17,343	-	23,181
Disposals	(1,103)	(259)	(3,057)	(19,514)	-	(23,933)
Transfers	44	(44)	-	-	-	-
At 31 December 2016	**8,996**	**3,383**	**21,146**	**32,258**	**-**	**65,783**
Net book amount						
At 31 December 2015	28,260	9,832	6,732	62,461	-	107,285
At 31 December 2016	**99,491**	**11,632**	**13,980**	**69,686**	**7,022**	**201,811**

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

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