

Marshall Motor Holdings Limited
Report and financial statements

For the year ended 31 March 2023

Company Number 02051461

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Marshall Motor Holdings Limited

Report and financial statements

For the year ended 31 March 2023

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Marshall Motor Holdings Limited
Officers and Professional Advisers
For the year ended 31 March 2023

The Board of Directors

J.A. Mullins
M.R. Kelly
M.C. Hemus

Company Secretary

M.R. Letza

Registered Office

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Independent auditors

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Joint Bankers

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Marshall Motor Holdings Limited

Strategic Report

For the year ended 31 March 2023

The Directors present their report on the affairs of the Group, together with the audited financial statements and Independent Auditor's Report, for the year ended 31 March 2023 (the "year").

Review of the business and key performance indicators

The principal activity of the Company is that of a holding company. The principal activity of its subsidiary undertakings continues to be the sale and servicing of passenger cars and commercial vehicles and associated activities.

On 21 December 2021, the Group changed its accounting reference date to 31 March, consequently the comparative period presents the 15 month period ended 31 March 2022. These consolidated financial statements are presented for the year ended 31 March 2023.

In the year ended 31 March 2023, reported revenue decreased to £3.7bn, a decline of £0.1bn versus 2022 (-0.8%). While this reflects the comparison of a 12-month period with a 15-month period, there was a full year contribution from the Motorline group of companies acquisition in the current year as opposed to five months in the prior period.

Gross margins in the year, at 11.8% (period ended 31 March 2022: 12.2%), down due to the unwind of significant market tailwinds in the comparative period. The comparative period experienced an unprecedented 8 months of used vehicle value appreciation due to favourable demand-to-supply conditions, positively impacting both new and used vehicles. Market conditions began to normalise from November 2021.

Underlying operating expenses increased by £23.3m to £373.1m (period ended 31 March 2022: £349.8m). It reflects the full year impact of the Motorline group of companies acquisition and the continuation of sector-wide cost pressures.

The Group delivered underlying profit before tax of £51.2m in the year (period ended 31 March 2022: £95.2m) and total profit before tax of £42.9m in the year (period ended 31 March 2022: £84.9m).

There was a net cash inflow from operations of £90.5m (period ended 31 March 2022: £141.6m), which was mainly the result of the decrease in operating profit versus 2022 as well as an increase in the level of inventory.

The Group's main KPIs are revenue, gross profit and number of vehicle units sold.

Year ended 31 March 2023

	Revenue		Gross Profit	
	£m	mix*	£m	mix*
New Vehicles	1,422.0	37.3%	152.6	34.7%
Used Vehicles	2,005.2	52.6%	127.6	29.0%
Aftersales	388.3	10.1%	159.9	36.3%
Internal Sales / Other	(83.1)	-	0.7	-
Total	3,732.4	100.0%	440.8	100.0%

15 months ended 31 March 2022

	Revenue		Gross Profit	
	£m	mix*	£m	mix*
New Vehicles	1,565.2	40.7%	125.2	27.4%
Used Vehicles	1,889.1	49.2%	147.6	32.3%
Aftersales	386.4	10.1%	184.0	40.3%
Internal Sales / Other	(79.9)	-	0.4	-
Total	3,760.8	100.0%	457.2	100.0%

* Revenue and gross profit mix calculated excluding internal sales / other

Marshall Motor Holdings Limited

Strategic Report (continued)

For the year ended 31 March 2023

Review of the business and key performance indicators (continued)

New Vehicles

	Year ended 31 March 2023	15 months ended 31 March 2022	Variance
New Retail Units	38,306	41,771	(8.3%)
Fleet Units	20,374	26,505	(23.1%)
Total New Units	58,680	68,276	(14.1%)

Vehicle production and supply continued to be disrupted during the period due to well-documented global shortage of semiconductors; while the comparative period was impacted by the COVID-related social and economic disruptions, with trading impacted by the third national lockdown and resultant showroom closures.

As reported by the Society of Motor Manufacturers and Traders ('SMMT'), total registrations of new vehicles in the UK during 2022 were 1.61m, down 2.0% on 2021. While new car registrations to retail customers increased by 2.0% in the 12 months to December 2022, registrations to fleet customers fell by 7.5%. This was largely due to a focus on supply to retail customers, and some disruption to the normal cycle of the fleet market.

The Group's total new unit sales in the year were 58,680, down 14.1% compared to the period ended 31 March 2022. Unit sales to new retail customers decreased 8.3% and sales to fleet customers decreased by 23.1%.

Total new car revenue in the year was £1,422.0m (period ended 31 March 2022: £1,565.2m).

During the year the Group delivered a £27.4 increase in gross profit to £152.6m, with an increase in gross margin of 280bps to 10.7% with the prior year impacted to a greater degree by supply constraints.

Used Vehicles

	Year ended 31 March 2023	15 months ended 31 March 2022	Variance
Total Used Units	77,551	77,308	0.3%

The SMMT reported that the used vehicle market in the UK decreased by 8.5% for the 12 months to December 2022.

Following exceptional market conditions in the comparative period, driven by the imbalance of supply and demand as well as restrictions in new vehicle supply, used car pricing returned to a more traditional depreciation curve from November 2021.

The Group's total used vehicle unit sales increased during the year, from 77,308 in 2022 to 77,551, up 0.3% despite prior period representing 15 months as opposed to 12 months in the current year. Total used car revenue in the year was £2,005.2m (2022: £1,889.1m).

Gross profit in used vehicles decreased from £147.6m in 2022 to £127.6m in the period.

Gross margin in the year was 6.4% (compared to 7.8% in 2022), driven principally by the aforementioned unwind of market tailwinds in the comparative period.

Marshall Motor Holdings Limited

Strategic Report (continued)

For the year ended 31 March 2023

Review of the business and key performance indicators (continued)

Aftersales

	Year ended 31 March 2023	15 months ended 31 March 2022	Variance
Revenue (£m)	388.3	386.4	0.52%

Aftersales continued to be impacted by higher-than-average levels of technician vacancies and absences, and availability of parts. In addition, the decline in the number of vehicles in the core less than three-year-old category, due to reduced new vehicle registrations in the last three years, contributed to a decline in underlying demand.

Total aftersales revenue in the year was up 0.52% to £388.3m (2022: £386.4m).

Aftersales gross margin decreased by 640bps to 41.2% (2022: 47.6%).

Tax

The Group's tax charge before non-underlying items for the year was £11.2m (15 months ended 31 March 2022: £19.0m), an underlying effective tax rate of 21.8% (15 months ended 31 March 2022: 20.0%). The Group's total effective tax rate for the year ended 31 March 2023 of 19.5% was influenced by the effect of property disposals, non-deductible legal and professional fees and adjustment in respect of the prior period estimate of such fees. Excluding the impact of these items, the total effective tax rate for the period would have been 21.8% consistent with the Group's underlying effective tax rate of 21.9%.

The Group's total reported effective tax rate differs from this due to the deferred tax charge arising following the substantive enactment of the planned increase in the standard rate of corporation tax to 25% from April 2023.

Acquisitions and disposals

During the year, the Group acquired one new business:

- In January 2023, the Group acquired the business and assets of Leicester Jaguar Land Rover from Walter E Sturgess & Sons Ltd. The Group now operates eight Jaguar and ten Land Rover businesses and is a key UK partner for each brand

The Group also disposed of or closed six businesses during the period:

- Scarborough Honda
- Leeds Volvo
- Ipswich Kia
- Scunthorpe Kia
- Gatwick TPS
- Brighton TPS

On 30 June 2023 the Group disposed of all of the Toyota and Lexus franchises held by the Group (19 businesses in total) to Steven Eagell Limited, FRF (South Wales) Limited, and Listers Group Limited.

At the date of this report, the Group consists of 140 franchises representing 23 brand partners trading in 37 counties nationwide. In addition, the Group operates eight trade parts specialists, three used car centres, three standalone body shops and two pre-delivery inspection (PDI)/preparation centres.

Marshall Motor Holdings Limited

Strategic Report (continued)

For the year ended 31 March 2023

Review of the business and key performance indicators (continued)

Change in ownership and delisting in the prior period

On 29 November 2021 the Group received a conditional offer for the entire issued and to be issued share capital of the Company from CAG Vega 2 Limited, this offer was subsequently accepted by the shareholders and became unconditional on 11 May 2022. On 16 May 2022 the Company made an application for the cancellation of trading of the Company's shares on the Alternative Investment Market, with trading ceasing on 15 June 2022. The company is now a wholly owned subsidiary of CAG Vega 2 Limited a subsidiary of Constellation Automotive Holdings Limited (Constellation Group).

Non-underlying items

The Consolidated Statement of Comprehensive Income includes separate presentation of non-underlying items to provide a consistent understanding of the performance of the Group year on year

Non-underlying items in the year of £1.1m (2022: £10.2m) primarily comprise of the following:

- Restructuring costs of £2.5m. These comprise £0.7m of costs associated with the integration of the Motorline businesses, £0.8m relating to system enhancement expenditure and £1.0m of costs associated with the closure of a number of the Group's franchised dealerships primarily resulting from a review of the Group's portfolio following the acquisition of the Motorline businesses.
- This was partially offset by £2.7m of profit from the disposal of freehold properties.

Freehold land and buildings

The Group incurred a total of £0.1m in capital expenditure during the year. In the prior period the Group incurred a total of £23.7m in capital expenditure, this included £12.1m for the purchase of Tunbridge Wells Audi, £4.5m for Beckenham Audi and £1.3m for South Lakes Mercedes.

The NBV of the group's property, plant and equipment at 31 March 2023 was £208.1m (2022: £215.2m), of which £169.6m relates to freehold land and buildings (2022: £173.8m). The property strategy remains key to the Group's success with appropriate freehold purchases reducing ongoing operating costs.

Working capital

During the year, the Group incurred a working capital outflow of £10.3m (2022: inflow £4.6m) driven by higher stock levels to support future sales. The increase in stock was not fully offset by an increase in stock funding in order to utilise cash reserves and reduce interest charge.

Net debt and facilities

At 31 March 2023, the Group's adjusted net cash was £37.6m (31 March 2022: £15.6m).

The Group's current finance facilities include a £60m revolving credit facility, which is committed until 30 September 2024. The Group is also in active negotiation with various lenders regarding a new revolving credit facility which is expected to deliver increased flexibility as well as lower funding costs.

Net debt (including IFRS 16 lease liabilities) as at 31 March 2023 was £148.0m (31 March 2022: £193.7m).

Pensions

The Group has no current commitments under defined benefit pension schemes with all group pension plans being on a defined contribution basis.

Dividend

An interim dividend in respect of the year ending 31 March 2023 totalling £20,000,000 (period ended 31 March 2022: £6,931,000) and representing a payment of 24.59p per ordinary share (period ended 31 March 2022: 8.86p) in issue at that time was paid in September 2022.

Marshall Motor Holdings Limited

Strategic Report (continued)

For the year ended 31 March 2023

Principal risks and uncertainties

As with all businesses, the Group faces risks and uncertainties in the course of its operations. Risks continually evolve and new ones emerge and the Group's management of risk remains an integral component of business management and Corporate Governance. Though the disruption from COVID-19 has lessened from previous years, the wider economic environment continues to be challenging and impacts the specific sector that the Group trades in. The Group has a robust approach in the identification, analysis and response to all relevant current and potential risks and uncertainties, and develops mitigation plans to reduce the likelihood and/or impact of the risks to the lowest extent possible. The Board takes overall responsibility for overseeing the effectiveness of the risk management process, with a particular focus on determining the nature and extent of the risks it is willing to take to achieve its strategic objectives.

Description	Mitigations
Operational	
The Group could potentially suffer a significant business interruption from an unplanned event or series of events and circumstances, which could impact the Group's ability to continue operating at planned level.	There is a Crisis Management Team in place at the executive level supported by senior management in all areas of the business.
The failure to recover, in an acceptable time frame and/or to an acceptable level could lead to the Group missing its financial targets, a reduction in confidence of key stakeholders as well as reputational damage impacting employees and customers.	There are also tried and tested communication channels in place for all stakeholders and employees enabling changes to be implemented promptly.
The Group is increasing its EV capability, but an inability to meet the increasing consumer demand for EV through lack of skilled technicians and on-site investment could lead to loss of customers and profitability.	These protocols have been designed and tested throughout the pandemic and can be re-implemented as and when required.
The Group incurs significant employment costs and competes with other employers to recruit and retain people. High employment levels and a lack of skilled workers such as technicians could lead to a scarcity of staff. It may be necessary to increase the wages and salaries required to attract and retain suitable employees in the future. In addition, future legislative changes could lead to an increase in payroll costs.	The Group is closely monitoring EV demand and sales in order to ensure that its sites are fit for purpose and after-sales has an appropriate mix of capability.
Regulation and Legislation	
The political and legislative environment within which the Group operates is constantly changing. The Group must comply with an extensive range of regulation and legislation in order to provide its services, including laws relating to data protection, competition, consumer protection (including FCA), Driver & Vehicle Standards Agency, labour, health and safety, money laundering, bribery and taxation.	Management monitors market rates for wages and salaries, and reviews employee turnover. Retention plans are centred around a 'Great Place to Work' culture, with training and career development programmes.
Non-compliance to the required standards could lead to significant legal cases and could have an adverse effect on the reputation and performance of the Group.	The Group continues to ensure that the legal function plays a key role within the Group and utilises Constellation and external specialist legal advisers as necessary.
Regulatory intervention in the market can impact both operations and profitability.	The Group has detailed health and safety procedures, processes and training in place and employs health and safety teams to lead and support across the Group.
The automotive industry is also subject to legislation around environmental issues. These can impact vehicle supply and demand.	The Group has detailed compliance procedures, processes and training in place and employs compliance teams to lead and support across the Group.
	Management monitors the impact of legislative and regulatory changes and regularly reviews the possible impact of these changes. The impact on the used vehicle market of the UK ban on the sale of new petrol and diesel cars by 2030, for example, cannot be assessed at this stage.

Marshall Motor Holdings Limited

Strategic Report (continued)

For the year ended 31 March 2023

Principal risks and uncertainties (continued)

Description	Mitigations
Management	
A significant change in the Group's senior management could weaken the Group's business and its ability to execute its strategy. The Group's senior management has extensive experience in the industry in which the Group operates and has skills that are critical to the operation of the Group's businesses and the execution of its strategy.	The Board regularly review the senior management remuneration policy and engagement to ensure that both are market appropriate and motivational. Given the scale and success of the business, the Group is confident that it is capable of attracting and retaining management resources of the highest quality.
Strategic	
The Group's future operating results are dependent, in part, on its success in implementing its strategic initiatives.	Management carries out extensive strategic planning and conducts due diligence and integration modelling to ensure alignment and fit of acquisitions and new initiatives.
The Group continually seeks to provide an increasingly digital and dynamic future by developing solutions that operate at scale. These initiatives require extensive planning and management attention and therefore entail execution risk.	All acquisition and organic business development are focused on services complementary to the Group's existing offerings.
The Group's long term growth has, in part, been attributable to the acquisition of other businesses, and the Group may continue to expand its business through acquisitions and other business combinations in the future.	The diversity of franchises mitigates the cyclical nature of, and an over reliance on individual vehicle brands.
	The Group invests in the appropriate technological, physical and people resources to deliver our strategies.
Commercial	
A downturn in performance of manufacturing partners or a failure to maintain good relationships with them would impact vehicle sales and profitability of those franchises, in addition to impacting growth opportunities.	The Group's experienced commercial team monitors performance alongside effective communication with our manufacturing partners in order to maintain strong commercial relationships. This enables us to anticipate and solve issues as they arise.
Integrating acquisitions successfully is key to ensuring synergies are realised, financial performance is enhanced and manufacturer relationships are not damaged.	Management continues to perform portfolio management focused on strengthening key franchise relationships, as well as diverse representation to avoid over reliance on any single manufacturer.
Alternative business models to the franchised dealership model could similarly impact vehicle sales and profitability of those franchises.	Detailed planning and due diligence is performed on all potential acquisitions, alongside a post-acquisition integration plan.
The loss of market share to competitors would have an adverse impact on volume, impacting the operational and financial performance of the Group.	The Group continues to focus on omni-channel for a seamless customer experience with choice, as well as benefiting from being part of the Constellation Group as a competitive advantage.
Finance and Liquidity	
The Group's strategy involves utilising stock funding arrangements in order to finance inventory purchases. The availability of these arrangements are therefore key for day-to-day operation.	Management monitors the macroeconomic and legislative changes in the markets in which it operates.
The current rising interest rate environment increases cost of stock funding and RCF, therefore reducing profitability.	The Group has access to sufficient credit facilities, cash and intercompany support to enable it to continue to operate in line with strategy.
	The Groups track record and financial position, leaves it well placed to secure stock funding facilities.

Marshall Motor Holdings Limited

Strategic Report (continued)

For the year ended 31 March 2023

Principal risks and uncertainties (continued)

Description	Mitigations
Economic Environment Activity levels in the automotive industry can be affected by many factors such as the availability and cost of both wholesale and consumer credit, the growth of average wages, the level of unemployment, inflation, energy prices and challenges to supply chains amongst others, which in turn could impact the volume and profitability of vehicles handled by the Group. Fluctuations in used vehicle values can adversely impact the value of the Group's vehicle inventory.	Management continually analyses market conditions through the planning and reporting processes. The Group develops, implements and reviews actions to mitigate any adverse impact on the Group. Management continues to monitor the impact on the supply chains, energy prices, inflation and consumer confidence of events such as the war in Ukraine. Vehicle inventory information is reviewed at all levels of management on a regular basis with prudent policies on holding periods.
IT and Cyber Security The business performance of the Group and its ability to service its customers is highly dependent on a wide variety of information systems and infrastructure to run our business successfully. It is therefore essential that key systems, software and hardware are operational at all times. Failure of these for more than a short period could impact the ability of the Group to support its businesses and have contractual implications which could lead to penalties or other liabilities. Cyber security attacks that impact the confidentiality, integrity and availability of our data and systems could result in disruption to customer-facing, supplier-facing and financial systems through theft and misuse of confidential data, damage to, or manipulation of operationally critical data, or interruption to our IT services, any of which may have serious consequential impacts on the Group's operational performance and reputation leading to penalties, fines and/or regulatory action.	The Group continues its ongoing programme to remove and upgrade legacy infrastructure to ensure reasonable effective resilience leading to modern, agile and scalable platforms for business growth. Cyber-attacks are increasing both in their frequency and their sophistication of attack so despite the measures taken by the Group, it is recognised that a cyber-attack on the Group could cause significant disruption and reputational damage. The Group has invested in strengthening the information security team and regularly updates policies and processes to ensure that the Group keeps pace with the increasing cyber security threats. Regular security awareness communications and training occur including phishing and spearfishing training activities. Multi-factor authentication is used to reduce the likelihood of remote attacks and carry out regular penetration testing and vulnerability scanning. The Group utilises a range of security software maintained both internally and by third parties to protect, detect and respond to threats. Data is protected with solutions dependant on the nature of the product and services including encryption in transit and rest. The Group maintains robust business continuity plans and disaster recovery capabilities that are regularly tested.
Physical Damage Natural events, such as hailstorms and flooding or other events such as terrorism, major accidents or theft may impact the Group's physical facilities or affect vehicles stored on the Group's property awaiting sale or other activity.	Management monitors possible causes of physical damage on each site and risks and concerns are reported to ensure that there is full visibility of any potential issues that might occur. Where remedial or preventative action is recommended, management considers the appropriateness of such actions on a commercial basis. Insurance cover is in place to moderate risk.

