Marshall

Interim Financial Statements

Marshall of Cambridge (Holdings) Limited

Six months ended 30th June 2013

Air
Sea
Land.

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Contents

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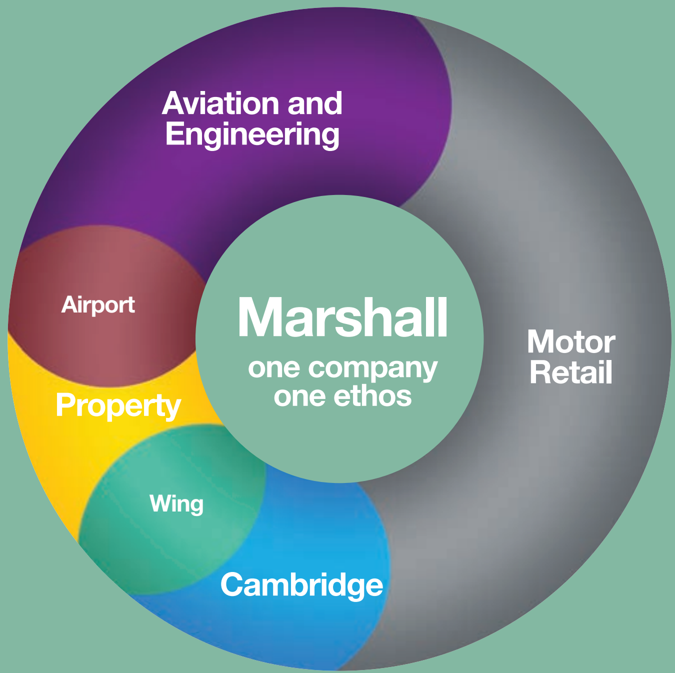
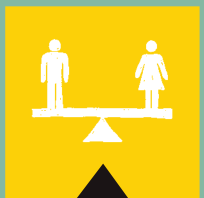
Highlights

- Turnover up 13% to £633m
- Profit before tax up to £4.8m from £1.9m
- Cash balances of £37m
- Net assets grown to £161.5m
- Interim dividend of 0.75p per share
- Flairjet Ltd acquired in February 2013
- Silver Street Automotive acquired in February 2013
- Queen's Award for Enterprise presented to Marshall Land Systems in July 2013
- Hawker Beechcraft Ltd acquired in August 2013
- Darwin Airlines commenced scheduled flights to Amsterdam, Geneva, Milan and Paris in September 2013, from our newly refurbished terminal

Strategic Outlook



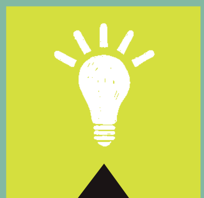
Our Values



Upholding the highest standards of integrity and fairness.

Putting our customers above all else.

Recognising that people are at the heart of our success.



Maintaining competitive edge through innovation and creativity.

Chairman's Statement

I am pleased to be able to report on our half year results for the period to 30th June 2013. This is the second time we have presented our interim Financial Statements which are designed to update you with our performance so far this year as well as other key changes and developments since our Annual General Meeting in May.

The economic environment appears to be improving and both of the main operating sub-groups have achieved profit performances in the first six months ahead of the equivalent position for 2012.

The motor retail business has benefitted from some of the additions, closures and changes we made to its franchise portfolio in 2012 as well as from a more vibrant new car retail market. During February, we were delighted to acquire the business of Silver Street Automotive, which brought Audi and Skoda to the Group and added to our Volkswagen portfolio.

From the beginning of the year, Marshall Aerospace and Marshall Land Systems were brought together to form the Marshall Aerospace and Defence Group. This business, whilst wrestling with a period of consolidation and rationalisation, following the merger, has continued, nevertheless, to perform ahead of our expectations so far this year.

Our HIOS and TRIOS programmes have continued to progress well, although some elements are now starting to wind down as older aircraft are retired from the RAF fleet. The business aviation operation is growing rapidly following the acquisition of Flairjet Limited in February and we were very pleased to be able to announce the acquisition of Hawker Beechcraft Limited in August. We were also pleased that Darwin Airways launched a new series of scheduled flights to four European destinations from the beginning of September through our newly refurbished and improved Terminal facilities.

Whilst it is too early to comment on the rest of the year's trading, the Board has been encouraged by the first half performance. In line with our stated intention of trying to improve gradually the return to shareholders, it is proposed to increase the interim dividend to 0.75p per share on both Ordinary and NVPO shares to be paid on 20th December 2013 together with the priority dividend of 2p on the NVPO shares. The payments will be made to all shareholders on the register at 29th November 2013.

