Marshall

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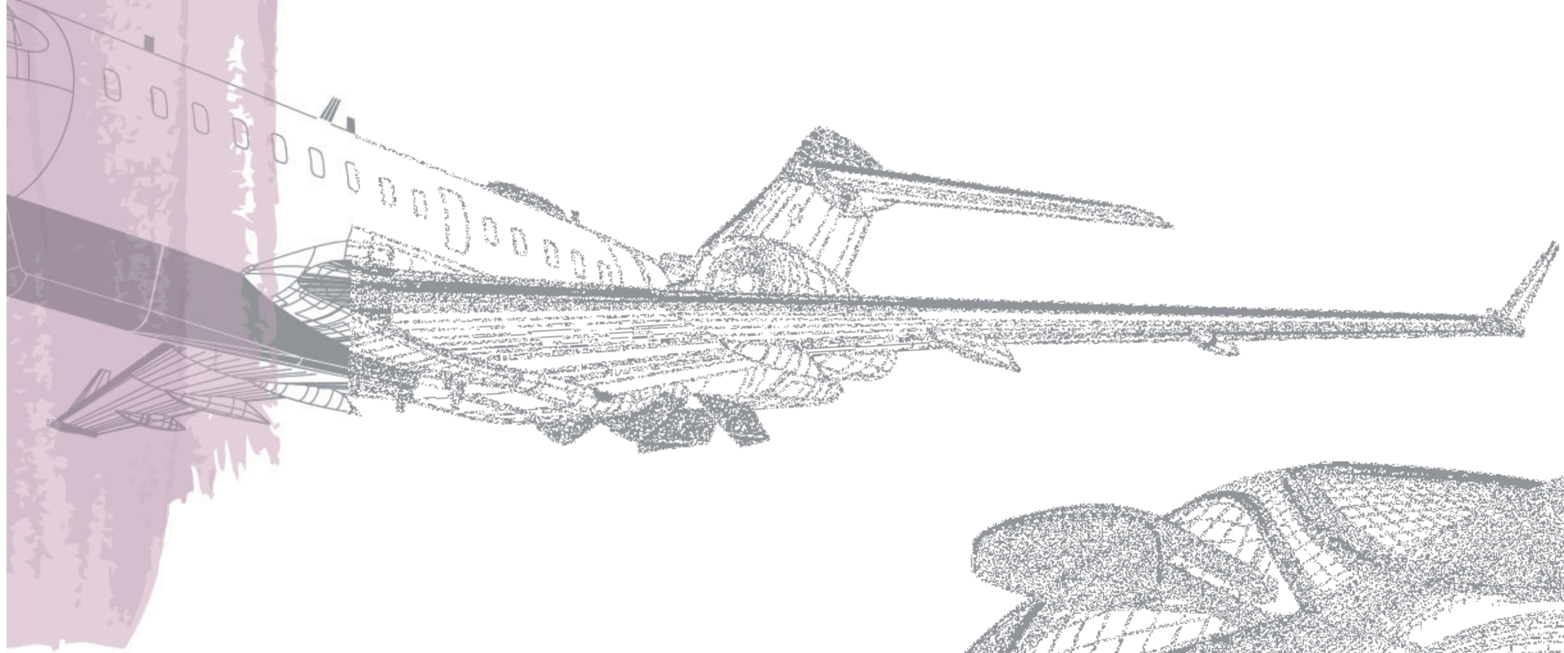