Marshall Motor Holdings Limited

Strategic Report *(continued)*

For the year ended 31 March 2023

Financial risk management

Business activities are carried out under normal trade terms; these terms and relationships with suppliers and customers are regularly reviewed. The Group has a treasury arrangement providing access to all subsidiary undertakings to group wide facilities. Funding requirements are managed on a group wide basis.

The Group does not use financial derivatives and does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

Details of the Group's principal financial instruments, its exposure to price, credit, liquidity and cash flow risks, together with details of the Group's financial risk management policies, processes and systems, are set out in Note 25 to the consolidated financial statements.

Board decision making (s172 statement)

The Board is accountable to shareholders for the management, performance and long-term success of the Group and Company. The Directors have regard to their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Group and Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to:

- (i) the likely consequences of any decision in the long term;
- (ii) the interests of the Group's and the Company's employees;
- (iii) the need to foster the Group's and the Company's business relationships with suppliers, customers and others;
- (iv) the impact of the Group's and the Company's operations on the community and the environment;
- (v) the desirability of the Group's and the Company maintaining a reputation for high standards of business conduct; and
- (vi) the need to act fairly as between members of the Group and Company.

Section 172 therefore requires the Board to consider wider stakeholder interests when discharging their duty to promote the success of the Group and Company.

For the purposes of decision making, the Directors have identified key stakeholder groups, have evaluated their interests, and describe below how they have engaged with and responded to the interests of those stakeholders during the year ended 31 March 2023.

Stakeholder Group	Interests	How does the Group Engage and Respond
Customers	• Dealing with a trusted and transparent organisation. • Maintaining a relationship over the long term. • Receiving balanced advice when purchasing a vehicle or having a vehicle serviced or repaired. • Having clarity as to the pricing of vehicles as well as the additional products and services. • Achieving good value for money. • Responding promptly and appropriately to any customer complaints or concerns.	• A "Sales Orientation Programme", which all new Sales Executives attend, to ensure that they deliver a consistent and high-quality customer experience. • A customer-focused culture, supported by clearly defined sales processes. • Effective governance supported by an independent Compliance team, a detailed understanding of the regulatory environment, coupled with monitoring and training to drive continuous improvement. • The Group's scale of operations, strong manufacturer and other supplier relationships support the delivery of value-for-money for the customer. • Frequent customer satisfaction surveys. • Independent complaint handling by the Group's internal compliance team in relation to regulated activities. Monitoring of customer complaints to identify any themes, with appropriate actions taken to address identified issues.

Marshall Motor Holdings Limited

Strategic Report (continued)

For the year ended 31 March 2023

Board decision making (s172 statement) (continued)

Stakeholder Group	Interests	How does the Group Engage and Respond
Employees	• Seeing an alignment between personal and corporate values • Knowing that the organisation has a strong commitment to ethical practices and compliance • Being part of a successful and secure organisation • A safe working environment • Knowing that their views are heard and acted upon	• Regular communications from the senior management team, intranet, regular team meetings and engaging social media channels • Annual employee survey followed by line manager briefings and the development of action plans to drive improvement. • Group "whistle blowing" hotline provided by a third party to allow employees to raise concerns in confidence • Recognising colleagues through the Group's 'Above and Beyond' awards programme • Promoting diversity in the workplace; for example through membership of the Automotive 30% Club. • Group values and policies on work place conduct develop a supportive, respectful and friendly working environment. • Investment in learning and development to ensure that staff are equipped with the skills they need to do their roles. • Group Health, Safety and Environment Team who work with all sites to promote safe working practices as well as monitoring trends and making changes to procedures in response to those trends
Suppliers	• A collaborative, open and supportive relationship • Prompt, clear and responsive communications	• Strong relationships with vehicle manufacturers, developed through regular meetings with the Group's senior management. • Long term partnership agreements with key strategic suppliers, which deliver value for money for the Group and certainty of business for the supplier.
Communities	• Responsible investment, development and operations • Delivery of employment opportunities • Support for local communities and national causes	• Investing in the dealership portfolio to ensure that all the sites are well maintained, optimise energy use and environmental impact, as well as being an asset to the local area. • Providing direct employment to over 5,000 people. • Supporting and raising awareness for the Motor and Allied Trades Benevolent Fund. • Supporting local and national charities, as well as encouraging employees to become involved in the communities in which they work.
Shareholders	• A business with a clear strategy which is well executed • Financial discipline backed by strong internal controls • Strong return on investment throughout the economic cycle	• Track record of strong financial performance. • Successful growth through strategic acquisitions that have been appropriately integrated into the Group. • Clear and transparent financial reporting.
Funders	• Open and honest relationship with clarity as to business performance • Financial discipline backed by strong internal controls which enables delivery of commitments.	• Clear and transparent financial reporting. • Relationships with all funders at a senior level within the Group. • Strong day-to-day working relationships between Group and funder operational staff.

Marshall Motor Holdings Limited

Strategic Report *(continued)*

For the year ended 31 March 2023

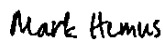
Board decision making (s172 statement) *(continued)*

During the year, the following key decisions were taken by the Board, in respect of which the Board considered its duties under Section 172:

- **Recommended Offer from CAG Vega 2 Limited:** In December 2021, the Board recommended the offer from CAG Vega 2 Limited (a subsidiary of Constellation Automotive Holdings Limited) for the entire issued share capital of the Company at a price of £4.00 per share (the Offer). The Offer became wholly unconditional on 11 May 2022. The Board carefully considered what impact the Offer would have on the Group's and Company's suppliers (including in particular, its brand partners), funders and employees and engaged with these stakeholder groups throughout the Offer process.

Approval

This Strategic Report was approved by order of the Board on 21 September 2023.

DocuSigned by:

1891746DE92C447
M C Hemus
Director

Marshall Motor Holdings Limited

Directors' Report

For the year ended 31 March 2023

Principal activities

The principal activity of the Company is that of a holding company. The principal activity of its subsidiary undertakings is the sale and servicing of passenger cars and commercial vehicles and associated activities.

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income. An interim dividend in respect of the year ended 31 March 2023 of £20,000,000 representing a payment of 24.59p per ordinary share in issue at that time was paid in September 2022. The Directors are not recommending the payment of a final dividend for the period. For full details, see Note 12 'Dividends'.

Directors

The Directors of Marshall Motor Holdings Limited ("the Company") throughout the year and to the date of this Report are detailed below:

Non-Executive Directors

Timothy Lampert (appointed 11 May 2022, resigned 31 March 2023)

Matthew Kelly (appointed 11 May 2022)

Alan Ferguson (resigned 11 May 2022)

Francesca Ecsery (resigned 11 May 2022)

Nicky Dulieu (resigned 11 May 2022)

Christopher Walkinshaw (resigned 11 May 2022)

James Mullins (appointed 30 March 2023)

Executive Directors

Mark Hemus (appointed 30 January 2023)

Daksh Gupta (resigned 25 May 2022)

Richard Blumberger (resigned on 31 December 2022)

No other Directors held office during the year or have been appointed subsequently.

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles and the Company has maintained, throughout the Year, Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Independent 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 information of which the Group and 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 information and to establish that the auditor is aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Group will be proposed at the Annual General Meeting.

Charitable and political donations

During the year, the Group made charitable donations of £69,000 (15 months ended 31 March 2022: £24,000).

No political contributions were made during the year (15 months ended 31 March 2022: £nil).

Going concern

The financial statements are prepared on a going concern basis. 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, the Directors continue to adopt the going concern basis in preparing the financial statements. For further information on the going concern assessment see Note 1 'Presentation of the financial statements'.

Marshall Motor Holdings Limited

Directors' Report (*continued*)

For the year ended 31 March 2023

Events since the balance sheet date

For full details of all such events see Note 33 'Events after the reporting period'

Future developments

The Group's strategic vision is to be regarded as the UK's premier franchised automotive retailer. The Group will continue to focus on achieving this goal through:

- the performance optimisation of the business
- offering outstanding customer service
- demonstrating retailing excellence
- building strong relations with our brand partners and key suppliers, and
- by being a great place to work.

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes 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.

Anti-bribery and corruption

The Group has in place an anti-bribery and corruption policy, the aim of which is to ensure that colleagues understand their obligations under anti-bribery legislation and includes authorisation and disclosure procedures around the provision and receipt of corporate hospitality and gifts.

Employee involvement

During the year the Group has continued to provide employees with information about the Group through the newsletters 'Marshall Matters' and 'Compliance Matters', team briefings and through the Group wide email distribution. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Business relationships

The Directors recognise that it is essential for the ongoing success and reputation of the Group to foster strong relationships with the stakeholder community. For full details of these considerations and the effect this regard has had on the principal decisions made in the Year, see the Board Decision Making (s172 Statement) section of the Strategic Report.

Streamlined Energy and Carbon Reporting (SECR)

Marshall Motor Holdings Limited are a 'large unquoted company' under the Streamlined Energy and Carbon Reporting regulations so must report annually on greenhouse gas emissions from Scope 1 and 2 Electricity, Gas and Transport.

Methodology

The reporting period is the year ended 31 March 2023. This report has been compiled in line with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance', and the EMA methodology for SECR Reporting. All measured emissions from activities which the organisation has financial control over are included as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, unless otherwise stated in the exclusions statement.

The carbon figures have been calculated using the BEIS 2022 carbon conversion factors for all fuels, other than the market based electricity which has been taken from EDF Energy and Bryt Energy as the UK supplier.

Direct greenhouse gas ('GHG') emissions are from sources that are owned or controlled by the Group. Indirect GHG emissions are a consequence of the activities of the Group that occur from sources owned or controlled by other entities.

Scope 1 emissions: Direct emissions from sources controlled by the Group arising from the combustion of fuel in owned or controlled boilers, from the Automotive Services fleet and company cars. This is regardless of whether the vehicles are owned or leased as the Group is responsible for their emissions.

Marshall Motor Holdings Limited

Directors' Report (continued)

For the year ended 31 March 2023

Streamlined Energy and Carbon Reporting (SECR) (continued)

Scope 2 emissions: Indirect emissions attributable to the Group due to its consumption of purchased electricity and other energy sources.

Scope 3 emissions: Indirect emissions attributable to the Group, which occur at sources which are not owned or controlled and which are not classed as Scope 2 emissions. These emissions arise from business travel in employee-owned vehicles where Marshall Motor Group is responsible for purchasing the fuel.

The report sets out the Group's emissions for the current and prior year.

UK Carbon Footprint Data

	Year ended 31-Mar-23		15 months ended 31-Mar-22	
	Consumption (kWh)	Greenhouse Gas Emissions (tCO ₂ e)	Consumption (kWh)	Greenhouse Gas Emissions (tCO ₂ e)
Transport fuel (Scope 1)	35,080,301	8,151	38,819,841	9,018
Gas and other fuels (Scope 1)	16,786,476	3,069	32,234,896	7,014
Grid supplied electricity (Scope 2)	24,387,801	4,712	35,283,380	6,389
Transport fuel (Scope 3)	273,629	64	457,758	107
Total	76,488,207	15,996	106,795,855	22,528
	Year ended 31-Mar-23		15 months ended 31-Mar-22	
Intensity Metric:				
tCO ₂ e per £'m Revenue	4.29		6.99	

*The data for the 15 months ended 31 March 2022 includes data for the Motorline group of companies for the full period, not just the post acquisition period of 14 October 2021 to 31 March 2022.

Energy Efficiency Actions taken

- MMG have developed gas and electricity league tables that highlight reductions made at each site month-on-month and year-on-year, sent to sites each month giving an active feedback of consumption and aiding in pinpointing where reductions could be made per site.
- Carbon Literacy training is continuing to be rolled out throughout the Group.
- LED lights are being further installed throughout dealerships.
- The Group continue to be with a 100% REGO backed fully renewable electricity tariff with Bryt Energy.
- Proactive PPM on heating and air conditioners and garage equipment which also helps improve energy efficiencies.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and financial statements (the "Annual Report") and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

Marshall Motor Holdings Limited

Directors' Report *(continued)*

For the year ended 31 March 2023

Statement of Directors' Responsibilities *(continued)*

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Approval

This Directors' Report was approved by order of the Board on 21 September 2023

DocuSigned by:

Mark Hemus

MCHENR52C447

Director

Independent Auditor's Report to the Members of Marshall Motor Holdings Limited

For the year ended 31 March 2023

Report on the audit of the financial statements

Opinion

In our opinion:

- Marshall Motor Holdings Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2023 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Balance Sheet as at 31 March 2023; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Consolidated Net Debt Reconciliation for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of Marshall Motor Holdings Limited *(continued)*

For the year ended 31 March 2023

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Marshall Motor Holdings Limited (continued)

For the year ended 31 March 2023

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and journal entries that inappropriately credit cash, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of legal costs;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations for example credit to revenue with a debit entry to an unexpected account, or journals which credit cash without going through the standard purchases and payables process;
- Testing management's assumptions made in their significant accounting estimates, to ensure these are not indicative of management bias;
- Evaluation of management's controls designed to prevent and detect irregularities; and
- Performed procedures to ensure the financial statements are appropriately prepared and disclosed in line with the Companies Act 2006.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditor's Report to the Members of Marshall Motor Holdings Limited
(continued)

For the year ended 31 March 2023

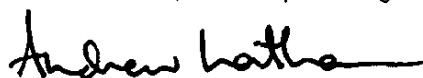
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion,

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.



Andrew P Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
22 September 2023

Marshall Motor Holdings Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 March 2023

		Year ended 31 March 2023			15 months ended 31 March 2022		
	Note	Underlying Items £'000	Non- underlying Items £'000	Total £'000	Underlying Items £'000	Non- underlying Items £'000	Total £'000
Revenue	5	3,732,369	-	3,732,369	3,760,882	-	3,760,882
Cost of sales		(3,291,587)	-	(3,291,587)	(3,303,604)	-	(3,303,604)
Gross profit		440,782	-	440,782	457,278	-	457,278
Net operating expenses		(373,128)	(8,248)	(381,376)	(349,813)	(10,209)	(360,022)
Operating profit		67,654	(8,248)	59,406	107,465	(10,209)	97,256
Net finance costs	10	(16,488)	-	(16,488)	(12,296)	-	(12,296)
Profit before taxation	6	51,166	(8,248)	42,918	95,169	(10,209)	84,960
Taxation	11	(11,229)	2,873	(8,356)	(19,031)	(6,610)	(25,641)
Profit from continuing operations after tax		39,937	(5,375)	34,562	76,138	(16,819)	59,319
Total comprehensive income for the year net of tax		39,937	(5,375)	34,562	76,138	(16,819)	59,319

All activities of the Group in both the current and prior period are continuing

Marshall Motor Holdings Limited
Consolidated Statement of Financial Position
At 31 March 2023

Company Registration Number 02051461

		31 March 2023	31 March 2022
	Note	£'000	£'000
Non-current assets			
Goodwill and other intangible assets	13	170,760	176,124
Property, plant and equipment	14	208,059	215,246
Right-of-use assets	15	188,722	213,926
Non-current financial assets	15	1,068	1,190
Total non-current assets		568,609	606,486
Current assets			
Inventories	17	503,834	446,047
Trade and other receivables	18	147,669	128,688
Cash and cash equivalents	19	47,798	27,698
Total current assets		699,301	602,433
Total assets		1,267,910	1,208,919
Non-current liabilities			
Loans and borrowings	22	8,775	10,683
Lease liabilities	15	166,079	162,404
Trade and other payables	21	14,042	12,092
Provisions	23	834	1,401
Deferred tax liabilities	24	45,457	46,387
Total non-current liabilities		235,187	232,967
Current liabilities			
Loans and borrowings	21	1,417	1,428
Lease liabilities	14	19,492	46,867
Trade and other payables	21	710,368	650,726
Provisions	23	6,026	3,710
Current tax liabilities		8,655	1,018
Total current liabilities		745,958	703,749
Total liabilities		981,145	936,716
Net assets		286,765	272,203
Shareholders' equity			
Share capital	27	52,050	50,068
Share premium	27	19,672	19,672
Share based payments reserve	28	-	5,617
Retained earnings		215,043	196,846
Total equity		286,765	272,203

The consolidated financial statements of Marshall Motor Holdings Limited were approved for issue by the Board of Directors on 21 September 2023

DocuSigned by:

Mark Hemus

1891746DE92C447

M.C. Hemus
 Director

Marshall Motor Holdings Limited
Consolidated Statement of Changes in Equity
For the year ended 31 March 2023

	Note	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		50,068	19,672	1,585	(12)	144,618	215,931
Profit for the period		-	-	-	-	59,319	59,319
Total comprehensive income		-	-	-	-	59,319	59,319
Transactions with owners							
Dividends paid	12	-	-	-	-	(6,931)	(6,931)
Acquisition of own shares	28	-	-	-	(535)	-	(535)
Exercise of share options	28	-	-	(959)	547	(160)	(572)
Share-based payments charge	28	-	-	4,991	-	-	4,991
Balance at 31 March 2022		50,068	19,672	5,617	-	196,846	272,203
Profit for the year		-	-	-	-	34,562	34,562
Total comprehensive income		-	-	-	-	34,562	34,562
Transactions with owners							
Dividends paid	12	-	-	-	-	(20,000)	(20,000)
Issue of share capital	27	1,982	-	-	(1,982)	-	-
Exercise of share options	28	-	-	(5,617)	1,982	3,635	-
Share-based payments charge	28	-	-	-	-	-	-
Balance at 31 March 2023		52,050	19,672	-	-	215,043	286,765

Marshall Motor Holdings Limited
Consolidated Cash Flow Statement
For the year ended 31 March 2023