Sir Michael Marshall
29th October 2013

Operational & Financial Performance

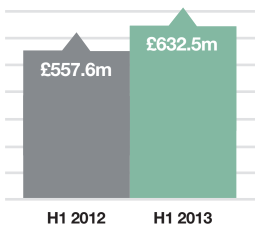
The Group recorded an increased profit before tax of £4.8m for the first six months of 2013 compared with £1.9m in the equivalent period in 2012, and is operating above the budget expectation for the first half. Sales increased by 13% to just under £633m. The Group continues to review loss making businesses and trim its cost base, with a number of initiatives continuing into the first half of 2013. As a result of these actions and an improving economic environment, both of the main trading entities in the Group are enjoying profitability ahead of the 2012 interim results. The Group maintained its strong cash position ending the first half with gross cash balances of £37.1m.

Motor retail

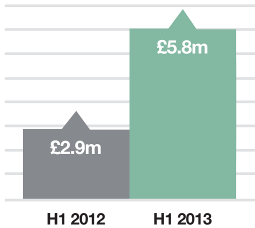
The new car market has seen a 10.0% increase in vehicle registrations in the first half of 2013. Marshall Motor Group has increased turnover by 27.3% whilst like-for-like retail sales are up 13.7%. With a strong new car market, industry indicators suggest that the used car market has fallen during the first half year. Despite this, the Group has seen a strong growth in used car sales, up 22.9% overall and over 15% on a like for like basis. Service absorption rates continue to drop in line with the industry trend but unit margins have improved over last year reflecting the change in brand mix. Our Leasing company also continues to perform well, benefitting from a favourable economic environment and stable residual values.

Financial Highlights

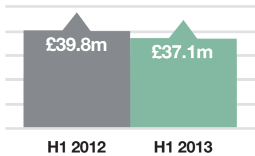
Turnover



Operating Profit



Cash



Aerospace and defence

Following the integration of Marshall Land Systems, the Marshall Aerospace and Defence Group has made solid operational progress in the first half of the year, with turnover up 3% and robust contract performances, particularly in HIOS.

Although the order book remains strong, the withdrawal of the C130K and TriStar from active service will be a challenge to the business going forward. There have been encouraging performances in our Aeropeople, Advanced Composites, Business Aviation and Airport divisions whilst our Land Systems businesses continue to satisfy our customers with exciting and innovative products. The result for 2013 is still dependent on the order intake and project delivery in the second half but progress continues in line with our expectations and is encouraging.

Property

The Wing project to develop the land north of Newmarket Road in Cambridge is progressing well, with a number of public consultations having already been successfully completed. The Group will continue its development of the overall project plan so as to be able to submit an outline planning application in due course. More recently, since June 2013, the Group has bought the freehold interest in its Kirkbymoorside premises in Yorkshire and the freehold title to its Land Rover dealership in Melton Mowbray.

Outlook

Defence budgets continue to come under pressure across the world and the forecast decline in UK military activity represents a challenge going forward. Nevertheless, the aerospace and defence business is planning for growth in the commercial and business aviation sectors and is about to implement a programme focused on improving efficiency and competitiveness which should position the business better for the future. This, coupled with an emphasis on export activities and a continued focus on the provision of competitive solutions to its customers, will underpin the trading performance in the next 6 to 9 months.

Whilst market conditions for new vehicles are recovering, used vehicle margins remain challenging and service absorption levels continue to fall across the industry. Nevertheless, we remain confident that although the process of turning around underperforming and acquired businesses initially takes time, the necessary progress is being made to deliver our strategic objectives and this coupled with a continuing strong performance from our Leasing operations gives us a strong platform for the second six months.

The Board remains committed to increasing shareholder value, through operational improvements and selective acquisitions which are in line with the Group's strategic growth aspirations.

Risks & Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. For the remainder of the year, the Board considers the main areas of risk and uncertainty that could have an impact on profitability to be the general economic environment, residual values for nearly-new used cars, consumer demand and budgetary pressures on UK and overseas military customers. 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 31 December 2012.

GROUP PROFIT AND LOSS ACCOUNT

for the six months ended 30th June 2013

	Six months ended 30th June 2013 (unaudited) £000	Six months ended 30th June 2012 (unaudited) £000	Year ended 31st Dec 2012 (audited) £000
GROUP TURNOVER: continuing operations	**632,542**	**557,647**	**1,126,374**
Cost of sales	(545,771)	(460,982)	(921,707)
GROSS PROFIT	**86,771**	**96,665**	**204,667**
Administrative expenses and other operating income	(80,975)	(93,748)	(190,434)
GROUP OPERATING PROFIT: continuing operations	**5,796**	**2,917**	**14,233**
Amounts written off investments	-	-	(241)
Income from investments and interest receivable	224	159	253
Interest payable and similar charges	(1,266)	(1,206)	(2,318)
Other finance income	-	-	191
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**4,754**	**1,870**	**12,118**
Tax on profit on ordinary activities	(1,330)	(561)	(4,198)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**3,424**	**1,309**	**7,920**
Equity minority interests	-	-	5
PROFIT FOR THE FINANCIAL YEAR	**3,424**	**1,309**	**7,925**
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE	**5.2p**	**1.6p**	**12.2p**
ORDINARY DIVIDENDS PER SHARE FOR THE YEAR	**N/A**	**N/A**	**1.75p**
NVPO DIVIDENDS PER SHARE FOR THE YEAR	N/A	N/A	3.75p