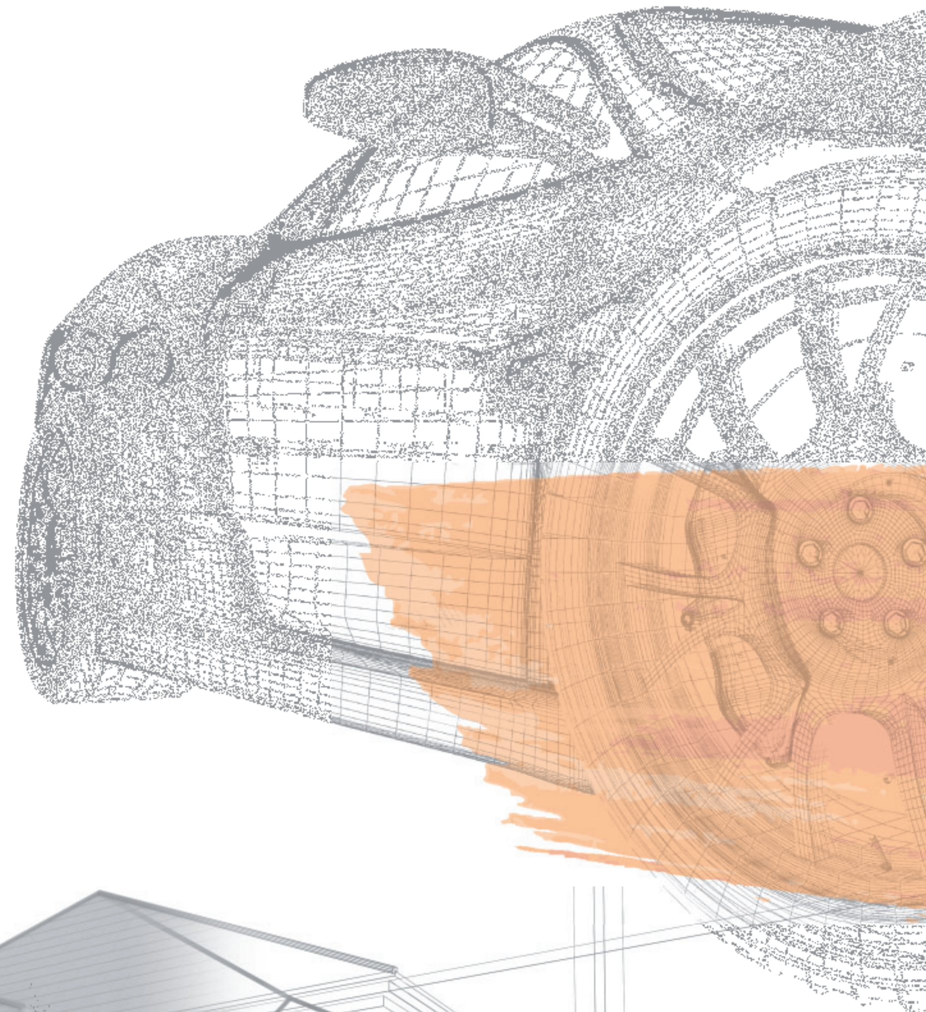
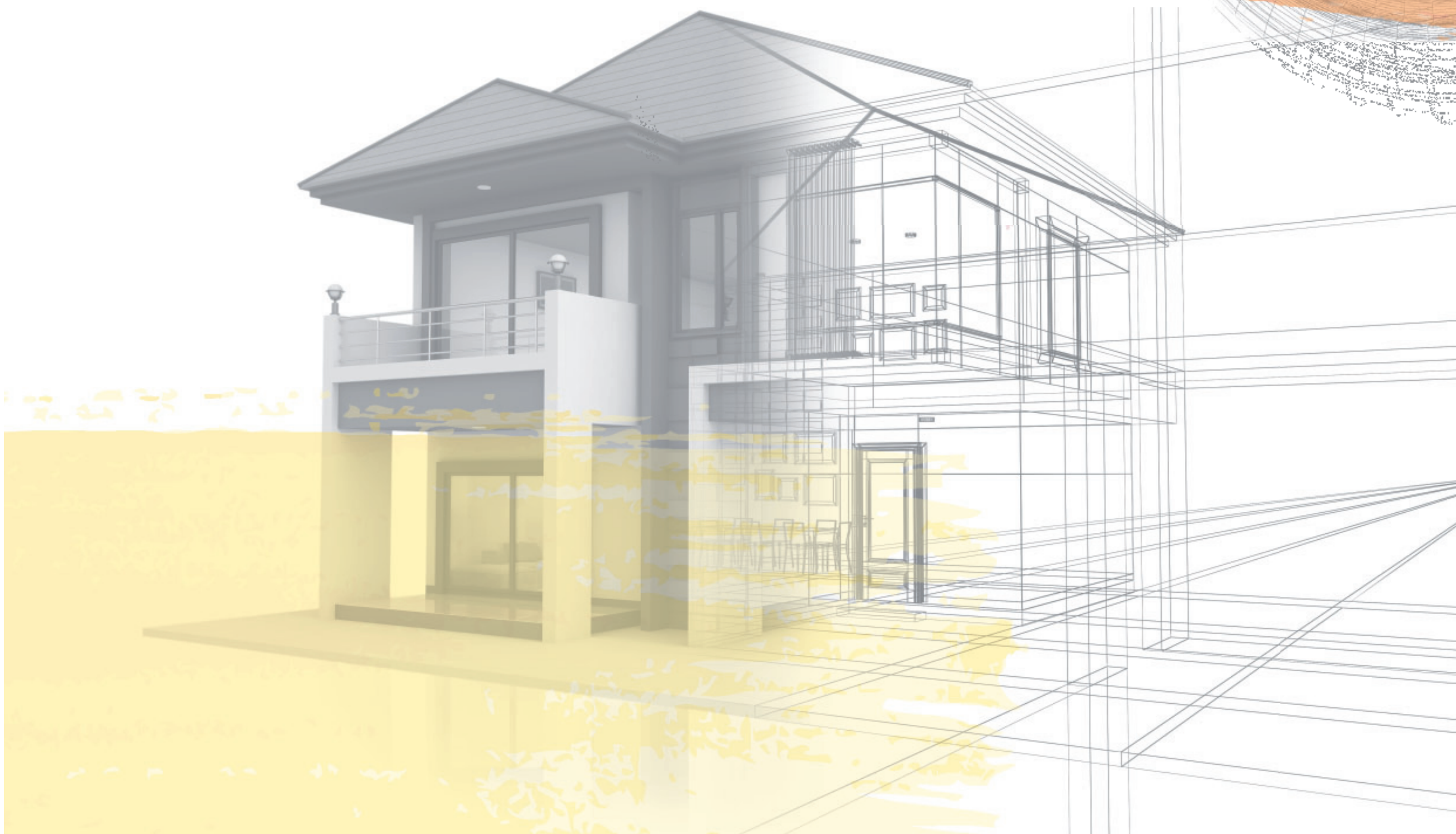