		Year ended 31 March 2023	15 months ended 31 March 2022
	Note	£'000	£'000
Operating profit		59,406	97,256
Adjustments for:			
Depreciation and amortisation	6	35,767	34,730
Share-based payments charge		-	6,700
Profit on disposal of assets classified as held for sale	6	-	(86)
Profit/loss on disposal of property plant and equipment	6	(1,721)	409
Profit on disposal and remeasurement of right-of-use assets and lease liabilities	6	(279)	(1,843)
Loss on impairment and disposal of goodwill and other intangible assets	6	7,195	-
Loss on impairment of right-of use assets	6	472	698
Profit on disposal of investment property	6	-	(913)
Cash flows from operating activities before working capital		100,840	136,951
(Increase) / decrease in inventories		(54,193)	13,182
(Increase) / decrease in trade and other receivables		(18,981)	(32,193)
Increase / (decrease) in trade and other payables		61,091	21,761
Increase / (decrease) in provisions		1,749	1,880
Total cash flows generated by operations		90,506	141,581
Tax paid		(1,650)	(16,917)
Interest paid on lease liabilities		(4,192)	(4,177)
Other net finance costs		(12,927)	(8,214)
Net cash inflow from operating activities		71,737	112,273
Investing activities			
Purchase of property, plant, equipment and software	13/14	(11,679)	(38,617)
Acquisition of businesses, net of cash acquired	13	(5,173)	(54,352)
Lease payments received under finance lease		116	136
Interest received under finance leases		69	95
Net proceeds from disposal of investment property		-	1,780
Proceeds from disposal of property, plant and equipment		6,616	2,276
Proceeds from disposal of assets classified as held for sale		-	712
Net cash outflow from investing activities		(10,051)	(87,970)
Financing activities			
Proceeds from borrowings		-	30,000
Repayment of borrowings		(1,919)	(31,213)
Repayment of lease liabilities		(19,667)	(21,133)
Dividends paid	12	(20,000)	(6,931)
Purchase of own shares	28	-	(535)
Settlement of exercised share awards	28	-	(638)
Net cash outflow from financing activities		(41,586)	(30,450)
Net increase/(decrease) in cash and cash equivalents		20,100	(6,146)
Cash and cash equivalents at 1 April 2022 and 1 January 2021	19	27,698	33,844
Cash and cash equivalents at year end / period end	19	47,798	27,698

Marshall Motor Holdings Limited
Consolidated Net Debt Reconciliation
For the year ended 31 March 2023

		Year ended 31 March 2023	15 months ended 31 March 2022
	Note	£'000	£'000
Reconciliation of net cash flow to movement in net debt			
Net increase/(decrease) in net cash and cash equivalents		20,100	(6,146)
Proceeds from drawdown of RCF	22	-	(30,000)
Repayment of drawdown of RCF	22	-	30,000
Loans acquired in the year	13	-	(8,300)
Repayment of other borrowings	22	1,919	1,213
Change in lease liability commitments	29	4,033	(131,060)
Repayment of lease liabilities	29	19,667	21,133
Decrease/(increase) in net debt		45,719	(123,160)
Opening net debt	29	(193,684)	(70,524)
Net debt at year end / period end	29	(147,965)	(193,684)
Lease liabilities	15	(185,571)	(209,271)
Adjusted net cash at year/period end (non GAAP measure)		37,606	15,587
Net debt at year end / period end consists of:			
Cash and cash equivalents	19	47,798	27,698
Loans and borrowings	22	(10,192)	(12,111)
Lease liabilities	15	(185,571)	(209,271)
Closing net debt	29	(147,965)	(193,684)

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

1. Presentation of the financial statements

General information

Marshall Motor Holdings Limited (the Company) is incorporated and domiciled in the United Kingdom. The Company is a private limited company, limited by shares. The Company is registered in England under the Companies Act 2006 (registration number 02051461) with the address of the registered office being: c/o Marshall Volkswagen Milton Keynes Greyfriars Court, Milton Keynes, Buckinghamshire, MK10 0BN, United Kingdom

The financial statements of Marshall Motor Holdings Limited were authorised for issue by the Board of Directors on 21 September 2023.

Basis of preparation

The consolidated financial statements of the Company are prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements include the results of the Company and its subsidiaries (together "the Group"); a schedule of all subsidiaries is contained in Note 6 'Investments in Subsidiaries' of the Company financial statements (page 82). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and assets held for sale.

The consolidated financial statements are prepared in Sterling, which is both the functional currency of the Group's subsidiaries and presentational currency of the Group. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Reporting period

On 11 May 2022 the entire share capital of the Company was acquired by CAG Vega 2 Limited, part of the Constellation Group. In anticipation of this change of ownership, to align the reporting period with that of the acquirer, all entities in the Group changed the end of the reporting period from 31 December to 31 March. Amounts presented for the 2022 reporting period are for a 15 month period.

Going concern

The consolidated financial statements are prepared on a going concern basis. Having considered the Group's forecast financial performance and cash flows, and after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future and for at least one year from the date that these consolidated financial statements are signed. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

When making their assessment, the Directors have considered the impacts on profitability of margin reductions prompted by the eventual easing of existing supply constraints as well as inflationary cost pressures. Furthermore, the impacts on consumer confidence of a prolonged economic downturn and continuing deterioration of real incomes have been factored into sensitivity scenarios. The Group is continuously monitoring and mitigating, where possible, the impacts of these risks.

Whilst the Group has net current liabilities, the Group has considerable financial resources available totalling £108 million as at 31 March 2023. These consist of £48 million of cash and cash equivalents as well as £60 million of committed, but undrawn, banking facilities made available under a revolving credit facility agreement due to expire in September 2024. The revolving credit facility is subject to leverage and fixed charge cover covenants. Forecasts indicate that the Group is expected to be compliant with these covenants throughout the forecast period. In addition, the Group has a number of term loans secured against certain property assets of the Group under which balances outstanding as at 31 March 2023 total £14 million. Only £1 million of borrowings are repayable within one year.

To support the Group's working capital position, alongside the above core banking facilities, the Group also has access to a number of ancillary vehicle inventory funding arrangements of which £461 million were utilised as at 31 March 2023.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has: a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); b) exposure, or rights, to variable returns from its involvement with the investee; and c) the ability to use its power over the investee to affect its returns.

In assessing control potential voting rights that presently are exercisable or convertible are taken into account. Generally, there is a presumption that a majority of voting rights results in control. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control detailed above.

The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

Subsidiary audit exemptions

The consolidated financial statements include the results of all subsidiary undertakings owned by the Company as listed in Note 6 'Investments in Subsidiaries' on page 82.

Certain of the Group's subsidiaries, listed below, have taken the exemption from an audit for the year ended 31 March 2023 by virtue of s479A of the Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the parent company, Marshall Motor Holdings Limited, has given a statutory guarantee of all the outstanding liabilities as at 31 March 2023 of the subsidiaries listed below.

The subsidiaries which have taken an exemption from audit for the year ended 31 March 2023 by virtue of s479A of the Companies Act 2006 are:

Astle Limited (reg no. 01114983)	Motorline (Broad Oak) Limited (reg no. 1027093)
Crystal Motor Group Limited (reg no. 04813767)	Motorline (Canterbury) Limited (reg no. 08237424)
Dealcairn Limited (reg no. 04073914)	Pentagon Limited (reg no. 01862751)
Driveline Limited (reg no. 04626624)	Prep-Point Limited (reg no. 00660067)
Exeter Trade Parts Specialists LLP (reg no. OC329331)	Ridgeway Bavarian Limited (reg no. 07930214)
Marshall North West Limited (reg no. 00322817)	Ridgeway TPS Limited (reg no. 06112651)
Marshall of Cambridge (Garage Properties) Limited (reg no. 02051459)	S.G. Smith Automotive Limited (reg no. 00622112)
Marshall of Ipswich Limited (reg no. 04447940)	S.G. Smith (Motors) Beckenham Limited (reg no. 00648395)
Marshall of Peterborough Limited (reg no. 04861074)	S.G. Smith (Motors) Crown Point Limited (reg no. 00581711)
Marshall of Scunthorpe Limited (reg no. 01174004)	S.G. Smith (Motors) Forest Hill Limited (reg no. 00581710)
Marshall of Stevenage Limited (reg no. 06450140)	S.G. Smith Trade Parts Limited (reg no. 01794317)
Motorline Holdings Limited (reg no. 05478773)	Silver Street Automotive Limited (reg no. 00716748)
Motorline TPS Limited (reg no. 10474229)	Tim Brinton Cars Limited (reg no. 01041301)

Business combinations

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.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Business combinations (continued)

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 IFRS 9 *Financial Instruments* in the Consolidated Statement of Comprehensive Income. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Acquisition related costs are expensed as incurred and are excluded from underlying profit before tax.

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be reliably measured, in which case the value is subsumed into goodwill. With the exception of lease liabilities and right-of-use assets, in a business combination all identifiable assets acquired and liabilities assumed, including any contingent liabilities, that meet the recognition criteria under IFRS 3 *Business Combinations* are measured initially at their fair values at the acquisition date.

Lease liabilities are measured at the present value of lease payments under the lease term remaining as at the date of acquisition. When calculating the present value, the lease liability is discounted using the Group's incremental borrowing rate as at the date of acquisition. The Group's incremental borrowing rate is used as a proxy for the lessee's rate on the basis that the interest rate implicit in the lease cannot be readily determined. The associated right-of-use assets acquired are recognised at the same value as the lease liability plus any dilapidation provisions. Where there are either favourable or unfavourable lease terms acquired, adjustment is made to increase or decrease the right-of-use asset balances respectively.

Non-controlling interests

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 the acquiree's identifiable net assets.

Measurement period adjustments

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 *Business Combinations*. This includes an exercise to evaluate other material separately identifiable intangible assets such as franchise agreements, favourable leases and order backlog.

The finalisation of purchase price allocations may result in a change in the fair value of assets acquired. In accordance with IFRS 3 *Business Combinations* measurement period adjustments are reflected in the financial statements as if the final purchase price allocation had been completed at the acquisition date.

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.

Where the fair value of the consideration received is less than the fair value of the acquired net assets, the deficit is recognised immediately in the Consolidated Statement of Comprehensive Income as a bargain purchase. Goodwill is capitalised and subject to an impairment review at least annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods.

Intangible assets

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

Intangible assets acquired as part of a business combination include franchise agreements. These items are capitalised separately from goodwill if the asset is separable or if the benefit of the intangible asset is obtained through contractual or other legal rights and if its fair value can be measured reliably on initial recognition. Such assets are stated at fair value. Franchise agreements have an indefinite useful life, therefore are not amortised.

Intangible assets with an indefinite useful economic life are tested annually for impairment. Amortisation is included within net operating expenses in the Consolidated Statement of Comprehensive Income.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and less any recognised impairment loss. 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.

Depreciation is charged to write assets down to their residual values over their estimated useful economic lives. Depreciation is charged on a straight-line basis over the following periods:

- Leasehold improvements – shorter of the lease term or 10 years
- Fixtures and fittings – 5 years
- Computer equipment – 2-5 years
- Freehold buildings – 50 years
- Land – indefinite life, not depreciated
- Assets under construction - not depreciated.

The residual values and useful economic lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. The gains and losses on disposal of assets are determined by comparing sales proceeds with the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income.

Investment property

Initial recognition

Investment properties are measured initially at cost, including transaction costs. Investment properties include properties that are held as right-of-use assets, as well as properties that are owned by the Group.

Subsequent measurement

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 the Consolidated Statement of Comprehensive Income and is not included within underlying profit before tax.

Derecognition

Investment properties are derecognised either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Consolidated Statement of Comprehensive Income in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price under IFRS 15 *Revenue from Contracts with Customers*.

Impairment of non-financial assets

Assets not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential 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 inflows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and franchise agreements acquired in a business combination are allocated to each of the cash generating units. 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 and franchise agreements are allocated (being groups of dealerships connected by manufacturer brand) represents the lowest level within the entity at which the goodwill and franchise agreements are monitored for internal management purposes.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (*continued*)

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, spare parts are valued at weighted average costs. 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 in the Consolidated Balance Sheet (net of value added taxes), with a corresponding liability (including value added taxes) 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 (stock financing charges, responsibility for safekeeping and some risk of obsolescence) rest with the Group. Stock financing charges from manufacturers and other vehicle funding facilities are presented within finance costs. These charges are expensed over the period that vehicles are funded.

The Group finances the purchase of new and used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. These finance arrangements generally have a maturity of 90 days or less. 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 finance house base rate (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash in hand.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This classification is used where a sale is considered highly probable. Assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. Any subsequent increase in the fair value less costs to sell of an asset is recognised where it is not in excess of any cumulative impairment loss which has been previously recognised. Non-current assets are not depreciated while they are classified as held for sale. Assets classified as held for sale are presented separately from other asset classes in the current assets section of the Consolidated Balance Sheet.

On completion of the sale transaction, the difference between the net disposal proceeds and the carrying amount of the asset is recognised within Net Operating Expenses in the Consolidated Statement of Comprehensive Income in the period of de-recognition.

Financial instruments

Financial assets

Recognition and initial measurement

Trade receivables are initially recognised when they originated. Trade receivables are amounts due from customers for goods sold or for services performed by the Group in the ordinary course of business. Credit terms are less than one year, as such they are recognised as current assets.

All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for a financial asset not at fair value reported in profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement

A financial asset is classified either as being: measured subsequently at fair value (either through other comprehensive income or through profit or loss); or measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

All financial assets of the Group are classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value reported in profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Loss allowances for finance lease receivables are measured by reference to default events that are possible within 12 months of the reporting date on the basis that the credit risk since initial recognition has not been subject to significant increase.

Loss allowances for trade receivables are measured using a simplified approach based on the lifetime ECLs at each reporting date. An assessment of the lifetime ECLs is calculated using a provision matrix model to estimate the loss rates to be applied to each trade receivable category.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost. The classification of financial instruments is determined at initial recognition in accordance with the substance of the contractual arrangement into which the Group has entered.

Financial liabilities measured at amortised cost include non-derivative financial liabilities which are held at original cost, less amortisation. Financial liabilities measured at amortised cost comprise mainly trade and other payables and borrowings (see below for the separate accounting policies for each specific financial liability).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the Consolidated Balance Sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of investment properties and assets held for sale. At each reporting date, the Directors consider movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Directors consider the major inputs applied in the latest valuation by reviewing the information in the valuation computation to valuation reports and other relevant documents.

The Directors, in conjunction with the Group's external valuers, also compare the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in Note 26 'Fair Value Measurement'.

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.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Dividend distribution

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

Trade and other payables

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

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

Trade payables include the liability for vehicles (inclusive of value added taxes) held on consignment with the corresponding asset included within inventories (exclusive of value added taxes).

Borrowings

Borrowings comprise asset backed finance, mortgages and bank borrowings; they 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 Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Bank overdrafts, which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of presentation in the Consolidated Statement of Cash Flows. Bank overdrafts are presented within cash and cash equivalents in current assets in the Consolidated Balance Sheet.

Provisions

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

Dilapidation provision

The Group operates from a number of leasehold premises and is typically required by the terms of the lease to restore leased premises to their original condition on vacation of the premises at the end of the lease term. Estimates of dilapidation costs are calculated in accordance with the specific remediation requirements stipulated in each lease contract. At the point at which these remediation costs can be reliably estimated, a provision is recognised.

Restructuring (closed sites) provision

Provisions for restructuring costs are recognised at the point when a detailed restructuring plan is in place and the Group has either started to implement the plan or has announced the main features of the plan to those affected. Restructuring provisions include only direct expenditures necessarily entailed by the restructuring.

Revenue recognition

Revenue is measured based on the consideration received or receivable as specified in a contract with a customer and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Revenue excludes amounts collected on behalf of third parties. Revenue comprises sales and charges for vehicles sold and services rendered during the period, excluding intercompany sales within the Group.

The Group recognises revenue when it transfers control over a product or service to a customer, as described below.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Revenue recognition (continued)

Sale of motor vehicles, parts and aftersales services

The Group generates revenue through the sale of new and used motor vehicles and through the provision of aftersales services in the form of vehicle servicing, maintenance, parts and repairs. The Group recognises revenue from the sale of new and used motor vehicles when a customer takes possession of the vehicle, at which point they have an obligation to pay in full and as such control is considered to transfer at this point. The Group typically receives cash equal to the invoice amount for most direct retail sales to consumers at the time the consumer takes possession of the vehicle. When the consumer has taken out a finance agreement to purchase the vehicle, in most instances the Group receives payment from the finance company at the time the consumer takes possession of the vehicle. Payment terms on sales to corporate customers typically range from 7 to 60 days. The Group recognises revenue from the provision of aftersales services when the service has been completed, at which point customers have an obligation to pay in full. The Group typically receives cash equal to the invoice amount for most direct retail sales to consumers at the time the service has been completed. Payment terms on sales to corporate customers typically range from 30 to 60 days.

Sale of warranty products

Income received in respect of warranty policies sold and administered by the Group is recognised over the period during which a customer can exercise their rights under the warranty; as such, revenue is recognised over the period of the policy on a straight line basis.

Commission income

The Group receives commissions when it arranges vehicle financing and related insurance products for its customers to purchase its products and services, acting as agent on behalf of various finance and insurance companies. Commissions are based on agreed rates.

Where the Group acts as an agent on behalf of a principal, the associated income is recognised within revenue on completion of the arranging of the various products (i.e., at the point at which control passes to the customer).

Certain commissions are received in advance of the customer buying the associated finance or insurance products from the Group as agent. The advance commissions are paid upfront and typically relate to periods of two to three years depending on the arrangement. The advance commissions are recognised in revenue when sales of finance or insurance products are made. This can be over a year after the receipt of the advance.

There is not deemed to be a financing component because, being an agency arrangement, the timing of the recognition of the commission income varies on the basis of the occurrence of future events that are not substantially within the control of the customer or the Group. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

Rental income

Rental income arising from operating leases on investment properties is recognised in revenue on a straight line basis over the period of the lease. Rental income is not disclosed separately from revenue from contracts with customers in the Consolidated Statement of Comprehensive Income due to the immateriality of this income stream.

Contract liabilities

Where the Group receives an amount of consideration in advance of completion of performance obligations under a contract with a customer, the value of the advance consideration is initially recognised as a contract liability in liabilities. Revenue is subsequently recognised as the performance obligations are completed over the period of the contract (i.e., as control is passed to the customer). Contract liabilities are presented within trade and other payables in the Consolidated Balance Sheet and disclosed in Note 21 'Trade and Other Payables'.

Contract costs

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Transaction price allocation to remaining performance obligations

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Revenue recognition (continued)

Disaggregation of revenue

Revenue recognised from contracts with customers has been disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This disclosure, as well as the reconciliation between the disaggregated revenue disclosures and the revenue figures disclosed for each of the Group's reportable segments, is made in Note 5 'Segmental Information'.