GROUP STATEMENT OF CASH FLOWS

for the six months ended 30th June 2013

	Six months ended 30th June 2013 (unaudited) £000	Six months ended 30th June 2012 (unaudited) £000	Year ended 31st Dec 2012 (audited) £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,995	34,385	69,761
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from investments and interest receivable	224	159	253
Interest paid	(1,266)	(1,206)	(2,318)
	(1,042)	(1,047)	(2,065)
TAXATION			
UK and overseas tax paid	(2,235)	-	(1)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets and investments	(19,230)	(13,762)	(33,541)
Receipts from sales of tangible fixed assets	2,741	2,899	5,958
	(16,489)	(10,863)	(27,583)
ACQUISITIONS AND DISPOSALS			
Acquisition of businesses	(5,146)	(3,390)	(2,261)
Payment of deferred consideration on acquisitions	-	-	(1,153)
	(5,146)	(3,390)	(3,414)
EQUITY DIVIDENDS PAID	(1,399)	(1,105)	(2,642)
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING	(20,316)	17,980	34,056
FINANCING			
New loans	10,695	6,770	20,688
Repayment of loans	(12,112)	(9,844)	(20,834)
Repayment of capital element of finance leases	-	-	(19)
	(1,417)	(3,074)	(165)
(DECREASE) / INCREASE IN CASH AT BANK AND IN HAND	**(21,733)**	**14,906**	**33,891**
CASH BALANCE AT START OF PERIOD	58,796	24,905	24,905
(DECREASE) / INCREASE IN CASH AT BANK AND IN HAND	(21,733)	14,906	33,891
CASH BALANCE AT CLOSE OF PERIOD	**37,063**	**39,811**	**58,796**

GROUP BALANCE SHEET

at 30th June 2013

	at 30th June 2013 (unaudited) £000	at 30th June 2012 (unaudited) £000	31st Dec 2012 (audited) £000
FIXED ASSETS			
Intangible assets	12,952	11,592	10,693
Tangible assets	136,997	135,277	132,259
Investments	2,218	1,770	1,911
TOTAL FIXED ASSETS	152,167	148,639	144,863
CURRENT ASSETS			
Stocks	133,837	121,533	137,115
Debtors	97,902	82,758	77,936
Cash at bank and in hand	37,063	39,811	58,796
	268,802	244,102	273,847
CREDITORS: amounts falling due within one year	(215,002)	(191,663)	(219,797)
NET CURRENT ASSETS	53,800	52,439	54,050
TOTAL ASSETS LESS CURRENT LIABILITIES	205,967	201,078	198,913
CREDITORS: amounts falling due after more than one year	(35,840)	(36,236)	(29,459)
PROVISION FOR LIABILITIES	(2,320)	(2,994)	(3,672)
NET ASSETS BEFORE PENSION LIABILITY	167,807	161,848	165,782
PENSION LIABILITY	(6,278)	(6,301)	(6,278)
NET ASSETS	**161,529**	**155,547**	**159,504**
CAPITAL AND RESERVES			
Called up share capital	15,733	15,733	15,733
Revaluation reserve	1,238	1,933	1,238
Capital redemption reserve	130	130	130
Profit and loss account	144,386	137,704	142,361
SHAREHOLDERS' FUNDS	161,487	155,500	159,462
Equity minority interests	42	47	42
TOTAL CAPITAL EMPLOYED	**161,529**	**155,547**	**159,504**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared using the accounting policies set out in the annual report for the year ended 31 December 2012 and have been applied consistently to all periods represented in these financial statements.

2. Group turnover

	Six months ended 30th June 2013 (unaudited) £000	Six months ended 30th June 2012 (unaudited) £000	Year ended 31st December 2012 (audited) £000
Motor retail and leasing	471,633	400,328	794,437
Aerospace and defence	144,557	141,026	300,704
Other	16,352	16,293	31,233
Total	**632,542**	**557,647**	**1,126,374**

3. Post balance sheet event

On 30th August 2013, Marshall of Cambridge Aerospace Limited acquired 100% of the share capital of Hawker Beechcraft Limited, a company based at Broughton near Chester, which will strengthen our position in providing support to corporate and executive aircraft whilst also enhancing our capability in converting aircraft for use in special mission roles. The final amount paid for the shares is to be determined by the completion accounts which are in the process of being prepared.

4. Interim dividend

The Board has approved the payment of an interim dividend of 0.75p per share on both Ordinary and NVPO shares to be paid on 20th December 2013, together with the priority dividend of 2.00p on the NVPO shares. This will be payable to all shareholders who are on the register of shareholders at 29th November 2013.