Marshall

Interim Report and Accounts 2019



Headlines

for the six months ended 30th June, 2019

- Revenue of £1.35bn (2018 - £1.31bn)
- Statutory profit before tax of £16.5m (2018 - £39.8m)
- Underlying profit before tax of £19.2m (2018 - £19.7m – see note 3)
- Maintained interim dividend at 1p for Ordinary shares and 3p for Non-Voting Priority Ordinary (NVPO) shares
- Announcement on 14th May relating to the relocation of Marshall Aerospace and Defence Group (MADG) and submission of the Cambridge Airport site for development in the next Local Plan
- MADG signs several C-130 support and modification contracts to broaden the depth of work on the platform and also partners with Boeing to commence preparatory work for the E-7 Wedgetail programme
- Detailed planning permission received on first elements of the Wing development, which has now been renamed as Marleigh
- Marshall Motor Holdings plc (MMH) completes the acquisition of six Škoda dealerships making it the largest Škoda dealer in the United Kingdom

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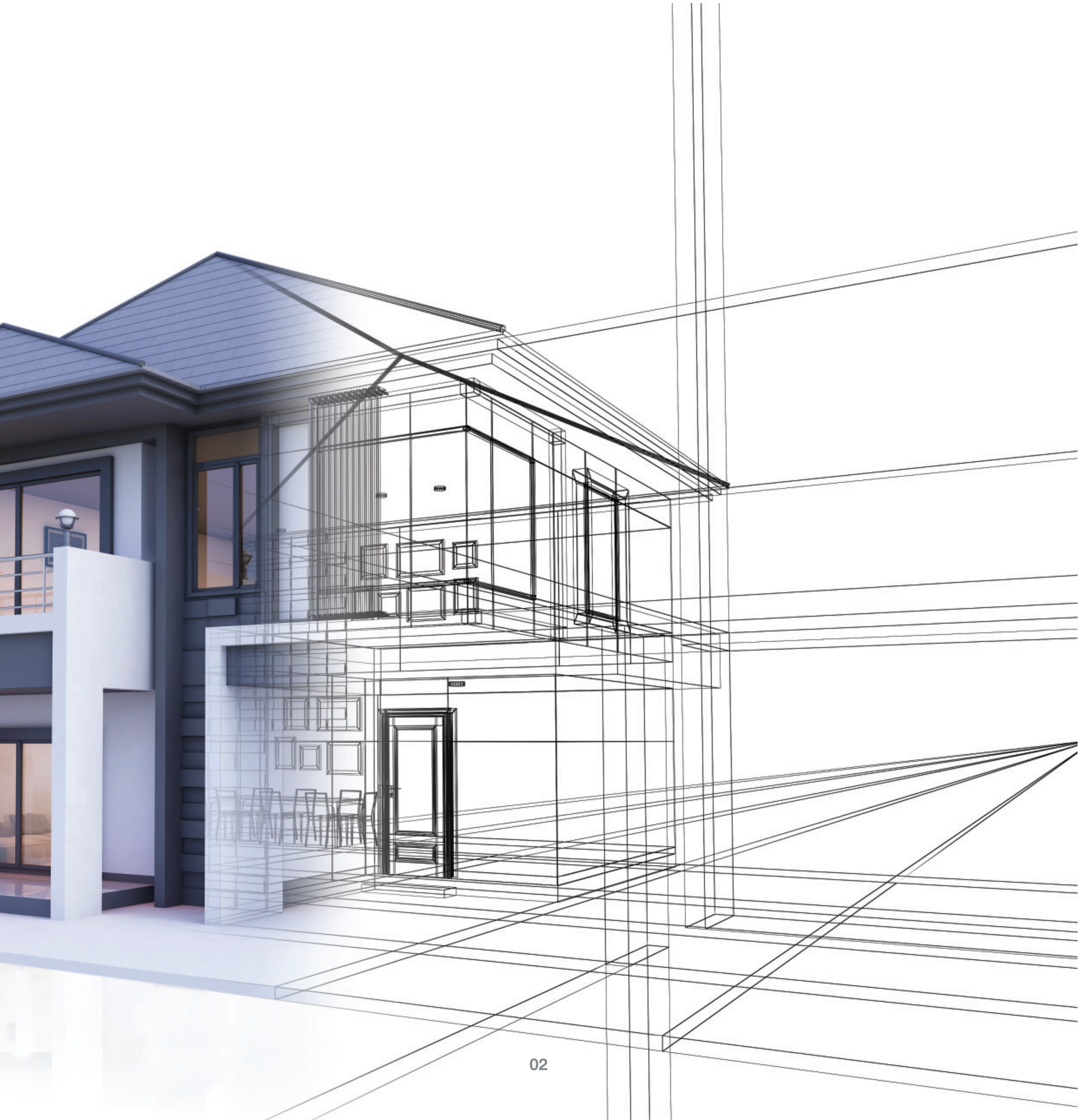


Purpose

One Company united by a common purpose and culture, committed to serving our customers and the community.

Marshall is a unique private company committed to making a difference through providing support and services to its growing customer base; support which cannot be provided as effectively by others. At its core, Marshall is determined to develop and deliver long term value whilst also noticeably contributing to making Cambridge a better place.

Serve our customers in a way that no one else can

Our success relies on our unfaltering customer focus. We work tirelessly to meet all our customers' needs, delivering tailored solutions in all of our sectors.