Supplier income

The Group receives income from brand partners and other suppliers. The Group receives income from its suppliers based on specific agreements in place. These are generally based on achieving certain objectives such as specific sales volumes and maintaining agreed operational standards. *This supplier income received is recognised as a deduction from cost of sales at the point when it is reasonably certain that the targets have been achieved for the relevant period and when income can be measured reliably based on the terms of each relevant supplier agreement.*

Supplier income that has been earned but not invoiced at the balance sheet date is recognised in other receivables and primarily relates to volume-based incentives that run up to the period end.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. All such grants relate to expense items. The grant is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The grant income is disclosed in Net Operating Expenses in the Consolidated Statement of Comprehensive Income.

Leases

Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date

Right-of-use asset

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments to be made over the lease term that have not been paid at the lease commencement date. When calculating the present value, the lease liability is discounted using the Group's incremental borrowing rate because the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate for the Group is used as a proxy for the lessee's incremental borrowing rate on the basis that treasury functions are managed centrally and subsidiary entities' access to facilities is via pooled, group-wide arrangements.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the lease commencement date; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Leases (continued)

Group as lessee (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. Short-term leases are those that do not contain a purchase option and have a lease term of 12 months or less. Low value assets are those with a value below £5,000. The Group recognises on a straight-line basis over the lease term the lease payments associated with these leases in net operating expenses in the Consolidated Statement of Comprehensive Income.

Group as lessor

The Group only acts as a lessor in the context of sub-lease arrangements. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease as being either a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. To classify each sub-lease, an overall assessment is made as to whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the right-of-use asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If a head lease is a short-term lease to which the Group applies the short-term lease exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part revenue in the Consolidated Statement of Comprehensive Income.

Share-based payments

Prior to the sale to CAG Vega 2 Limited the Group operated a number of equity-settled, share-based compensation plans through which the Group allowed employees to receive shares in the Company. The equity-settled share-based payments were measured at fair value (calculated excluding the effect of service and non-market based performance vesting conditions) at the date of grant. The share-based payment charge to be expensed was determined by reference to the fair value of share options granted and was recognised as an employee expense within underlying earnings, with a corresponding increase in equity.

The share-based payment charge was recognised on a straight-line basis over the vesting period (being the period over which all vesting conditions are to be satisfied). An award subject to graded vesting was accounted for as though it were multiple, separate awards, the number of awards being determined in direct correlation to the number of instalments in which the options vest.

The share-based payment charge is based on the Group's estimate of the number of options that were expected to vest. At each balance sheet date, the Group revised its estimates of the number of options that were expected to vest based on the non-market performance vesting conditions and service conditions. The Group's remuneration policy gave the Remuneration Committee discretion to revise performance conditions to adjust for the impact of Group restructurings and reorganisations on incentive outcomes. The impact of any revisions to original vesting estimates or performance conditions was recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity.

Social security contributions payable in connection with share options granted were considered to be an integral part of the grant and were, therefore, treated as cash-settled transactions. For cash settled share-based payments, the Group recognised a liability for the services acquired measured initially at the fair value of the liability. This liability was re-measured at each balance sheet date and at the date of settlement, with any changes in fair value recognised in the Consolidated Statement of Comprehensive Income.

When options were exercised, the Company issued new shares. These shares were gifted to the Employee Benefit Trust by the Company at nominal value. The cost of these shares was recognised as a reduction to equity in the own shares reserve. When the options were exercised and the shares transferred to the employees, the cost on the own shares reserve was transferred to equity. When options issued by the Employee Benefit Trust were exercised the own shares reserve was reduced and a gain or loss was recognised in reserves based on proceeds less weighted-average cost of shares initially purchased now exercised.

Where shares options were forfeited, effective from the date of the forfeiture, any share-based payment charge previously recognised in both the current and prior periods in relation to these options were reversed through the Consolidated Statement of Comprehensive Income with a corresponding adjustment through the Consolidated Statement of Changes in Equity.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Net finance costs

The Group has no borrowing costs with respect to the acquisition or construction of qualifying assets, therefore, no borrowing costs are capitalised. Qualifying items of property, plant and equipment are considered to be those which take a substantial period of time to get ready for their intended use. These would include assets which are under construction for periods in excess of a year; the Group's dealership development programmes are not considered to qualify

Finance costs

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

Finance income

Finance income comprises interest receivable on funds invested and finance lease receivables. Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues using the effective interest method

Taxation

The taxation charge comprises corporation tax payable, deferred tax and any adjustments to tax payable in respect of previous years.

Current taxation

The current tax payable is based on the Group's taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expenditure that are taxable or deductible in other years and items of income or expenditure that are never taxable income or tax deductible expenditure. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases used in the computation of taxable profit. Deferred taxation is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group's deferred tax balances are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

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

Pensions

The Group participates in a number of defined contribution schemes for its employees. A defined contribution pension scheme is a pension plan under which the employer and employee pay contributions into a separate fund managed and administered by a third party. The employer has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to their service and contributions in current and prior periods.

Where the Group makes employer pension contributions, such contributions are charged to the Consolidated Statement of Comprehensive Income as they become payable in accordance with the rules of each scheme.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

2. Accounting policies (continued)

Alternative performance measures

Non-underlying items

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

Non-underlying items are defined as follows:

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

Adjusted net debt

The Directors believe that the impact of the adoption of IFRS 16 *Leases* distorts the value of reported net debt. Therefore, the measure of 'adjusted net debt' is used to present consistent, comparative information.

3. Changes in accounting policies and disclosures

Except where disclosed otherwise in this note, the accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied when preparing the consolidated financial statements for the 15 month period ended 31 March 2022

New standards, amendments and interpretations adopted by the Group

The following amendments to existing standards became effective in January 2022 and have been adopted in the consolidated financial statements for the first time during the year ended 31 March 2023.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

Impact on current period of the adoption of new standards, amendments and interpretations

Amendments to IFRS 3 Business Combinations: Reference to Conceptual Framework

Paragraph 11 of IFRS 3 Business Combinations, continued to refer to the 1989 Framework, this has previously not been updated as this could have caused conflicts for entities applying IFRS 3. The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination;
- Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group intends to use these practical expedients in future periods if and when they become applicable.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

3. Changes in accounting policies and disclosures (*continued*)

Impact on current period of the adoption of new standards, amendments and interpretations (*continued*)

Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use

Amendments to the standard that prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The Group intends to use these amendments in future periods if and when they become applicable.

Amendments to IAS 37 Provisions: Contingent Liabilities and Contingent Assets

An amendment to IAS 37 - Onerous Contracts — Cost of Fulfilling a Contract, to specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The Group intends to use these practical expedients in future periods if and when they become applicable.

New standards, amendments and interpretations not yet adopted by the Group

The following standards, amendments and interpretations were in issue, but were not yet effective at the balance sheet date. These have not yet been endorsed by the UK Endorsement Board. These standards have not been applied when preparing the consolidated financial statements for the year ended 31 March 2023.

It is not anticipated that application of the below will have a significant financial or disclosure impact in future periods.

	Date issued	Effective for accounting periods beginning on or after
IFRS 17 Insurance Contracts - New standard replacing IFRS 4. Sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	May 2017	1 January 2023
Amendments to IFRS 17 Insurance Contracts - Narrow scope amendment to the transition requirements creating a policy option in relation to the presentation of comparative information.	June 2020	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements - Changes to the requirements in respect of the disclosure of accounting policies.	February 2021	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Clarification of the definition of an accounting estimate and the circumstances that constitute a change in estimate.	February 2021	1 January 2023
Amendments to IAS 12 Income Taxes - Clarification of the application of the initial recognition exemption to deferred tax assets and liabilities that arise from a single transaction.	May 2021	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements - Clarification of the conditions required to be met in order to classify liabilities, notably debt with covenants, as either current or non-current.	January 2020	No earlier than 1 January 2024
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback - Clarification of how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale	September 2022	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements - Clarification of how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability	October 2022	1 January 2024

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

4. Significant accounting judgements, estimates and assumptions

The Directors are required to make judgements, estimates and assumptions about the future when applying the Group's accounting policies (as detailed in Note 2 'Accounting Policies') to determine the amounts of assets, liabilities, revenue and expenses reported in the consolidated financial statements. Actual amounts may differ from these estimates.

The Directors regularly review these judgements, estimates and assumptions and any resulting revisions to accounting estimates are recognised in the period in which the estimate is revised. If the change in estimation affects future accounting periods, the revision is recognised in the current and future periods.

Critical accounting judgements

The accounting judgements and assumptions (excluding those which also involve estimates which are covered in the key sources of estimation uncertainty section below) included in the consolidated financial statements which have a material impact on amounts reported are as detailed below.

Determination of indefinite useful economic life

Goodwill and franchise agreements are intangible assets acquired through business combinations. An asset is considered to have an indefinite useful economic life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The useful economic life of goodwill and franchise agreements is determined at the point of initial recognition. Each franchise agreement is different; each contract being for varying durations, with varying renewal or termination options. Previous franchise agreements acquired have historically either been renewed without substantial cost or not had termination options exercised by the Group. This past experience, coupled with the strength of the Group's relationships with brand partners, determines that these assets have indefinite useful economic lives.

Key sources of estimation uncertainty

The accounting estimates included in the consolidated financial statements which have a material impact on amounts reported are as detailed below.

Goodwill and other intangible asset impairment

Goodwill is deemed to have an indefinite useful economic life and is, therefore, not amortised. As a result, the Group reviews goodwill for impairment on at least an annual basis and more frequently where there are indicators of potential impairment. The impairment review requires the value-in-use of each CGU to be estimated; these calculations are based on a number of assumptions. Areas of significant judgement include:

- the estimation of future cash flows
- the selection of risk and the estimation of risk adjustment factors to be applied to cash flows
- the selection of an appropriate discount rate to calculate present value
- the selection of an appropriate terminal growth rate.

The assumptions used in the impairment test are detailed in Note 13(c) 'Goodwill and Other Intangible Assets'. The assumptions relating to future cash flows, estimated useful economic lives and discount rates are based on forecasts and are, therefore, inherently judgemental. Future events could result in the assumptions used needing to be revised, changing the outcome of the impairment test and resulting in impairment charges being recognised.

Inventory valuation

Inventories are stated at the lower of their cost and their net realisable value (being the fair value of the motor vehicles 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 the current value of vehicles held in inventory it is possible that the price at which the vehicles are actually sold will differ from the vehicles' industry valuations. Where this is the case, adjustments arise in the Consolidated Statement of Comprehensive Income on the sale of vehicles held in inventory.

Industry valuations are sensitive to rapid changes in regulatory and market conditions that are difficult to anticipate. In light of the materiality of the inventory balance in the Consolidated Balance Sheet, this uncertainty is considered to represent a key source of estimation uncertainty. The inventory provision as at 31 March 2023 represents 5.1% of the gross inventory balance (31 March 2022: 4.1%). This increase is due to a combination of the unusual market conditions leading up to and during the year whereby used vehicle prices appreciated coupled with an expectation of lower pricing during the second half of 2023 triggered by a deterioration in economic conditions, notably consumer confidence. A 50bps (2022: 50bps) change in this ratio would change the provision in the Consolidated Balance Sheet by approximately £2 million (2022: £2.5 million). A 50bps movement represents a reasonably possible change to the provision ratio based on average movements observed over the previous three periods.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

5. Segmental Information

IFRS 8 *Operating Segments* requires operating segments to be consistent with the internal management reporting provided to the Chief Operating Decision Makers who are responsible for allocating resources and assessing the performance of the operating segments. The Group considers the Board of Directors to be the Chief Operating Decision Makers.

The Group has identified its key product and service lines as being its operating segments because both performance and strategic decisions are analysed at this level. The IFRS 8 aggregation criteria have been met as a result of the Group's key product and service lines sharing common characteristics such as; similar types of customer for the products and services, similar nature of the product and service offerings, similar methods used to distribute the products and provide the services and similar regulatory and economic environment. As a result of these criteria being satisfied, the Group's operating segments constitute one reportable segment (retail) and all segmental information has been disclosed as such. The retail segment includes sales of new and used vehicles, together with the associated ancillary aftersales services of, servicing, body shop repairs and parts sales.

The Group has concluded that rental income arising from investment properties does not meet the quantitative thresholds required to constitute a reportable segment as defined in IFRS 8. Due to the non-material nature of these amounts, they are combined with the retail segment rather than being disclosed separately. As a result, all of the Group's activities are disclosed within the one reportable segment – the retail segment.

Geographical information

Revenue earned from sales is disclosed by origin and is not materially different from revenue by destination. All of the Group's revenue is generated in the United Kingdom.

Information about reportable segment

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, vehicle service and other related services

For the year ended 31 March 2023

	Revenue		Gross profit	
	£'000	mix*	£'000	mix*
New Vehicles	1,422,013	37.3%	152,644	34.7%
Used Vehicles	2,005,154	52.6%	127,567	29.0%
Aftersales	388,294	10.1%	159,862	36.3%
Internal / Other	(83,092)	-	710	-
Total	3,732,369	100%	440,782	100%

For the 15 months ended 31 March 2022

	Revenue		Gross profit	
	£'000	mix*	£'000	mix*
New Vehicles	1,565,235	40.7%	125,228	27.4%
Used Vehicles	1,889,096	49.2%	147,598	32.3%
Aftersales	386,405	10.1%	184,012	40.3%
Internal / Other	(79,854)	-	440	-
Total	3,760,882	100%	457,278	100%

* Mix calculation excludes internal/other.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

6. Profit before taxation

Profit before taxation is arrived at after charging / (crediting):

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Depreciation of property, plant and equipment (note 14)	14,127	15,408
Amortisation of other intangibles (note 13)	169	375
Profit on disposal of assets classified as held for sale (note 7)	-	(86)
(Profit)/loss on disposal of property plant and equipment	(1,721)	409
Profit on disposal of investment property (note 16)	-	(913)
Intangible assets impairment (note 13)	6,634	-
Loss on disposal of goodwill (note 13)	561	-
Depreciation of right-of-use assets (note 15)	21,471	18,947
Profit on disposal and remeasurement of right-of-use assets and lease liabilities (note 15)	(279)	(1,843)
Impairment loss on right-of-use assets (note 15)	472	698
Income received from subleasing right-of-use assets (note 15)	(185)	(231)

7. Non-underlying item

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Continuing operations		
Acquisition costs	(98)	(3,476)
Net recognition of restructuring costs	(2,514)	(7,732)
Profit on disposal of assets classified as held for sale	-	86
Profit on disposal of freehold properties	2,718	-
Profit on disposal of investment property	-	913
Loss on impairment of goodwill and other intangible assets	(6,634)	-
Loss on disposal of goodwill	(561)	-
Other	(1,159)	-
	(8,248)	(10,209)

Details of current and deferred tax arising in relation to all income and expenditure classified as Non-Underlying Items are disclosed in Note 11(b) 'Taxation'.

Acquisition costs

See Note 13(a) 'Goodwill and Other Intangible Assets' for further details of transactions giving rise to the acquisition costs.

Restructuring costs

Restructuring costs consist of costs of £971,000 associated with the closure of a number of the Group's franchised dealerships primarily resulting from a review of the Group's portfolio following the acquisition of the Motorline businesses during the prior period as well as the continuation of costs resulting from portfolio reorganisations (15 months ended 31 March 2022: £1,467,000).

Also presented in restructuring costs are £765,000 (15 months ended 31 March 2022: £444,000) of systems enhancement expenditure and costs associated with the integration of the Motorline businesses totalling £706,000 (15 months ended 31 March 2022: £669,000).

The prior period non-underlying items also included £5,031,000 incurred in association with the Group's change of ownership.

Profit on disposal of freehold property

During the year the Group sold freehold properties for a combined profit of £2,718,000

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

7. Non-underlying items (continued)

Profit on disposal of investment property

In February 2021 the Group sold the last two premises remaining in its investment property portfolio for a combined profit of £913,000. Included within this profit on disposal is the lease premium received for transfer of title in the long-leasehold premises.

Loss on impairment of goodwill and other tangible assets

Impairments of £6,634,000 have been recognised during the year ended 31 March 2023, these have been disclosed in note 13 'Goodwill and other intangible assets'.

No impairments were recognised during the 15 month period ended 31 March 2022.

8. Auditor's remuneration

During the period, the Group obtained the following services from the Group's auditor:

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Audit services:		
- fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	385	290
- audit of Group's subsidiaries	257	196
Fees payable to the Company's auditor for other services:		
- review of interim condensed consolidated financial statements	-	39
Total auditor's remuneration	642	525

9. Employees and directors

a) Employee costs for the Group during the year

The aggregate remuneration of employees and directors was:

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Wages and salaries	190,814	213,485
Social security contributions and similar taxes	24,119	22,639
Other pension costs	5,618	4,392
Share based payments	-	6,700
	220,551	247,216

Employee costs are included in:

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Cost of sales	30,230	36,877
Net operating expenses	190,321	210,339
	220,551	247,216

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

9. Employees and directors *(continued)*

a) Employee costs for the Group during the period *(continued)*

The average number of employees (including Executive Directors) was:

	Year ended 31 March 2023	15 months ended 31 March 2022
Retail	5,288	5,356

The average number of Group employees excludes temporary and contract staff. As at 31 March 2023 the Group had 5,340 employees (31 March 2022: 5,376).

b) Directors' emoluments

Remuneration in respect of the Directors was as follows:

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Directors' emoluments	2,649	2,475
Other pension costs	74	115
Gains on exercise of share options	5,249	633
	7,972	3,223

During the year three Directors' (15 months ended 31 March 2022: one) participated in a defined contribution pension scheme.

During both the current and prior periods no Directors were granted options under the Group's Performance Share Plan. During the year, two of the Directors (15 months ended 31 March 2022: one) exercised share options granted in previous periods (15 months ended 31 March 2022: £633,000).

The emoluments of two Directors are paid by other Group companies. These Directors are directors of a number of fellow subsidiaries in the Constellation Automotive Holdings Limited Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Director's emoluments	1,547	1,360
Other pension costs	69	87
Gains on exercise of share options	3,650	633
	5,266	2,080

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

9. 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 enlarged operational board and statutory directors.

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Wages and salaries	6,657	8,841
Social security contributions and similar taxes	2,706	1,316
Post-employment benefits	114	208
Gains on exercise of share options	5,666	-
Share-based payments	-	6,700
	15,143	17,065

Details of the share option schemes are provided in Note 28 'Share-Based Payments'.

10. Net finance costs

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Finance lease interest receivable	(69)	(95)
Stock financing charges and other interest	7,729	5,845
Interest payable on lease liabilities	4,192	4,177
Interest payable on bank borrowings	4,636	2,369
Net finance costs	16,488	12,296

11. Taxation

a) Taxation charge

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Current tax		
Current tax on profit for the year	9,578	17,181
Adjustments in respect of prior period/years	(292)	17
Total current tax charge	9,286	17,198
Deferred tax		
Origination and reversal of temporary differences	(2,031)	1,043
Impact of change in tax rates	48	7,264
Adjustments in respect of prior period/years	1,053	136
Total deferred tax charge (note 24)	(930)	8,443
Total taxation charge	8,356	25,641

The income tax charge in both the current year and prior period is attributable to profit from continuing operations.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

11. Taxation (continued)

b) Reconciliation of taxation charge

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below.

	Year ended 31 March 2023		15 months ended 31 March 2022	
	£'000	%	£'000	%
Profit before taxation	42,918		84,960	
Notional taxation charge at corporation tax rate of 19% (2022: 19%)	8,154	19.0%	16,142	19.0%
Effects of:				
Tax effect of items not deductible for tax purposes ¹	1,272	3.0%	2,147	2.5%
(Profit) / loss on disposal of non-qualifying assets	(351)	-0.8%	(65)	-0.1%
Super-deduction	(380)	-0.9%	-	0.0%
Adjustments in respect of prior years	761	1.8%	153	0.2%
Group relief surrendered at less than 19%	(602)	-1.4%	-	0.0%
Deferred tax charge relating to increase in tax rates	48	0.1%	7,264	8.5%
Deferred tax rate differential	(546)	-1.3%	-	0.0%
Taxation charge and effective tax rate	8,358	19.5%	25,641	30.2%

¹ Expenses not deductible predominantly consist of depreciation charges on non-qualifying assets.

The analysis of the Group's effective tax rate between underlying and non-underlying activities is as follows

	Year ended 31 March 2023			15 months ended 31 March 2022		
	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Profit before taxation	51,166	(8,248)	42,918	95,169	(10,209)	84,960
Taxation	11,229	(2,873)	8,356	19,031	6,610	25,641
Effective tax rate	21.9%	34.8%	19.5%	20.0%	(64.7%)	30.2%

Non-recurring items

The Group's total effective tax rate for the year ended 31 March 2023 of 19.5% was influenced by the effect of property disposals, non-deductible legal and professional fees and adjustment in respect of the prior period estimate of such fees. Excluding the impact of these items, the total effective tax rate for the period would have been 21.8% consistent with the Group's underlying effective tax rate of 21.9%.

The total reported effective tax rate includes a deferred tax charge of £48,000 resulting from the remeasurement of opening deferred tax balances following the substantive enactment of the planned increase in the standard rate of corporation tax to 25% from April 2023. The comparative figures for the 15 month period ended 31 March 2022 included a deferred taxation charge of £7,264,000. In both the current and prior period, the deferred taxation charges arising due to the remeasurement of opening deferred tax balances is presented in Non-Underlying Items on the basis that these charges are a consequence of legislative changes.

Future tax charges, therefore the Group's effective tax rate, may be affected by factors such as acquisitions, disposals, restructuring and tax regime reforms.

In the Budget of 3 March 2021, the Chancellor of the Exchequer announced a 6% increase in the standard rate of corporation tax, which will be applicable in the financial year beginning 1 April 2023. This change in the rate of corporation tax to 25% will affect the amount of future tax payments for which the Group will be responsible. Being substantively enacted, this rate change has already been reflected in the measurement of the Group's deferred tax assets and liabilities.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

12. Dividends

An interim dividend in respect of the year ended 31 March 2023 totalling £20,000,000 (15 months ended 31 March 2022: £6,931,000) and representing a payment of 24.59p per ordinary share (15 months ended 31 March 2022: 8.86p) in issue at that time was paid in September 2022.

Following the Company's change from a public listed company to a private limited company, a final dividend in respect of the year ended 31 March 2023 was not proposed.

13. Goodwill and other intangible assets

	Goodwill £'000	Franchise agreements £'000	Software £'000	Total £'000
<i>Cost</i>				
Balance at 1 January 2021	50,878	77,523	3,137	131,538
Additions	-	-	84	84
Additions on acquisition	11,167	45,715	-	56,882
Disposals	-	-	(15)	(15)
At 31 March 2022	62,045	123,238	3,206	188,489
Additions on acquisition	2,000	-	-	2,000
Disposals	(561)	-	-	(561)
At 31 March 2023	63,484	123,238	3,206	189,928
<i>Accumulated amortisation and impairment</i>				
Balance at 1 January 2021	9,495	-	2,510	12,005
Charge for the period	-	-	375	375
Disposals	-	-	(15)	(15)
At 31 March 2022	9,495	-	2,870	12,365
Charge for the year	-	-	169	169
Impairment	6,330	304	-	6,634
At 31 March 2023	15,825	304	3,039	19,168
<i>Net book value</i>				
At 1 January 2021	41,383	77,523	627	119,533
At 31 March 2022	52,550	123,238	336	176,124
At 31 March 2023	47,659	122,934	167	170,760

Disposal of Kia Franchises

Following the sale of the Group's Kia franchises, goodwill attributed to Kia of £0.6m was disposed of in the year ended 31 March 2023.

a) Acquisitions – current year

On 9 January 2023, Marshall Motor Group Limited acquired the trade and assets of a Jaguar Land Rover dealership in Leicester. This acquisition, by extending representation with existing brands in strategically important territories, is part of the Group's stated strategy to grow further scale with existing brand partners in new geographic territories.

The estimated identifiable assets and liabilities at the date of acquisition are stated at their provisional fair values are set out below. The goodwill arising on these acquisitions is attributed to the expected synergies and benefits associated with the increased brand representation

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

13. Goodwill and other intangible assets (continued)

a) Acquisitions – current year (continued)

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

	Net book value of assets acquired	Fair value adjustments	Fair value of net assets acquired
	£'000	£'000	£'000
Property, plant and equipment	78	-	78
Right-of-use assets	1,672	-	1,672
Inventories	3,594	-	3,594
Trade and other payables	(499)	-	(499)
Lease liabilities	(1,672)	-	(1,672)
Net assets acquired	3,173	-	3,173
Goodwill	2,000	-	2,000
Total cash consideration	5,173	-	5,173

The results of this dealership have been consolidated into the Group's results from the relevant date of acquisition. For the period from acquisition to 31 March 2023, the revenue and the profit before tax generated by this dealership was immaterial in the context of the Group's revenues and profit before tax.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisitions occurred (1 April 2022), on a pro forma basis, the change in revenue and profit before tax of the combined Group for the year ended 31 March 2023 would have been immaterial in the context of the Group.

b) Acquisitions – prior period

On 24 May 2021, the Group acquired the trade and assets of two Jaguar Land Rover dealerships in Cheltenham and Gloucester. On 30 June 2021, the Group acquired the trade and assets of a Nissan dealership in Leicester. These acquisitions, by extending representation with existing brands in strategically important territories, are part of the Group's stated strategy to grow further scale with existing brand partners in new geographic territories.

The estimated identifiable assets and liabilities at the dates of acquisition are stated at their provisional fair values as set out below. The goodwill arising on these acquisitions is attributed to the expected synergies and benefits associated with the increased brand representation.

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

	Net book value of assets acquired	Fair value adjustments	Fair value of net assets acquired
	£'000	£'000	£'000
Property, plant and equipment	7,730	(27)	7,703
Right-of-use assets	370	125	495
Inventories	3,028	-	3,028
Trade and other payables	(315)	(204)	(519)
Deferred tax liabilities	-	(371)	(371)
Lease liabilities	(370)	-	(370)
Provisions	(125)	(125)	(250)
Net assets acquired	10,318	(602)	9,716
Goodwill	334	602	936
Total cash consideration	10,652	-	10,652

The results of these dealerships have been consolidated into the Group's results from the relevant date of acquisition. For the period from acquisition to 31 March 2022, the revenues and the losses before tax generated by these dealerships were immaterial in the context of the Group's revenues and profit before tax.

If the acquisitions had taken effect at the beginning of the reporting period in which the acquisitions occurred (1 January 2021), on a pro forma basis, the change in revenue and profit before tax of the combined Group for the 15 months ended 31 March 2022 would have been immaterial in the context of the Group.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

13. Goodwill and other intangible assets (continued)

b) Acquisitions – prior period (continued)

On 14 October 2021, the Group acquired the entire issued share capital of Motorline Holdings Limited, a leading multi-franchise dealer group of companies headquartered in Canterbury and operating across Kent, West Sussex, Surrey, Berkshire, Bristol, South Wales and the West Midlands. This acquisition is in line with the Group's strategy, which includes growing scale with its chosen brand partners.

The estimated identifiable assets and liabilities at the date of acquisition are stated at their provisional fair value as set out below. The goodwill arising on acquisition is attributed to the expected synergies and benefits associated with the increased brand representation and extends the Group's geographic footprint into a further eight counties with the Group now having representation in 37 counties in England and Wales.

	Net book value £'000	Fair value adjustments £'000	Fair value of net assets acquired £'000
Intangible assets	-	45,715	45,715
Property, plant and equipment	28,800	-	28,800
Right-of-use assets	119,830	-	119,830
Inventories	96,423	(3,101)	93,322
Trade and other receivables	31,414	(699)	30,715
Cash and cash equivalents	20,300	-	20,300
Trade and other payables	(140,231)	(1,406)	(141,637)
Bank loans	(8,300)	-	(8,300)
Provisions	(251)	-	(251)
Lease liabilities	(118,926)	-	(118,926)
Current tax liabilities	(941)	-	(941)
Deferred tax liabilities	(287)	(14,571)	(14,858)
Net assets acquired	27,831	25,938	53,769
Goodwill	36,169	(25,938)	10,231
Total cash consideration	64,000	-	64,000

The results of the Motorline group of companies have been consolidated into the Group's results from 14 October 2021. For the period from acquisition to 31 March 2022, the Motorline group of companies generated revenue of £425,580,000 and a loss before tax of £37,000.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2021), on a pro forma basis, the change in revenue and profit before tax of the combined Group for the 15 months ended 31 March 2022 would have been an increase of £1,108,689,000 and £10,921,000 respectively.

Transaction costs arising on acquisitions in the period totalled £3,476,000. These costs have been recognised in net operating expenses in the Condensed Consolidated Statement of Comprehensive Income and are part of operating cash flows in the Condensed Consolidated Cash Flow Statement.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

13. Goodwill and other intangible assets (continued)

c) Impairment testing

For the purpose of impairment testing, goodwill and franchise agreements are allocated to a cash generating unit ("CGU"), or to the smallest group of CGUs where it is not possible to apportion the goodwill or intangible assets at the individual CGU level. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for management purposes. Goodwill and intangible assets arising on business combinations are allocated to CGUs by determining which CGU is expected to benefit from the synergies of the business combination.

The Group's CGUs are groups of dealerships connected by manufacturer brand. The allocation of goodwill and indefinite lived intangible assets to the CGU groups is as follows:

	31 March 2023		31 March 2022	
	Goodwill	Franchise	Goodwill	Franchise
	£'000	Agreements	£'000	Agreements
	£'000	£'000	£'000	£'000
Volkswagen Group*	20,657	52,220	20,657	52,220
BMW/MINI	1,461	8,345	1,461	8,345
Jaguar/Land Rover	10,568	14,358	8,568	14,358
Mercedes-Benz/Smart	11,182	19,201	11,182	19,201
Lexus/Toyota	-	20,061	4,696	20,365
Hyundai	1,589	7,219	1,589	7,219
Other	2,202	1,530	4,397	1,530
Total	47,659	122,934	52,550	123,238

*Volkswagen Group includes the Volkswagen, Audi, ŠKODA and SEAT brands

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable and a potential impairment may be required. Impairment reviews have been performed as at 31 March 2023.

Valuation basis

The recoverable amount of the Group's CGUs is determined by reference to their value-in-use to perpetuity calculated using a discounted cash flow approach, with a pre-tax discount rate applied to the projected, risk-adjusted pre-tax cash flows and terminal value. Where higher, the fair value of groups of CGUs, less costs of disposal, is taken as the recoverable amount.

Period of specific projected cash flows

The value-in-use of each CGU is calculated using cash flow projections for a five-year period; from 1 April 2023 to 31 March 2028. These projections are developed from the Board approved budget for the year ending 31 March 2023. The key assumptions in the forecasts on which the cash flow projections are based relate to expectations of sales volumes and margins and expectations around changes in the operating cost base. The assumptions made are based on the Directors' current understanding of the current macro-economic context and outlook, past experience adjusted for expected changes and external sources of information. The cash flows include ongoing capital expenditure required to maintain the Group's dealership network but exclude any growth capital expenditure projects to which the Group was not committed at the reporting date.

Discount rate

The cash flow projections have been discounted using a rate derived from the Group's pre-tax weighted average cost of capital adjusted for industry and market risk. The discount rate used is 12.0% (2022: 7.2%).

Terminal growth rate

The cash flows after the forecast period are extrapolated into the future over the useful economic life of the group of CGUs using a steady or declining growth rate that is consistent with that of the product and industry. Terminal growth rates are based on the Directors' estimate of future, long-term, average growth rates. These cash flows form the basis of what is referred to as the terminal value.

The growth rate to perpetuity applied in the value-in-use calculations to arrive at a terminal value is 2% (2022: 2%)

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

13. Goodwill and other intangible assets (continued)

c) Impairment testing (continued)

Conclusion

Under the base case, the Group's CGUs all have significant headroom in respect of the carrying value of goodwill and intangible assets with the exception of Lexus/Toyota and Nissan. The Nissan CGU is included in the "Other" CGU Group. Goodwill of £4.7m is assigned to the Toyota/Lexus CGU and goodwill of £1.6m Nissan is assigned to the Nissan CGU.

Toyota/Lexus

The Toyota & Lexus franchises were sold, along with the associated assets and liabilities on 30 June 2023. The consideration included £20.1m in respect of goodwill. Consequently an impairment of £5.0m was recorded at 31 March 2023 in order to reduce the carrying value of goodwill and intangible assets to the consideration value. This impairment charge is split between £4.7m of Goodwill and £0.3m of intangible assets held in relation to these franchises. No other material impairments or write-downs have been identified in respect of the Toyota / Lexus assets.

Nissan

Due to the increase in the discount rate an impairment has arisen. Therefore at 31 March 2023 the Group recorded a non cash impairment charge of £1.6m against goodwill. The other net assets related to the Nissan franchises are expected to be recoverable at carrying value in the ordinary course of business.

The Group calculates its recoverable amount as the higher of value in use or fair value less cost of disposal less the CGUs carrying value at 31 March 2023. The amount by which the Group's CGUs recoverable amount exceeds its carrying amount is £293m, even in a worst case scenario there would continue to be sufficient headroom for the Group.

Sensitivity to changes in key assumptions

Impairment testing is dependent on estimates and judgements, particularly as the conclusions relate to the forecasting of future cash flows, the discount rates selected and expected long-term growth rates.

The Group has performed a sensitivity analysis on the impairment tests under the base case using four scenarios:

- discount rate changes by +/- 100 basis points; and
- terminal value growth rate changes by +/- 50 basis points.

None of these sensitivity cases would result in an impairment against any CGU.

In order to assess the possibility of future impairments, the Group has performed additional scenarios analysis, using the forecasts prepared to support the Directors' consideration of the going concern basis of preparation. The scenario cases are as follows:

- A down side case in which the overhead savings/cost mitigations anticipated from the Group's on-going investment in systems and process, alongside other cost reduction measures, are not delivered to plan with a PBT impact of £6.5 million and £17.7 million in the years ending 31 March 2024 and 31 March 2025 respectively.
- A down side case in which a prolonged economic downturn results in a 10% reduction in revenue for the year ending 31 March 2024 and a 5% reduction in revenue for the year ending 31 March, triggering a PBT reduction of £18.0 million and £19.7 million in the years ending 31 March 2024 and 31 March 2025 respectively.
- A worst case combining the impact of both of the above down side cases.

The downside cases do not assume any cost mitigation or cash conservation actions, for example restructuring programmes or the deferral of capital expenditure, which could be enacted if the circumstances envisaged by these scenarios were to occur.

None of these scenario cases would result in the recognition of an impairment against any CGU.

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Notes to the Consolidated Financial Statements

14. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Cost					
Balance at 1 January 2021	138,514	28,791	48,518	2,059	217,882
Additions at cost	23,688	534	6,065	8,246	38,533
Additions on acquisition	25,002	5,985	5,516	-	36,503
Disposals	(617)	(909)	(6,954)	(667)	(9,167)
Transfers	4,953	397	1,415	(6,765)	-
At 31 March 2022	191,540	34,798	54,560	2,853	283,751
Additions at cost	145	415	6,927	4,270	11,757
Additions on acquisition	-	-	78	-	78
Disposals	(3,731)	(1,886)	(2,757)	(371)	(8,745)
Transfers	2,065	839	610	(3,514)	-
At 31 March 2023	190,019	34,166	59,418	3,238	286,841
Accumulated depreciation and impairment					
Balance at 1 January 2021	14,769	10,060	34,750	-	59,579
Charge for the period	3,090	3,774	8,544	-	15,408
Disposals	(73)	(449)	(5,960)	-	(6,482)
At 31 March 2022	17,786	13,385	37,334	-	68,505
Charge for the year	3,196	3,485	7,446	-	14,127
Disposals	(540)	(857)	(2,453)	-	(3,850)
At 31 March 2023	20,442	16,013	42,327	-	78,782
Net book value					
At 1 January 2021	123,745	18,731	13,768	2,059	158,303
At 31 March 2022	173,754	21,413	17,226	2,853	215,246
At 31 March 2023	169,577	18,153	17,091	3,238	208,059

As at 31 March 2023, the Group had capital commitments totalling £17,257,000 (31 March 2022: £3,321,000) relating to ongoing construction projects.

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Notes to the Consolidated Financial Statements

15. Leases

a) Group as lessee

The Group has lease contracts for land and buildings and for vehicles. Leases of vehicles have an average term of three years. Leases of land and buildings have an average term of between 20 and 25 years and can include extension, termination and purchase options. Lease terms are negotiated on an individual basis, therefore, contain a wide range of different terms and conditions.

In determining the lease term, consideration is made of all facts and circumstances that create an economic incentive to exercise an extension or purchase option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term, therefore, balances recognised, if the lease is reasonably certain to be extended (or not terminated). Specific consideration is given to: the existence of significant penalties to terminate (or not extend), the residual value of any leasehold improvements, historical occupancy trends, the importance of the underlying asset to the Group's operations and the costs and business disruption required to replace the leased premises.

The following are amounts recognised in the Consolidated Statement of Comprehensive Income:

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Depreciation of right-of-use assets	21,471	18,947
Loss/(profit) on disposal on disposal and remeasurement of right-of-use assets and lease liabilities	560	(1,843)
Impairment loss on right-of-use assets	472	698
Expenses relating to short-term leases	436	504
Expenses relating to leases of low-value assets	841	906
Interest payable on lease liabilities	4,192	4,177
Total amount recognised in Income Statement	27,972	23,389

The Group had total cash outflows in respect of leases in the year of £19,643,000 (15 months ended 31 March 2022: £25,314,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of £5,081,000 (15 months ended 31 March 2022: £134,225,000)

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Notes to the Consolidated Financial Statements

15. Leases (continued)

a) Group as lessee (continued)

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the year.