Creating long term value

We continue to invest in our long-term future in areas of sustainable growth and opportunity. We seek to generate value for our business and our customers in all we do.

Making Cambridge a better place

We remain committed to supporting Cambridge's extraordinary growth and development. In addition to our influence on the city's growth, we provide a vast range of skills development and employment opportunities.

Sir Michael Marshall CBE DL
1932 - 2019

Chairman's Statement

I cannot introduce our half year report without starting by saying how shocked and deeply saddened we were to hear of the unexpected death of our President, Sir Michael Marshall on 27th July, while on holiday with his wife, Sibyl, and close friends.

Sir Michael's contribution to, and impact on, this business over 64 years has been remarkable and Marshall of Cambridge would not be what it is today without his inspirational and visionary leadership. Sir Michael was, however, much greater than can be defined by his role in this company and we have all shared great pride in the amazing tributes which have been paid to him from a huge number of communities in Cambridge, across the country and around the world, by those who were so positively impacted by his drive and enthusiasm for making a difference. We understand that there will be an opportunity later in the year for us all to celebrate his many remarkable achievements.

Sir Michael will be greatly missed but he will never be forgotten by us or anyone whose lives he touched and we look forward to delivering on the ambitious plans for the future of the Company for which Sir Michael showed so much excitement and enthusiasm.