	Land and buildings £'000	Plant and equipment £'000	Vehicles £'000	Total £'000
<i>Cost</i>				
At 1 January 2021	154,656	-	672	155,328
Additions	13,613	-	376	13,989
Additions on acquisition	119,613	590	122	120,325
Disposals	(7,671)	-	(462)	(8,133)
Remeasurement	474	-	(50)	424
At 31 March 2022	280,685	590	658	281,933
Additions	3,408	-	-	3,408
Additions on acquisition	1,672	-	-	1,672
Disposals	(2,785)	-	(296)	(3,081)
Remeasurement	(5,042)	-	-	(5,042)
At 31 March 2023	277,938	590	362	278,890
<i>Accumulated depreciation and impairment</i>				
At 1 January 2021	56,042	-	454	56,496
Charge for the period	18,567	61	319	18,947
Disposals	(7,671)	-	(462)	(8,133)
Impairment	698	-	-	698
At 31 March 2022	67,636	61	311	68,008
Charge for the year	21,471	122	271	21,864
Disposals	(2,785)	-	(296)	(3,081)
Impairment	472	-	-	472
Remeasurement	2,905	-	-	2,905
At 31 March 2023	89,699	183	286	90,168
<i>Net book value</i>				
At 31 March 2022	213,049	529	347	213,925
At 31 March 2023	188,239	407	76	188,722

Impairments

Six sites were closed during the year. The premises out of which these dealerships operated became vacant on the cessation of trade, however, certain lease commitments persist. Therefore, the right-of-use assets for these leases have been fully impaired. This impairment loss of £472,000 (15 month period ended 31 March 2022: £698,000) was recognised in the Consolidated Statement of Comprehensive Income in Net Operating Expenses.

Lease liability maturity analysis

The maturity analysis of the Group's lease liabilities is as follows:

	31 March 2023 £'000	31 March 2022 £'000
Within 1 year	19,492	46,867
Between 1 and 5 years	64,777	69,036
After 5 years	101,302	93,368
Total lease liabilities	185,571	209,271

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

15. Leases (continued)

a) Group as lessee (continued)

Analysis of lease payments

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. There are no variable payments that are independent of an index or a rate.

Year ended 31 March 2023

	Lease contracts number	Fixed payments %	Variable payments %
Property leases with payments linked to inflation	83	-	58%
Property leases with fixed payments	86	41%	-
Vehicle leases	117	1%	-
	286	42%	58%

15 months ended 31 March 2022

	Lease contracts number	Fixed payments %	Variable payments %
Property leases with payments linked to inflation	83	-	56%
Property leases with fixed payments	84	43%	-
Vehicle leases	146	1%	-
	313	44%	56%

b) Group as lessor – finance leases

The Group has non-cancellable leases as intermediate lessor of leases for properties. The terms of these leases vary. The following are amounts recognised in the Consolidated Statement of Comprehensive Income:

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Income received from subleasing right-of-use assets	(185)	(231)
Finance income on net investment in leases	(69)	(95)
Total amount recognised	(254)	(326)

Future minimum lease payments receivable for property under non-cancellable finance leases are set out below:

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Within 1 year	185	185
Between 1 and 2 years	185	185
Between 2 and 3 years	185	185
Between 3 and 4 years	185	185
Between 4 and 5 years	185	185
After 5 years	552	737
Total undiscounted lease payments receivable	1,477	1,662
Unearned finance income	(287)	(357)
Net investment in the lease	1,190	1,305
Current (note 19)	122	115
Non-current	1,068	1,190
Total finance lease receivable	1,190	1,305

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Notes to the Consolidated Financial Statements

16. Investment property

	Freehold land and buildings £'000	Right-of-use asset £'000	Total £'000
Fair value at 1 January 2021	438	1,060	1,498
Disposals	(438)	(1,060)	(1,498)
Fair value at 31 March 2022 and March 2023	-	-	-

The properties were rented out to third parties up until the point of their disposal in February 2021. No rental income was recognised in the year (15 months ended 31 March 2022: £30,000). There were no restrictions on the Group's ability to dispose of the investment properties or use any funds arising on disposal.

17. Inventories

	31 March 2023 £'000	31 March 2022 £'000
Inventories held for resale	531,151	465,219
Less: provisions	(27,317)	(19,172)
Inventories	503,834	446,047

Inventories held for resale include new and used vehicles held for resale, vehicle parts and other inventory. As at 31 March 2023, £460,766,000 (31 March 2022: £412,973,000) of finished goods were held under vehicle financing arrangements (see Note 21 'Trade and Other Payables').

Inventory recognised in cost of sales during the year as an expense totalled £3,213 million (year ended 31 March 2022: £3,082 million).

18. Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year:		
Trade receivables	87,552	66,656
Other receivables	45,834	41,308
Amounts due from related undertakings (note 30)	6,863	214
Prepayments	7,298	20,395
Finance lease receivable (note 15)	122	115
Trade and other receivables	147,669	128,688

Other receivables include accrued supplier income of £12,471,000 (31 March 2022: £14,805,000). More information in respect of principal risk management is provided in Note 25 'Financial Instruments – Risk Management'.

All financial assets included within trade and other receivables are held at amortised cost. The carrying amount of trade and other receivables approximates fair value.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

19. Cash and cash equivalents

	31 March 2023 £'000	31 March 2022 £'000
Cash at bank and in hand	47,798	27,698

Cash and cash equivalents are held at amortised cost. Fair value approximates carrying value.

Cash at bank earns interest at floating interest rates determined by reference to short-term benchmark rates.

20. Assets classified as held for sale

	31 March 2023 £'000	31 March 2022 £'000
Non-current assets held for sale		
Freehold land and buildings		
1 April 2022 and 1 January 2021	-	703
Disposals	-	(703)
At 31 March 2023 and 31 March 2022	-	-

Following the closure of two of the Group's dealerships in October 2020, the decision was taken to sell the freehold properties owned by the Group out of which these dealerships previously operated. As a result, the freehold properties were reclassified as held for sale and transferred from property, plant and equipment into current assets. On reclassification, the freehold properties were measured at the lower of their existing carrying value and fair value less costs to sell at the date of reclassification (fair value was determined by a desktop valuation from Chartered Surveyors). No impairments was required as fair value less costs to sell exceeded the assets' carrying value.

These properties were subsequently sold in February 2021. Profits on disposal of assets classified as held for sale are included in Note 7 'Non-Underlying Items'.

21. Trade and other payables

	31 March 2023 £'000	31 March 2022 £'000
Current - trade and other payables		
Trade payables		
- vehicle financing arrangements	458,684	412,973
- other trade payables	192,326	157,333
Contract liabilities	1,399	13,577
Amounts owed to related undertakings (note 30)	3,827	38
Other tax and social security payable	6,449	7,576
Other payables	20,233	14,217
Accruals	27,450	45,012
Total current trade and other payables	710,368	650,726

All financial liabilities included within current trade and other payables are held at amortised cost; carrying value is a reasonable approximation of fair value.

	31 March 2023 £'000	31 March 2022 £'000
Non-current - other payables		
Contract liabilities	14,042	12,092
Total non-current other payables	14,042	12,092

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Notes to the Consolidated Financial Statements

21. Trade and other payables (continued)

Vehicle financing arrangements

The Group finances 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 reporting within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle financing facilities are subject to floating interest rates linked to the Bank of England Base Rate (or equivalent finance house base rates). The interest incurred under these agreements is included within finance costs and classified as stock holding interest.

Contract liabilities

	31 March 2023 £'000	31 March 2022 £'000
OEM contributions	37	130
Commission income	1,362	13,731
Service packages	14,042	11,808
	15,441	25,669

Contract liabilities include OEM contributions received in advance from manufacturers for which the Group acts as principal. Movements on these balances during the period were as follows:

	31 March 2023 £'000	31 March 2022 £'000
At 1 April 2022 and 1 January 2021	130	310
Deferred during the year	3	16
Recognised as revenue during the year	(96)	(196)
At 31 March 2023 and 31 March 2022	37	130

Contract liabilities include commission income received in advance from the various finance and insurance companies for which the Group acts as agent. Movements on these balances during the period were as follows:

	31 March 2023 £'000	31 March 2022 £'000
At 1 April 2022 and 1 January 2021	13,731	22,069
Deferred during the year	1,837	12,149
Recognised as revenue during the year	(14,206)	(20,487)
At 31 March 2023 and 31 March 2022	1,362	13,731

Contract liabilities include service packages received in advance from customers for which the Group acts as principal. Movements on these balances during the period were as follows:

	31 March 2023 £'000	31 March 2022 £'000
At 1 April 2022 and 1 January 2021	11,808	5,885
Deferred during the year	16,807	20,735
Recognised as revenue during the year	(14,573)	(14,812)
At 31 March 2023 and 31 March 2022	14,042	11,808

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Notes to the Consolidated Financial Statements

22. Loans and borrowings

	31 March 2023 Nominal and book value £'000	31 March 2022 Nominal and book value £'000
Current loans and borrowings		
Mortgages	1,417	1,428
	1,417	1,428
Non-current loans and borrowings		
Asset backed financing	(36)	-
Mortgages	8,811	10,683
	8,775	10,683
Total loans and borrowings	10,192	12,111

Mortgages comprise amounts borrowed from commercial financial institutions and are secured by fixed charges over specified property assets of certain subsidiaries of the Group.

More information in respect of principal risk management is provided in Note 26 'Financial Instruments – Risk Management'.

Committed facilities

The Group has a revolving credit facility of £60,000,000 of which £nil was drawn at 31 March 2023 (31 March 2022: £nil). Of this facility £25,000,000 is provided as an overdraft, with the balance being available to draw on demand. This facility is available for general corporate purposes including acquisitions or working capital requirements.

The facility is secured by cross guarantees granted by certain members of the Group. The current facility is available until September 2024.

Fair values

The carrying amount of current loans and borrowings approximates fair value.

The carrying amounts and fair values of non-current loans and borrowings are as below. The fair values are based on cash flows discounted using the prevailing rates.

	31 March 2023 Carrying amount £'000	Fair value £'000	31 March 2022 Carrying amount £'000	Fair value £'000
Mortgages	8,775	7,583	10,683	10,111

Interest rate profile of borrowings

All loans and borrowings are subject to floating rates of interest that are determined by reference to official market rates. The Group's various mortgages are subject to interest rates linked to Bank Base Rates, the revolving credit facility paid interest is linked to SONIA.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

22. Loans and borrowings (continued)

Maturity profile of borrowings

The Group's borrowings have the following maturity profile:

	31 March 2023 £'000	31 March 2022 £'000
Within 1 year	1,381	1,384
Between 1 and 5 years	6,519	5,668
After 5 years	2,292	5,059
Total loans and borrowings	10,192	12,111

More information in respect of principal risk management is provided in Note 25 'Financial Instruments – Risk Management'.

23. Provisions

	Dilapidations £'000	Closed sites £'000	Tax £'000	Other £'000	Total £'000
At 1 April 2022	3,121	243	-	1,747	5,111
Amount provided in the year	1,288	1,571	-	485	3,344
Amount released in the year	(199)	(390)	-	-	(589)
Amount utilised in the year	(34)	(972)	-	-	(1,005)
As at 31 March 2023	4,176	452	-	2,232	6,860

Provisions are not discounted, the discounted amount arising from the passage of time and any change in the discount rate would be immaterial to the Group.

Provisions have been allocated between current and non-current as follows:

	31 March 2023 £'000	31 March 2022 £'000
Current	6,026	3,710
Non-current	834	1,401
Total provisions	6,860	5,111

Dilapidations and closed sites

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

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.

Other

Other provisions include a total amount of £1,766,000 (31 March 2022: £1,167,000) in respect of the Group's estimated financial exposure under open insurance claims and for potential output VAT payable arising from uncertain VAT treatment of specific vehicle purchases. Conclusion of these open positions is anticipated during the coming year.

Contingent liabilities

The Company and its subsidiaries are, from time to time party to disputes, claims, and other potential liabilities which arise in the ordinary course of business. The Directors do not anticipate that any of the current matters will give rise to settlements, either individually or in aggregate, which will have a material adverse effect on the Group's financial position.

Marshall Motor Holdings Limited

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24. Deferred tax assets and liabilities

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

	31 March 2023 £'000	31 March 2022 £'000
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months (note 24a)	(95,999)	(98,934)
- Deferred tax assets to be offset against liabilities (note 24b)	50,542	52,547
Net deferred tax liabilities	(45,457)	(46,387)

The movement on deferred tax balances is as follows:

	31 March 2023 £'000	31 March 2022 £'000
At 1 April 2022 and 1 January 2021	(46,387)	(22,715)
Deferred tax acquired	-	(15,229)
Income statement charge (note 11)	930	(8,443)
At 31 March 2023 and 31 March 2022	(45,457)	(46,387)

a) Deferred tax liabilities

The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation £'000	Fixed assets acquired on a business combination £'000	Roll over relief £'000	Assets previously qualifying for IBAs £'000	Intangible assets and goodwill £'000	Right-of-use asset £'000	Total £'000
As at 1 January 2021	862	5,769	1,323	164	15,953	17,985	42,066
Acquisitions	384	4,483	-	-	11,150	29,934	45,951
Charged/(credited) to the income statement - current period	(229)	(374)	-	(53)	248	(961)	(1,369)
Charged to the income statement - prior year	538	(23)	-	-	-	1	516
Impact of corporation tax rate reduction reversal	370	1,697	418	35	5,117	4,143	11,780
At 31 March 2022	1,925	11,552	1,741	146	32,468	51,102	98,934
Acquisitions	-	-	-	-	-	1,270	1,270
Charged/(credited) to the income statement - current year	1,240	(394)	-	(68)	201	(7,513)	(6,534)
Charged to the income statement - prior period	952	-	-	-	12	114	1,078
Impact of corporation tax rate increase	-	-	-	-	-	1,251	1,251
At 31 March 2023	4,117	11,158	1,741	78	32,681	48,224	95,999

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

24. Deferred tax assets and liabilities (continued)

b) Deferred tax assets

The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Capital losses £'000	Lease liabilities £'000	Other temporary differences £'000	Total £'000
As at 1 January 2021	230	18,642	469	19,341
Acquisitions	-	29,730	1,020	30,750
(Charged)/credited to the income statement - current period	8	(1,196)	(1,252)	(2,440)
(Charged)/credited to the income statement - prior year	12	17	352	381
Impact of corporation tax rate reduction reversal	79	4,341	95	4,515
At 31 March 2022	329	51,534	684	52,547
Acquisitions	-	1,270	-	1,270
(Charged)/credited to the income statement - current year	(133)	(5,068)	696	(4,505)
(Charged)/credited to the income statement - prior period	(1)	89	(62)	26
Impact of corporation tax rate increase	-	1,174	30	1,204
At 31 March 2023	195	48,999	1,348	50,542

Deferred 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.

	31 March 2023		31 March 2022	
	Tax losses £'000	Unrecognised deferred tax asset £'000	Tax losses £'000	Unrecognised deferred tax asset £'000
Trading losses				
Available indefinitely	187	47	187	47
At year end	187	47	187	47

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

25. Financial instruments - risk management

a) Financial instruments by category

The Group's principal financial instruments consist of cash and cash equivalents, bank overdrafts and loans and borrowings. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The table below analyses financial instruments by assets type. All financial liabilities are carried at amortised cost in both the current and prior periods.

	31 March 2023 £'000	31 March 2022 £'000
Assets as per the Consolidated Balance Sheet		
Finance lease receivables	1,190	1,305
Trade and other receivables excluding prepayments and finance lease receivables (note 19)	140,249	108,178
Cash and cash equivalents (note 19)	47,798	27,698
Total financial assets	189,237	137,181
Liabilities as per the Consolidated Balance Sheet		
Loans and borrowings (note 22)	10,192	12,111
Lease liabilities (note 15)	185,571	209,271
Trade and other payables excluding non-financial liabilities (note 21)	704,602	629,573
Total financial liabilities	900,365	850,955

For all financial assets and liabilities, fair value equals carrying value except for long-term borrowings as disclosed in Note 23.

b) Risk management

The Group's activities expose it to the following financial risks:

- Market risk;
- Credit risk, and
- Liquidity risk.

Each of these risks are managed in accordance with Board-approved policies. Risk management policies and systems have been established and are reviewed regularly to reflect changes in market conditions and the Group's activities. These policies are set out below.

The Group's financial risk management processes seek to enable the early identification, evaluation and effective management of the significant risks facing the business.

The Group does not use financial derivatives and does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

25. Financial instruments – risk management (continued)

b) Risk management (continued)

Market risk

Market risk is the risk of movements in the fair value of future cash flows of a financial instrument or forecast transaction as underlying market prices change. The only market risk to which the Group is exposed is changes in interest rates. The Group's business activities expose it to neither commodity price risk nor foreign currency risk.

Interest rate risk is the risk that a change in interest rates adversely affects the Group's performance or ability to settle financial obligations and comprises two elements.

Interest price risk

This risk results from financial instruments bearing fixed interest rates; changes in floating interest rates therefore affect the fair value of these fixed rate financial instruments.

The Group has no debt subject to fixed interest rates; therefore, it is not exposed to interest price risk.

Interest cash flow risk

This risk results from financial instruments bearing floating interest rates. Changes in floating interest rates affect cash flows on interest receivable or payable.

The Group is exposed to interest rate risk on its floating rate debt, namely all loans and borrowings. 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. Due to the low value of the Group's loans and borrowings as at 31 March 2023, the Group does not have significant sensitivities to the impact of future changes in interest rates on floating rate debt.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group is exposed to credit risk on its financial assets, which consist of cash balances with banks and trade and other receivables to the extent that settlement is cash-related. The Group does not have a significant exposure to this type of financial risk due to the nature of its customer base and the types of transaction that are undertaken.

The maximum exposure to credit risk on the Group's financial assets is represented by the assets' carrying amount.

Finance lease receivables

The Group has one finance lease receivable, which is a sub-leased property. There have been no instances of rent default by the lessee in the past, and no defaults are expected in the future, hence the credit risk is deemed to be low. No impairment loss allowance has been recognised in either the current or the prior period.

Trade receivables

The Group has a high volume of transactions spread across a large customer base, therefore, does not have a significant exposure to the credit worthiness of any single counterparty.

The Group has an established credit policy applied by each business under which the credit status of each new customer is reviewed (by reference to external credit evaluations, where possible) before credit is advanced. Credit limits are established for all significant or high-risk customers which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of management. These limits are based on external credit reference agency ratings and the utilisation of approved credit limits is regularly monitored. Outstanding debts are continually monitored by each business unit.

Trade receivables are considered to be past due once they have passed their contractual due date. At each reporting date, the Group uses a provision matrix to measure expected credit losses on trade receivables. When the debt is deemed irrecoverable, the allowance account is written off against the underlying receivable.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

25. Financial instruments - risk management (*continued*)

b) Risk management (*continued*)

Credit risk (continued)

Credit quality of trade receivables

The provision for credit losses recognised against trade receivables is based on an expected credit loss model that calculates the expected loss applicable to the receivable balance over its lifetime. Default rates are calculated considering historical loss experience and are applied to trade receivables within a provision matrix. The matrix approach allows for the application of different default rates to different groups of customers with similar characteristics. The characteristics used to determine the groupings of receivables are the factors that have the greatest impact on the likelihood of default; namely, number of days past due. The rate of default increases once the balance is 90 days past due and subsequently in 90-day increments. This matrix calculation approach is considered to be appropriate as the Group's trade receivable balance consists of a high volume of individually low value balances.

The most significant assumptions included within the expected credit loss provisioning model that gives rise to estimation uncertainty, albeit immaterial, are that future default rates will be consistent with actual past performance and that there will be no significant change in the payment profile or recovery rates. Historical default rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Default rates are based on average actual credit loss experience over the previous two-year period. The Group reviews and updates these default rates on a quarterly basis to ensure that the default rates used as the basis of the assumption are calculated based on the most up-to-date data. Actual historical default rates are then adjusted for current, forward-looking information; namely, regulatory changes and macroeconomic factors applicable to the Group's customer base that may have an impact, now or in the future, on recoverability. While forward-looking information is usually considered to be immaterial, exceptions to this could arise in the event of a forecast significant, one-off event.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

	31 March 2023	31 March 2022
	£'000	£'000
Balance at 1 April 2022 and 1 January 2021	1,532	671
Net remeasurement of loss allowances	(853)	861
Balance at 31 March 2023 and 31 March 2022	<u>679</u>	<u>1,532</u>

Cash and cash equivalents

Banking relationships are generally limited to those banks that are members of the core relationship group. These banks are selected for their credit status and their ability to meet the businesses' day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis.

The Group has not recorded impairments against cash or cash equivalents, nor have any recoverability issues been identified with such balances. Such items are typically recoverable on demand or in line with normal banking arrangements.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

25. Financial instruments - risk management (continued)

b) Risk management (continued)

Credit risk (continued)

Exposure to credit risk

A summary of the Group's exposure to credit risk for trade receivables and cash and cash equivalents is as follows:

	31 March 2023		31 March 2022	
	£'000	£'000	£'000	£'000
	Not credit-impaired	Credit-impaired	Not credit-impaired	Credit-impaired
Counterparties without external credit rating:				
Group 1	4,567	-	279	-
Group 2	83,664	-	67,910	-
Total gross carrying amount	88,231	-	68,189	-
Loss allowance	(679)	-	(1,532)	-
Net carrying amount of trade receivables	87,552	-	66,657	-
Gross carrying amount	1,190	-	1,305	-
Loss allowance	-	-	-	-
Finance lease receivable	1,190	-	1,305	-
Counterparties with external credit rating:				
A \ A+ (stable)*	47,798	-	27,698	-
Loss allowance	-	-	-	-
Cash at bank	47,798	-	27,698	-

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

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

* Standard & Poor's rating (long term)

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

25. Financial instruments - risk management (*continued*)

b) Risk management (*continued*)

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due

Ultimate responsibility for liquidity risk management rests with the Board, 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.

Liquidity risk is managed by maintaining adequate levels of easily accessible cash reserves and committed banking facilities. To assess the adequacy of resources, available headroom is continuously monitored through review of forecast and actual cash flows and through matching the maturity profiles of financial assets and liabilities. The Group has access to undrawn banking facilities in order to further reduce liquidity risk. The Group does not anticipate any issues drawing on the committed, undrawn banking facilities should this be necessary. Full details of the Group's borrowing facilities are given in Note 23 'Loans and Borrowings'.

The table below analyses the contractual undiscounted cash flows relating to the Group's financial liabilities at the balance sheet date. The cash flows are grouped based on the remaining period to the contractual maturity date. The Group holds sufficient funds to meet these commitments as they fall due.

	Due within 6 months	Due between 6 months and 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due after 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Mortgages	715	715	1,432	4,295	3,082	10,239
Lease liabilities	11,457	11,112	21,263	55,911	141,903	241,646
Trade and other payables excluding non-financial liabilities (note 21)	704,602	-	-	-	-	704,602
At 31 March 2023	716,774	11,827	22,695	60,206	144,985	956,487

	Due within 6 months	Due between 6 months and 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due after 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Mortgages	715	715	1,428	4,283	4,469	11,610
Lease liabilities	13,081	12,364	23,231	62,401	170,244	281,321
Trade and other payables excluding non-financial liabilities (note 21)	629,559	-	-	-	-	629,559
At 31 March 2022	643,355	13,079	24,659	66,684	174,713	922,490

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted as at the balance sheet date

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

25. Financial Instruments - risk management (*continued*)

c) Capital risk management

The capital structure of the Group consists of cash and cash equivalents, loans and borrowings and shareholders' equity. The Consolidated Statement of Changes in Equity provides details on equity. Note 19 provides details of cash and cash equivalents and Note 22 provides details of loans and borrowings.

The Group manages its capital structure with the following objectives:

- to safeguard the Group's ability to continue as a going concern and maintain sufficient available resources as protection for unforeseen events;
- to ensure that sufficient capital resources are available for working capital requirements and meeting principal and interest payment obligations as they fall due;
- to provide flexibility of resource for strategic growth and investment where opportunities arise; and
- to provide reasonable returns to shareholders and benefits for other stakeholders whilst maintaining a limited level of risk.

There were no changes to the Group's approach to capital management during the year.

By virtue of the Group's retail mediation activities, the Group is subject to the capital requirements imposed by the Financial Conduct Authority on all non-investment insurance intermediaries. The Group's capital adequacy is monitored on a quarterly basis and its capital resources have been consistently in excess of the requirements.

The Directors monitor the Group's capital structure and determine the level of dividends payable to shareholders at least twice a year prior to the announcement of results, taking into account the Group's ability to continue as a going concern and the capital requirements of its strategic business plans. Consistent with others in the industry, the Directors monitor levels of leverage by reference to the ratio of net debt to total shareholders' equity.

Net debt is calculated as total borrowings (including both current and non-current borrowings) less cash and cash equivalents. As disclosed in the Net Debt Reconciliation on page 25, the Group had net debt of £147,965,000 as at 31 March 2023 (31 March 2022: £193,684,000).

26. Fair value measurement

The carrying amounts and fair values of the Group's financial assets and financial liabilities are as below. The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value: trade receivables, trade payables, bank loans and cash and cash equivalents. Therefore, these assets are not disclosed below.

All fair values shown in the table below are measured using observable inputs (Level 2). The fair value of non-current mortgages are determined by reference to future contractual cash flows discounted using the prevailing market interest rates for facilities with similar characteristics.

	31 March 2023		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Mortgages	8,775	7,583	10,683	10,111

There have been no transfers between levels in the fair value hierarchy during either the current or prior periods.

Marshall Motor Holdings Limited

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27. Share capital and reserves

Share capital and share premium

	Number of shares No.	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2021	78,232,237	50,068	19,672	69,740
At 31 March 2022	78,232,237	50,068	19,672	69,740
Issued in the year	3,095,896	1,982	-	1,982
At 31 March 2023	81,328,133	52,050	19,672	71,722

All shares issued are authorised, allotted, called up and fully paid at par value of 64 pence each.

Issue of shares

In May 2022, the 2019 Awards, 2022 Awards and 2021 Performance Awards vested and were exercised. In order to satisfy the equity settled options, the Company issued 3,095,896 ordinary shares at par value of 64 pence each on 20 June 2022.

Shares held by subsidiaries

No shares in the Company were held by subsidiaries in the year (15 months ended 31 March 2022: nil).

Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments granted to employees, including key management personnel, and Directors of the Group as part of their remuneration. Refer to Note 28 'Share-Based Payments' for further details of these plans.

Own shares reserve

Represents shares in the Company held by the Marshall Motor Holdings Employee Benefit Trust. These shares are held in order to satisfy options exercised under the Group's Performance Share Plan. Further details of which are set out in Note 28 'Share-Based Payments'.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

28. Share-based payments

The Group operated an equity-settled share option scheme for certain senior managers and executive directors of the Group ("the Performance Share Plan"). As at 31 March 2023, five share grants have been awarded under the scheme being (a) 2017 Performance Awards, (b) 2018 Performance Awards, (c) 2019 Awards, (d) 2020 Awards and (e) 2021 Performance Awards. Awards are made annually to eligible employees at the discretion of the Remuneration Committee. employees receive shares at the end of the performance period, subject to the achievement of the specified underlying basic earnings per share ("EPS") performance conditions. Performance conditions are designed to incentivise senior managers and executive directors to maximise long-term shareholder returns. All outstanding options were exercised in the year. Each option grant under the scheme is disclosed separately below.

The total share-based payment charge recognised during the year ended 31 March 2023 was £nil (15 months ended 31 March 2022: £6,700,000). This is split as £nil in accruals (15 months ended 31 March 2022: £1,709,000) and £nil (15 months ended 31 March 2022: £4,991,000) in the share-based payments reserve

If an option remains unexercised after a period of ten years from the date of grant, the option expires. There is no remaining weighted average contractual life of options outstanding as at 31 March 2023 is (31 March 2022: 7.9 years).

The fair value of share options is determined by reference to the market value of the Group's shares at the date of grant. No valuation model is required to calculate the fair value of awards on the basis that the employees receiving the awards are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards. The weighted average fair value of options outstanding as at 31 March 2023 is £nil (31 March 2022: £1.85). The fair value of options granted during the year was £nil (15 months ended 31 March 2022: £2.57).

Options are ordinarily forfeited if the employee leaves the Group before the options vest. All options issued are nil cost options and all awards have an exercise price of £nil.

The share option scheme is in place to encourage option holders to take appropriate and timely action to maximise the long-term financial performance and success of the Group. As a result, in accordance with the discretion afforded to them under the Group's remuneration policy, the Remuneration Committee regularly reviews any impact of Group restructurings and reorganisations on incentive outcomes to ensure that performance conditions are not distorted by action taken to optimise business performance for the long-term benefit of the Group. The Remuneration Committee exercised this discretion during both the current and prior periods.

In April 2021, the 2018 Performance Awards became exercisable. On 27 May 2021, all option holders exercised these options. As such, 156,114 existing ordinary shares were acquired from the market to satisfy the exercise of these options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £365,000.

In September 2020, the 2017 Performance Awards became exercisable. On 27 May 2021, all option holders exercised these options. As such, 146,385 existing ordinary shares were acquired from the market to satisfy the exercise of these options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £273,000.

In May 2022, the 2019 Awards, 2020 Awards and 2021 Performance Awards vested and became exercisable. On 11 May 2022, all option holders exercised these options. As such, 3,095,896 ordinary shares were issued to satisfy the exercise of these options.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

28. Share-based payments (continued)

a) 2017 Performance Awards

The 2017 Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment.

The options vest for achieving growth in underlying, basic EPS from 2018 to 2019; 25% vest for achieving growth of CPI plus 1% per annum and the percentage of options which vests increases on a straight line basis up to 100% vesting for achieving growth of CPI plus 5% per annum. These performance criteria were not met due to unprecedented adverse market conditions. The Remuneration Committee exercised its discretion in light of the circumstances; therefore, 50% of these options become exercisable on the third anniversary of the grant date. The options were exercised on 27 May 2021.

The 2017 Performance Awards are subject to a holding period that starts on the grant date and ends on the fourth anniversary of the grant date.

	31 March 2023		31 March 2022	
	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022 and 1 January 2021	-	-	577,690	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(293,044)	-
Expired during the year	-	-	(284,646)	-
Outstanding as at 31 March 2023 and 31 March 2022	-	-	-	-
Exercisable as at 31 March 2023 and 31 March 2022	-	-	-	-

b) 2018 Performance Awards

The 2018 Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment.

The options vest for achieving growth in underlying, basic EPS from 2017 to 2020; 25% vest for achieving growth of 1.3% per annum and the percentage of options which vests increases on a straight line basis up to 100% vesting for achieving growth of 6% or more per annum. These performance criteria were not met due to unprecedented adverse market conditions. The Remuneration Committee exercised its discretion in light of the circumstances; therefore, 50% of these options become exercisable on the third anniversary of the grant date. The options were exercised on 27 May 2021.

The 2018 Performance Awards are subject to a holding period that starts on the grant date and ends on the fourth anniversary of the grant date.

	31 March 2023		31 March 2022	
	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022 and 1 January 2021	-	-	644,760	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(304,640)	-
Expired during the year	-	-	(340,120)	-
Outstanding as at 31 March 2023 and 31 March 2022	-	-	-	-
Exercisable as at 31 March 2023 and 31 March 2022	-	-	-	-

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

28. Share-based payments (continued)

c) 2019 Awards

The 2019 Awards are subject to the service condition of continuous employment. These options vest and become exercisable on change of control and ownership of the Group. On 11 May 2022, all option holders exercised these options.

	31 March 2023		31 March 2022	
	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022 and 1 January 2021	661,560	-	668,577	-
Granted during the year	-	-	17,544	-
Forfeited during the year	-	-	(24,561)	-
Exercised during the year	(661,560)	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 March 2023 and 31 March 2022	-	-	661,560	-
Exercisable as at 31 March 2023 and 31 March 2022	-	-	-	-

d) 2020 Awards

The 2020 Awards are subject to the service condition of continuous employment. These options vest and become exercisable on change of control and ownership of the Group. On 11 May 2022, all option holders exercised these options.

	31 March 2023		31 March 2022	
	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022 and 1 January 2021	1,067,632	-	1,035,632	-
Granted during the year	-	-	32,000	-
Forfeited during the year	-	-	-	-
Exercised during the year	(1,067,632)	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 March 2023 and 31 March 2022	-	-	1,067,632	-
Exercisable as at 31 March 2023 and 31 March 2022	-	-	-	-

e) 2021 Awards

The 2021 Performance Awards are subject to the service condition of continuous employment. These options vest and become exercisable on change of control and ownership of the Group. On 11 May 2022, all option holders exercised these options.

	31 March 2023		31 March 2022	
	No.	WAEP	No.	WAEP
Outstanding as at 1 April 2022 and 1 January 2021	1,299,616	-	-	-
Granted during the year	-	-	1,315,180	-
Forfeited during the year	-	-	(15,564)	-
Exercised during the year	(1,299,616)	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 March 2023 and 31 March 2022	-	-	1,299,616	-
Exercisable as at 31 March 2023 and 31 March 2022	-	-	-	-

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

29. Analysis of net debt

	At 1 April 2022 £'000	Cash flows £'000	Acquisitions £'000	Non-cash items £'000	At 31 March 2023 £'000
Cash and cash equivalents	27,698	20,100	-	-	47,798
Liabilities arising from financing activities					
Loans and borrowings	(12,111)	1,919	-	-	(10,192)
Lease liabilities	(209,271)	19,667	(1,672)	5,705	(185,571)
	(221,382)	21,586	(1,672)	5,705	(195,763)
Net debt	(193,684)	41,686	(1,672)	5,705	(147,965)
Lease liabilities	209,271	(19,667)	1,672	(5,705)	185,571
Adjusted net cash at year end (non GAAP measure)	15,587	22,019	-	-	37,606

	At 1 January 2021 £'000	Cash flows £'000	Acquisitions** £'000	Non-cash items* £'000	At 31 March 2022 £'000
Cash and cash equivalents	33,844	(26,446)	20,300	-	27,698
Liabilities arising from financing activities					
Loans and borrowings	(5,024)	1,213	(8,300)	-	(12,111)
Lease liabilities	(99,344)	21,133	(119,296)	(11,764)	(209,271)
	(104,368)	22,346	(127,596)	(11,764)	(221,382)
Net debt	(70,524)	(4,100)	(107,296)	(11,764)	(193,684)
Lease liabilities	99,344	(21,133)	119,296	11,764	209,271
Adjusted net cash at period end (non GAAP measure)	28,820	(25,233)	12,000	-	15,587

*Non-cash items include new lease contracts (£14,114,000), disposals (£2,870,000), remeasurements to existing lease liabilities (£139,000) as well as the unwinding of the discount on lease liabilities (£661,000).

** The increase in lease liability commitments on acquisitions arises predominantly from the portfolio of property leases entered into on acquisition of the Leicester JLR franchise in the current year and the Motorline group of companies in the prior period. For full details of lease liabilities arising on each acquisition in the year see Note 13(a) 'Goodwill and other intangible assets: acquisitions – current year'.

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

30. Related party transactions

Key management compensation is given in Note 9 'Employees and Directors'.

During prior periods the Directors were members of an employee car ownership scheme under which the following transactions were entered into – this scheme was wound down during the prior period. The Directors purchased three cars during the 15 months ended 31 March 2022 for an aggregate price of £281,000 and sold back five cars at a combined price of £464,000. The Directors did not make any material profits on these transactions

All companies within the group headed by Marshall of Cambridge (Holdings) Limited up until the change in ownership with the group being headed by Constellation Automotive Holdings Limited then on, other than those which are subsidiaries of Marshall Motor Holdings Limited, are related parties for which the disclosure exemption does not apply.

Transactions with related parties	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Sale of goods to related parties	113,452	357
Purchase of goods from related parties	183,340	-
Rendering of services to related parties	5,049	226
Rental of property from related parties	-	816
Amounts due from related parties	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
Trading balances due from related parties	6,863	214
Amounts due to related parties	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
Trading balances due to related parties	3,827	38

Outstanding balances with group entities are unsecured, interest free and are expected to be settled in cash.

During the year ended 31 March 2023, the Group made no provision for doubtful debts relating to amounts owed by related parties (15 months ended 31 March 2022: £nil).

Marshall Motor Holdings Limited

Notes to the Consolidated Financial Statements

31. Pensions

The Group makes contributions to defined contribution pension schemes; contributions paid are calculated by reference to a percentage of each employee's salary. All defined contribution schemes into which the Group makes contributions are managed by third party providers. The only obligation of the Group with respect to these schemes is to make the specified contributions. The total charge for contributions during the year ended 31 March 2023 was £5,618,000 (15 months ended 31 March 2022: £4,392,000).

The total unpaid pension contributions outstanding at the year end were £528,000 (31 March 2022: £426,000).