The Company which Sir Michael led so brilliantly for nearly 30 years is well placed to deliver on those plans, with a strong board and a professional leadership team. We will continue to grow and develop the business according to the values and strong traditions which four generations of the Marshall family, more latterly Sir Michael and Robert, have fostered and embedded over more than a century. We will do this with pride and a great deal of respect.

Turning now to the first half of 2019, we continue to make progress against our strategic objectives.

On Tuesday 14th May, we made two important, linked announcements about our exciting and ambitious plans for the future of our businesses. First, we announced our intention to relocate MADG as part of our commitment to invest in the long-term future of this worldclass, unique company and, secondly, we confirmed that the Cambridge Airport site has been put forward for development as part of the next Local Plan from 2030.

We have always maintained, and it remains the case today, that we will only consider these moves when we are confident that our businesses will be stronger as a result of any move, and that Cambridge will benefit from the development of the site.

This is a huge undertaking and there is a great deal of work to be done before any final decisions can be made. The many projects involved will require careful planning and execution, but we anticipate that we will complete a move by 2030. In the meantime, our complete focus is on our employees and looking after our customers, as we have many significant contracts under way and a growing order book to fulfil in the coming years.

Our substantial investment programme for the business and the Cambridge site, including the refurbishment of ageing hangars, will not be affected by the announcement.

Within the day-to-day operations of the Group, MADG continues to grow its order book in line with its strategy to grow C-130 revenues globally. Orders won in the period include support for the 3rd, 4th and 5th C-130 aircraft sold by the MoD to the Bangladesh Air Force, along with maintenance and modification work for the US Navy.

MMH continues to outperform its market and grow by acquisition and the various enabling and development projects within Marshall Group Properties have progressed in line with expectations.

There remains considerable uncertainty around the details of the UK Government's strategy on how to leave the European Union, making its impact difficult to assess. The Board, therefore, continues to monitor the position closely.

Notwithstanding the prevailing economic conditions, the Board is pleased with the Group's progress and has decided to maintain the interim dividend at 1.0p per share for both Ordinary and NVPO shares, and pay the priority dividend of 2.0p on the NVPO shares.

This will be paid on 13th December, 2019 to all shareholders on the register at 22nd November, 2019.

In the year of our company's 110th anniversary, the Board remains committed to increasing shareholder value, through operational improvements and selected growth opportunities, which are in line with the Group's strategic aspirations.

Alex Dorrian CBE
Executive Chairman
16th August, 2019

Operating and Financial Review

The first half of 2019 has seen us continue to make progress against our strategic objectives.

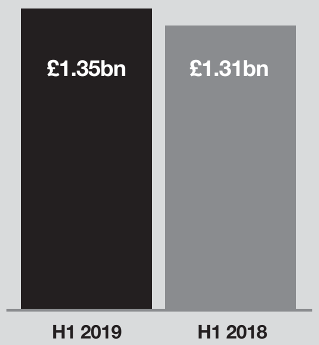
Aerospace and Defence (MADG)

Our complex engineering project (Global 6000 aircraft integration) continues to progress well against the plan established in August 2017. The first aircraft achieved a major milestone in May with the delivery to the customer in-country, where acceptance testing will continue. Flight testing of the second aircraft was successfully completed in February enabling regulatory approval to be obtained for the modified aircraft. Subsequent progress on the conversion of this aircraft into its fully equipped configuration has been in line with schedule, with delivery of the aircraft to the customer anticipated towards the end of 2019.

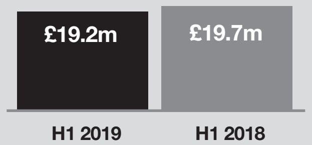
In line with the Board's expectation, underlying profitability in MADG is higher than the corresponding period last year. Aerostructures continues to deliver a strong financial performance along with maintaining a high standard of service that is recognised by the customer.

Military Aerospace results continue to show improvement with several operational initiatives focussed on improving productivity and reducing the time aircraft spend in the hangar. The £2.2m refurbishment of Hangar 10 enabled the Centre Wing modification programme on the entire UK fleet of C-130 aircraft to commence in the second half of the year.

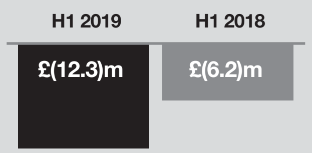
Group KPIs



Revenue



Underlying Profit
Before Tax



Net Debt

During 2018, Land Systems secured several strategically important orders resulting in a growth in order book from £60m at the beginning of 2018 to £170m by the end of the year. The order book has continued to grow in 2019, reaching £200m at the half-year stage (an increase of 19%). Work has now commenced on the Dutch shelters contract (DVOW) with the first deliveries achieved in July.

The overall MADG order book stood at £900m at the end of the period. Excluding the longterm contract for the UK C-130 fleet, the order book was just over £600m, an increase of 33% from the year end position and is further supported by a number of pipeline opportunities across the business.

£900m
Order Book

1.5m ft²
Hangar Space

Properties

A key enabling project for all of our development opportunities in Cambridge is the construction of an Aircraft Ground Running Enclosure (GRE). Work progressed on schedule during 2019 with construction now complete, along with acoustic testing, and we await formal approval from the planning authority which is expected imminently.

The Wing development to the north of Newmarket Road has been renamed Marleigh and marketing activity has now commenced. Infrastructure works are advancing rapidly and with detailed planning permission expected to be granted later in the year, house building and the opportunity for customers to reserve their new home will commence during 2020.

The other major development, Land North of Cherry Hinton, is in the outline planning stage, with a resolution to grant permission expected from Cambridge's Joint Development Control Committee sometime later in the year.

Ventures

Marshall Motor Holdings plc (MMH) issued interim results on 13th August, 2019 stating that the UK new and used car markets remain challenging with pressure on volumes. Additionally, documented cost headwinds for the wider retail sector, together with recent margin pressure in the used car market, are also impacting results. During the period MMH outperformed the market in both retail and fleet new vehicle unit sales, continued strong growth in used vehicle unit sales and achieved further growth in aftersales revenues.

Given continued weak consumer confidence as a result of ongoing political uncertainty over Brexit, cost headwinds in the retail sector and the potential for new vehicle supply constraints in the lead up to the implementation of further emissions-related regulations on 1st September, 2019, MMH believes it is right to remain cautious regarding the outlook for the remainder of the year.

Marshall Fleet Solutions (MFS) has experienced the usual seasonal lull in the first half of 2019. With a healthy order book for new units, results are expected to improve in the second half.

Martlet Capital, our fund which invests in early stage technology companies, continues to achieve healthy returns and realised cash from the trade sale of an investment. Along with several follow-on investments, at the half-year point, the fund has also invested in one new company.

Financial Review

To be consistent with the 2018 Annual Report, comparative results have been restated in relation to the transfer of land to the joint venture entities. Due to the long-term nature of the transaction the value of the debtor and resulting profit was reduced by discounting the estimated cash flows. The full year results for 2018 already took this into account.

Group revenue increased slightly to £1.35bn from that achieved in the prior year. After adjusting for separately disclosed exceptional items, as highlighted in note 3, underlying profit was £19.2m for the first six months of 2019, compared with £19.7m in 2018. Statutory profit before tax for the period was £16.5m (2018 - £39.8m).

MMH delivered strong cash generation during the period with net cash improving by £4.9m. This was achieved after: paying £6.0m to complete the process of eliminating all outstanding historic defined benefit pension liabilities; investing £3.5m in the acquisition of six ŠKODA dealerships; buying freehold property in Northampton for £1.7m and; the impact of incremental dividend payments compared to the prior year, following the change to its dividend policy.

The Group ended the half year with a consolidated adjusted net debt of £12.3m (December 2018 closing net debt was £2.4m), as a result of the unwind of provisions and increased investment in our hangars.

Risks and Uncertainties

The Group's performance over the remaining six months of the financial year may be impacted materially by a number of potential risks and uncertainties which could have an effect on the actual results. These include: a decline in the general economic environment, budgetary pressures on UK and overseas military customers which might lead to a reduction in orders, the yet unknown impact of Brexit and any significant delay and/or cost escalation in our most complex engineering project.

The Directors do not consider that the underlying principal risks and uncertainties have materially changed since the publication of the annual report for the year ended 31st December, 2018.

Consolidated Income Statement

for the six months ended 30th June, 2019

	Note	Six months ended 30th June, 2019 (unaudited) £'000	Restated Six months ended 30th June, 2018 (unaudited) £'000	Year ended 31st December, 2018 (audited) £'000
GROUP REVENUE	2	**1,345,922**	1,311,297	2,483,942
Cost of sales		**(1,174,725)**	(1,118,459)	(2,112,152)
GROSS PROFIT		**171,197**	192,838	371,790
Net operating expenses		**(151,439)**	(172,546)	(350,970)
Profit on transfer of land to joint ventures		**-**	22,621	22,621
Other income		**-**	-	2,708
GROUP OPERATING PROFIT		**19,758**	42,913	46,149
Net finance charges		**(3,285)**	(3,147)	(5,710)
PROFIT BEFORE TAXATION		**16,473**	39,766	40,439
Analysed as:				
Underlying profit before tax		**19,151**	19,713	36,038
Separately disclosed exceptional items	3	**(2,678)**	20,053	4,401
Tax charge on profit on ordinary activities		**(3,861)**	(10,051)	(9,895)
PROFIT AFTER TAXATION		**12,612**	29,715	30,544
Attributable to:				
Owners of the parent		**9,073**	25,995	27,678
Non-controlling interests		**3,539**	3,720	2,866
		12,612	29,715	30,544
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE		**14.7p**	43.4 p	45.6p
UNDERLYING EARNINGS PER ORDINARY SHARE		**17.9p**	17.2 p	33.9p

Consolidated Balance Sheet

as at 30th June, 2019

	30th June, 2019 (unaudited) £'000	Restated 30th June, 2018 (unaudited) £'000	Year ended 31st December, 2018 (audited) £'000
FIXED ASSETS			
Intangible assets	**96,612**	109,503	94,752
Tangible assets	**251,729**	223,345	237,905
Investments	**6,193**	5,180	6,601
TOTAL FIXED ASSETS	**354,534**	338,028	339,258
CURRENT ASSETS			
Stocks	**404,246**	377,887	406,034
Debtors - Amounts falling due within one year	**244,791**	219,993	158,270
- Amounts falling due after more than one year	**29,375**	27,355	28,330
Cash at bank and in hand	**11,938**	9,802	12,900
	690,350	635,037	605,534
CREDITORS: amounts falling due within one year			
Bank loans and overdrafts	**(18,735)**	(9,828)	(9,632)
Other creditors	**(700,842)**	(643,050)	(609,992)
	(719,577)	(652,878)	(619,624)
NET CURRENT LIABILITIES	**(29,227)**	(17,841)	(14,090)
TOTAL ASSETS LESS CURRENT LIABILITIES	**325,307**	320,187	325,168
CREDITORS: amounts falling due after more than one year			
Bank loans and overdrafts	**(5,505)**	(6,145)	(5,665)
Other creditors	**(21,048)**	(6,015)	(13,673)
	(26,553)	(12,160)	(19,338)
PROVISION FOR LIABILITIES	**(20,438)**	(32,738)	(37,928)
NET ASSETS BEFORE PENSION LIABILITY	**278,316**	275,289	267,902
PENSION LIABILITY	**(9,809)**	(11,533)	(9,860)
NET ASSETS	**268,507**	**263,756**	**258,042**
CAPITAL AND RESERVES			
Called up share capital	**15,785**	15,785	15,785
Share premium account	**611**	611	611
Capital redemption reserve	**130**	130	130
Cashflow hedge reserve	**(1,215)**	-	(1,215)
Profit and loss account	**182,258**	176,481	173,557
SHAREHOLDERS' FUNDS	**197,569**	193,007	188,868
Non-controlling interests	**70,938**	70,749	69,174
TOTAL CAPITAL EMPLOYED	**268,507**	**263,756**	**258,042**

Net Debt Reconciliation

as at 30th June, 2019

	Six months ended 30th June, 2019 (unaudited) £'000	Six months ended 30th June, 2018 (unaudited) £'000	Year ended 31st December, 2018 (audited) £'000
Cash at bank and in hand	**11,938**	9,802	12,900
Bank loans and overdrafts due in less than one year	**(18,735)**	(9,828)	(9,632)
Bank loans and overdrafts due in more than one year	**(5,505)**	(6,145)	(5,665)
Net debt at end of period	**(12,302)**	**(6,171)**	**(2,397)**

Consolidated Statement of Cash Flows

for the six months ended 30th June, 2019

	Six months ended 30th June, 2019 (unaudited) £'000	Six months ended 30th June, 2018 (unaudited) £'000	Year ended 31st December, 2018 (audited) £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**26,909**	5,293	44,752
INVESTING ACTIVITIES			
Interest received	**51**	44	222
Payments to acquire fixed assets and investments	**(22,093)**	(14,686)	(48,014)
Receipts from sales of fixed assets and investments	**1,220**	2,529	7,555
Receipts from sales of businesses/subsidiaries	**-**	589	-
Acquisition of non-controlling interest in subsidiaries	**-**	(50)	(50)
Acquisition of businesses	**(5,582)**	-	-
Net cash outflow from investing activities	**(26,404)**	(11,574)	(40,287)
FINANCING ACTIVITIES			
Bank and stock finance interest paid	**(3,452)**	(3,300)	(6,670)
Equity dividends paid	**(372)**	(372)	(4,013)
Dividends paid to non-controlling interests	**(1,775)**	(1,167)	(1,758)
Proceeds from borrowings	**25,000**	19,000	32,354
Repayment of borrowings	**(20,160)**	(16,772)	(30,802)
Settlement of exercised share awards	**(708)**	(968)	(968)
Net cash outflow from financing activities	**(1,467)**	(3,579)	(11,857)
(DECREASE) IN CASH AT BANK AND IN HAND	**(962)**	(9,860)	(7,392)
CASH BALANCE AT START OF PERIOD	**12,900**	19,662	19,662
Effect of exchange rates on cash and cash resources	**-**	-	630
Decrease in cash and cash equivalents	**(962)**	(9,860)	(7,392)
CASH BALANCE AT CLOSE OF PERIOD	**11,938**	9,802	12,900

Notes to the Interim Report and Accounts

1. Basis of preparation

These unaudited statements have been prepared in compliance with applicable UK accounting standards.

2. Segmental Analysis

Revenue	Six months ended 30th June, 2019 (unaudited) £'000	Six months ended 30th June, 2018 (unaudited) £'000	Year ended 31st December, 2018 (audited) £'000
Aerospace and defence	137,961	126,713	247,778
Property	3,794	3,929	7,951
Ventures			
Motor retail	1,183,267	1,162,904	2,186,887
Fleet solutions	23,233	20,822	47,443
Consolidation adjustments	(2,333)	(3,071)	(6,117)
Total	**1,345,922**	1,311,297	2,483,942

Profit before tax	Six months ended 30th June, 2019 (unaudited) £'000	Restated Six months ended 30th June, 2018 (unaudited) £'000	Year ended 31st December, 2018 (audited) £'000
Aerospace and defence	6,238	6,071	12,138
Property	1,814	23,777	25,628
Ventures			
Motor retail	13,347	14,248	10,861
Fleet solutions	(738)	(621)	(1,733)
Unallocated central costs	(4,188)	(3,709)	(6,455)
Total	**16,473**	39,766	40,439

3. Separately disclosed exceptional items

	Six months ended 30th June, 2019 (unaudited) £'000	Restated Six months ended 30th June, 2018 (unaudited) £'000	Year ended 31st December, 2018 (audited) £'000
Amortisation of intangible fixed assets	(1,926)	(2,568)	(4,791)
Impairment of intangible fixed assets	-	-	(13,011)
Restructuring (costs) / release	(170)	-	1,232
Cyber security incident response	-	-	(772)
Profit on transfer of land to joint venture entities	-	22,621	22,621
Airport relocation and redevelopment project	(405)	-	-
Loss on disposal of tangible fixed assets	(177)	-	(878)
Separately disclosed exceptional items	**(2,678)**	20,053	4,401

* All items are included within net operating expenses.

The Group has incurred a number of exceptional material items, whose significance is sufficient to warrant separate disclosure.

4. Interim dividend

The Board has approved the payment of a maintained dividend of 1.0p per share on both Ordinary and NVPO shares, together with priority dividends of 2.0p per share on the NVPO shares. These dividends will be paid on 13th December, 2019 to all shareholders who are on the register of shareholders as at 22nd November, 2019.

5. Share prices

The market prices of the Group's shares at 30th June, 2019 were:

Marshall of Cambridge (Holdings) Ltd
Non-voting priority ordinary shares of 12.5p each – 316.0p (31st December, 2018 – 310.0p)

Marshall Motor Holdings plc
Ordinary shares of 64.0p each – 150.0p (31st December, 2018 – 156.0p)

A key enabling project for all of our development opportunities in Cambridge is the construction of an Aircraft Ground Running Enclosure (GRE).

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