32. Ultimate parent company

On 11 May 2022 Marshall Motor Holdings Limited was acquired by a new intermediate parent company, CAG Vega 2 Limited, a company incorporated in England and Wales. The ultimate controlling party became TDR Capital LLP, a Limited Liability Partnership incorporated in England and Wales. Constellation Automotive Holdings Limited is the largest undertaking that consolidates these financial statements.

The financial statements of these companies can be obtained from The Registrar of Companies at Companies House, Crown Way, Cardiff CF14 3UZ.

33. Events after the reporting year

On 30 June 2023 the Group disposed of all of the Toyota and Lexus franchises held by the Group (19 businesses in total) to Steven Eagell Limited, FRF (South Wales) Limited, and Listers Group Limited.

Marshall Motor Holdings Limited

Company Financial Statements

Balance Sheet

At 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Fixed assets			
Investments	6	219,940	219,940
Current assets			
Debtors	7	1,392	618
Cash at bank and in hand		27,548	42,961
		<u>28,940</u>	<u>43,579</u>
Creditors: Amounts falling due within one year	9	(162,453)	(174,434)
Net current liabilities		<u>(133,513)</u>	<u>(130,855)</u>
Net assets		<u><u>86,427</u></u>	<u><u>89,085</u></u>
Capital and reserves			
Called-up share capital	10	52,050	50,068
Share premium		19,672	19,672
Share-based payments reserve	11	-	5,617
Own shares reserve	11	-	-
Profit and loss account		14,705	13,728
Shareholders' funds		<u><u>86,427</u></u>	<u><u>89,085</u></u>

The total comprehensive profit of the Company for the year ended 31 March 2023 was £17,342,000 (Loss for the 15 months ended 31 March 2022: £16,168,000).

The Company financial statements were approved for issue by the Board of Directors and authorised for issue 21 September 2023.

DocuSigned by:

Mark Hemus

1B91746D1-57C447

M C. Hemus
Director

Marshall Motor Holdings Limited

Company Financial Statements

Statement of Changes in Equity

For the year ended 31 March 2023

	Note	Called-up share capital £'000	Share premium £'000	Share-based payments reserve £'000	Own shares reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2021		50,068	19,672	1,585	(12)	36,987	108,300
Loss for the period		-	-	-	-	(16,168)	(16,168)
Total comprehensive loss for the period		-	-	-	-	(16,168)	(16,168)
Equity dividends paid	12	-	-	-	-	(6,931)	(6,931)
Exercise of share options	10	-	-	(959)	547	(160)	(572)
Acquisition of own shares		-	-	-	(535)	-	(535)
Share-based payments charge	11	-	-	4,991	-	-	4,991
At 31 March 2022		50,068	19,672	5,617	-	13,728	89,085
Profit for the year		-	-	-	-	17,342	17,342
Total comprehensive profit for the year		-	-	-	-	17,342	17,342
Equity dividends paid	12	-	-	-	-	(20,000)	(20,000)
New shares issued	10	1,982	-	-	(1,982)	-	-
Exercise of share options	10	-	-	(5,617)	1,982	3,635	-
At 31 March 2023		52,050	19,672	-	-	14,705	86,427

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

1. Statement of compliance

Marshall Motor Holdings Limited (the Company) is incorporated and domiciled in the United Kingdom. The Company is a private limited company, limited by shares. The Company is registered in England under the Companies Act 2006 (registration number 02051461) with the address of the registered office being: c/o Marshall Volkswagen Milton Keynes, Greyfriars Court, Milton Keynes, Buckinghamshire, MK10 0BN, United Kingdom

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 and in accordance with the Companies Act 2006

2. Basis of preparation

The financial statements are prepared in Sterling which is both the functional and presentational currency of the Company and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated. The financial information has been prepared on the going concern and historical cost basis.

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

Prior reporting period

On 11 May 2022 all of the issued share capital of the Company was acquired by CAG Vega 2 Limited. In anticipation of this change of ownership, to align the reporting period with that of acquirer, all entities in the Group changed the end of the reporting period from 31 December to 31 March. Amounts presented for the 2022 reporting period are for a 15 month period. Comparative figures are for a 12 month period. Consequently, comparative amounts reported in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes are not entirely comparable.

Exemptions adopted

The following disclosure exemptions have been adopted as permitted by FRS 102:

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

Company Statement of Comprehensive Income

As permitted under section 408 of the Companies Act 2006, the Company has elected to present neither a Company Income Statement nor a Company Statement of Comprehensive Income.

3. Accounting policies

Except where disclosed otherwise in this note, the accounting policies adopted in the preparation of the Company financial statements are consistent with those applied when preparing the Company financial statements for the 15 month period ended 31 March 2022.

Investments in subsidiaries

Investments in subsidiaries are recognised at cost less any impairment. Impairments are recognised directly through the Income Statement

Taxation

Current taxation

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. There are the following exceptions.

Where in a business combination there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised in the financial statements for those assets and liabilities, a deferred tax liability or asset is recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised.

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

3. Accounting policies (continued)

Taxation (continued)

Deferred taxation (continued)

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is considered probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

With the exception of changes arising on the initial recognition of a business combination, the taxation charge or credit is presented either in the income statement or the statement of other comprehensive income depending on the transaction that resulted in the taxation charge or credit.

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

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

Financial instruments

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

The Company has no financial instruments measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and which are receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in the Income Statement.

Share-based payments

Prior to the sale to CAG Vega 2 Limited the Company operated a number of equity-settled, share-based compensation plans through which the Company allowed employees to receive shares in the Company.

Equity-settled share-based payments were measured at fair value (calculated excluding the effect of service and non-market based performance vesting conditions) at the date of grant. The share-based payment charge to be expensed was determined by reference to the fair value of share options granted and was recognised as an employee expense within underlying earnings, with a corresponding increase in equity.

The share-based payment charge was recognised on a straight-line basis over the vesting period (being the period over which all vesting conditions are to be satisfied). An award subject to graded vesting was accounted for as though it were multiple, separate awards, the number of awards being determined in direct correlation to the number of instalments in which the options vest.

The share-based payment charge was based on the Company's estimate of the number of options that were expected to vest. At each balance sheet date, the Company revised its estimates of the number of options that were expected to vest based on the non-market performance vesting conditions and service conditions. The Company's remuneration policy gave the Remuneration Committee discretion to revise performance conditions to adjust for the impact of group restructurings and reorganisations on incentive outcomes. The impact of any revisions to original vesting estimates or performance conditions was recognised in the Income Statement with a corresponding adjustment to equity.

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

3. Accounting policies (*continued*)

Share-based payments (*continued*)

Social security contributions payable in connection with share options granted were considered to be an integral part of the grant and were, therefore, treated as cash-settled transactions. Cash-settled share-based payments transactions were measured at fair value at the settlement date, with changes in fair value recognised directly in equity in retained earnings.

When options were exercised, the Company issued new shares. These shares were gifted to the Employee Benefit Trust by the Company at nominal value. The cost of these shares was recognised as a reduction to equity in the own shares reserve. When the options were exercised and the shares transferred to the employees, the cost on the own shares reserve are transferred to equity.

When options issued by the Employee Benefit Trust were exercised the own shares reserve was reduced and a gain or loss was recognised in the reserves based on proceeds less weighted-average cost of shares initially purchased now exercised.

Where shares options were forfeited, effective from the date of the forfeiture, any share-based payment charge previously recognised in both the current and prior periods in relation to these options were reversed through the Income Statement with a corresponding adjustment to equity.

The cost of awards granted to employees of the Company's subsidiaries was recognised as an addition to the cost of its investment in the employing subsidiary, with a corresponding increase in the Share-Based Payments Reserve in the Statement of Changes in Equity.

Employee benefit trust

The Marshall Motor Holdings Employee Benefit Trust (the Trust) was established in the context of the share-based compensation plans operated by the Group. The Trust is registered in Jersey and was formed on 30 June 2015.

The Trust is treated as an extension of the Company (the sponsoring entity of the employee share option plans); therefore, the assets and liabilities of the Trust are included in the Company Balance Sheet. The Company Balance Sheet includes all shares in the Company held by the Trust. These shares are disclosed in the Own Shares Reserve as a deduction from equity.

Pensions

The Company participates in a defined contribution scheme for its employees. Contributions are charged to the Income Statement as they become payable in accordance with the rules of the scheme.

Dividend distribution

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

Dividend income

Income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend. All of the Company's income is generated in the UK.

4. Auditor's remuneration

The auditor's remuneration for audit and other services was £5,000 (15 months ended 31 March 2022: £5,000)

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

5. Employees and directors

Employee costs for the Company during the year were:

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
Wages and salaries	2,142	3,107
Social security costs	24	666
Other pension costs	33	136
Share based payments	-	3,215
	2,199	7,214

The average number of employees (including Executive Directors) was:

	Year ended 31 March 2023	15 months ended 31 March 2022
	No.	No.
Management	3	3

Details of Directors' remuneration are included in Note 9 'Employees and Directors' to the consolidated financial statements

6. Investments in subsidiaries

	Year ended 31 March 2023	15 months ended 31 March 2022
	£'000	£'000
At 1 April 2022 and 1 January 2021	219,940	154,689
Additions	-	65,579
Share-based payment awards to employees of subsidiaries	-	2,587
Impairment	-	(2,915)
At 31 March 2023 and 31 March 2022	219,940	219,940

Prior Period Additions

On 14 October 2021, the Company acquired 100% of the issued share capital of Motorline Holdings Limited for cash consideration of £64,000,000.

For further details of the subsidiaries acquired, see Note 14(a) 'Goodwill and Other Intangible Assets' in the consolidated financial statements.

Impairment

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable and a potential impairment may be required. Impairment reviews have been performed for all investments in subsidiaries as at 31 March 2023 and 31 March 2022. Impairment charges are recorded within administrative expenses in the Income Statement.

On 30 June 2023 the Group disposed of all of the Toyota and Lexus franchises held by the Group (19 businesses in total) to Steven Eagell Limited, FRF (South Wales) Limited, and Listers Group Limited. The consideration included £20.1m in respect of goodwill. Consequently an impairment of £5.0m was recorded at 31 March 2023 in order to reduce the carrying value of goodwill and intangible assets to the consideration value.

The Company recognised impairment charges during the prior period totalling £2,915,000 in relation to two of the investments in subsidiaries. Both impairments arose due to the closure of certain franchises operated by those subsidiary undertakings.

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

6. Investments in subsidiaries (continued)

Subsidiaries

The Company owns directly or indirectly the whole of the issued and fully paid ordinary share capital of the following subsidiary undertakings. All subsidiaries are incorporated in England and Wales

The registered office for all subsidiary companies listed below is Airport House, The Airport, Cambridge, CB5 8RY, United Kingdom. All subsidiaries listed below are included within the consolidated financial statements on page 21 to 75

Name of Undertaking	Principal activity at year end
Marshall Motor Group Limited [^]	Franchised motor dealership
Marshall of Cambridge (Garage Properties) Limited [^] (reg no. 02051459)	Property investment and development
Tim Brinton Cars Limited [^] (reg no. 01041301)	Property holding
Marshall of Ipswich Limited [^] (reg no. 04447940)	Franchised motor dealership
Marshall of Peterborough Limited [^] (reg no. 04861074)	Franchised motor dealership
S.G. Smith Holdings Limited [^]	Dormant
S.G. Smith Automotive Limited [^] (reg no. 00622112)	Holding company
S.G. Smith (Motors) Limited	Dormant
S.G. Smith (Motors) Beckenham Limited [^] (reg no. 00648395)	Franchised motor dealership
S.G. Smith (Motors) Forest Hill Limited [^] (reg no. 00581710)	Franchised motor dealership
S.G. Smith (Motors) Crown Point Limited [^] (reg no. 00581711)	Franchised motor dealership
S.G. Smith (Motors) Sydenham Limited	Dormant
S.G. Smith (Motors) Croydon Limited	Dormant
S.G. Smith Trade Parts Limited [^] (reg no. 01794317)	Motor parts sales
Prep-Point Limited [^] (reg no. 00660067)	Maintenance and repair of motor vehicles
Marshall of Stevenage Limited [^] (reg no. 06450140)	Franchised motor dealership
Marshall Commercial Vehicles Limited	Dormant
Marshall North West Limited [^] (reg no. 00322817)	Franchised motor dealership
Marshall of Scunthorpe Limited [^] (reg no. 01174004)	Franchised motor dealership
Silver Street Automotive Limited [^] (reg no. 00716748)	Franchised motor dealership
Exeter Trade Parts Specialists LLP [^] (reg no. OC329331)	Motor parts sales
Audi South West Limited	Dormant
Hanjo Russell Limited	Dormant
CMG 2007 Limited [^]	Dormant
Astle Limited [^] (reg no. 01114983)	Franchised motor dealership
Crystal Motor Group Limited [^] (reg no. 04813767)	Franchised motor dealership
Ridgeway Garages (Newbury) Limited [^]	Franchised motor dealership
Pentagon Limited [^] (reg no. 01862751)	Franchised motor dealership
Pentagon South West Limited	Dormant
Ridgeway TPS Limited [^] (reg no. 06112651)	Motor parts sales
Ridgeway Bavarian Limited [^] (reg no. 07930214)	Franchised motor dealership
Wood in Hampshire Limited	Dormant
Wood of Salisbury Limited	Dormant
Motorline Holdings Limited [^]	Franchised motor dealership
Motorline Limited	Franchised motor dealership
Motorline (Broad Oak) Limited [^]	Franchised motor dealership
Motorline (Canterbury) Limited [^]	Franchised motor dealership
Motorline (Kent) Limited	Franchised motor dealership
Motorline TPS Limited [^] (reg no. 10474229)	Motor parts sales
Driveline Limited [^]	Franchised motor dealership
Dealcairn Limited [^] (reg no. 04073914)	Property holding
Motorline (UK) LLP	Dormant

[^] Direct subsidiary of Marshall Motor Holdings Limited

^{*} Subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the year ended 31 March 2023

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

7. Debtors

	31 March 2023	31 March 2022
	£'000	£'000
Trade debtors	120	-
Other debtors	22	19
VAT	1	36
Corporation tax	917	-
Prepayments and accrued income	332	512
Deferred tax asset (note 8)	-	51
	1,392	618

During the year ended 31 March 2023, the Group made no provision for doubtful debts relating to amounts owed to related parties (15 months ended 31 March 2022: £nil).

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

8. Deferred tax assets

The analysis and movements in deferred tax assets during the year were as follows:

	Temporary differences £'000
At 1 January 2021	1
Charged to the Income Statement	(6)
Credited to the Income Statement - prior year	56
At 31 March 2022	51
Charged to the Income Statement - current year	(51)
Credited to the Income Statement - prior period	-
At 31 March 2023	-

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

	31 March 2023	31 March 2022
	£'000	£'000
Other timing differences	-	51

The Directors believe that all dividends paid by the Company's subsidiaries will meet the exemption conditions set out in tax legislation and are, therefore, non-taxable income

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

9. Creditors: amounts falling due within one year

	31 March 2023	31 March 2022
	£'000	£'000
Trade creditors	1,242	958
Amounts owed to Group undertakings	161,054	169,424
Corporation tax	-	1,310
Other taxation and social security	92	779
Other creditors	5	9
Accruals and deferred income	60	1,954
	162,453	174,434

Amounts owed to group undertakings are unsecured, bear no interest and have no fixed repayment date.

Details of loans and borrowings can be found in Note 22 'Loans and Borrowings' of the consolidated financial statements

10. Share capital and reserves

	Number of shares
At 1 January 2021	50,068
At 31 March 2022	50,068
Issued in the year	1,982
At 31 March 2023	52,050

All shares issued are fully paid.

Details of the Company's share capital and the nature of the reserves are included in Note 27 'Share Capital and Reserves' in the consolidated financial statements.

11. Share-based payments reserve

The Company operates a share-based payment scheme; having adopted the disclosure exemptions permitted by FRS 102 full details of the scheme are included in Note 28 'Share-Based Payments' in the consolidated financial statements and are not duplicated here.

The share-based payment expense recognised by the Company is calculated by reference to the number of options awarded to the employees of the Company.

Marshall Motor Holdings Limited

Notes to the Company Financial Statements

12. Dividends

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Paid during the year		
Interim dividend for 2022	-	6,931
Interim dividend for 2023	20,000	-
	20,000	6,931

An interim dividend in respect of the year ended 31 March 2023 of £20,000,000 representing a payment of 24.59p per ordinary share in issue at that time was paid in September 2022. A final dividend in respect of the year ended 31 March 2023 is not proposed. An interim dividend in respect of the 15 months ended 31 March 2022 of £6,931,000 representing a payment of 8.86p per ordinary share in issue at that time was paid in September 2021. Following the Company's change in status from a public listed company to a private limited company, a final dividend in respect of the 15 month period ended 31 March 2022 is not proposed.

13. Pensions

As described in Note 3 'Accounting Policies', the Company participates in a pension scheme for the benefits of its employees which is a defined contribution scheme. The scheme is funded by the payment of contributions to a trustee administered fund which is kept independently from the assets of the participating employers.

The total pension cost for the year was £33,000 (15 months ended 31 March 2022: £136,000).

The total unpaid pension contributions outstanding at the year end were £nil (2022: £nil)

14. Related party transactions

Company transactions with subsidiaries

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

Transactions with Directors

Details of transactions with Directors are included in Note 30 'Related Party Transactions' of the consolidated financial statements.

15. Ultimate parent company

On 11 May 2022 Marshall Motor Holdings Limited was acquired by a new intermediate parent company CAG Vega 2 Limited, a company incorporated in England and Wales. The ultimate controlling party became TDR Capital LLP, a Limited Liability Partnership incorporated in England and Wales. Constellation Automotive Holdings Limited is the largest undertaking that consolidates these financial statements.

The financial statements of these companies can be obtained from The Registrar of Companies at Companies House, Crown Way, Cardiff CF14 3UZ

Marshall Motor Holdings Limited

Appendix – Alternative Performance Measures (APMs)

The Group presents various APMs as the Directors believe that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance. The APMs are measures which disclose the adjusted performance of the Group excluding specific items which are regarded as non-recurring. See Note 7 'Non-Underlying Items' for full details of the nature of items excluded from non-underlying performance measures.

The following tables show the reconciliation between the Group's performance as reported in accordance with International Financial Reporting Standards (IFRS) and the Group's underlying performance and like-for-like results.

Underlying operating profit

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Total continuing operating profit as reported	59,406	97,256
Impact of non-underlying items		
Acquisition costs	98	3,476
Net recognition of restructuring costs	2,514	7,732
Profit on disposal of assets classified as held for sale	-	(86)
Profit on disposal of freehold properties	(2,718)	-
Profit on disposal of investment property	-	(913)
Loss on impairment of goodwill and other intangible assets	6,634	-
Loss on disposal of goodwill	561	-
Other	1,159	-
	8,248	10,209
Continuing underlying operating profit	67,654	107,465

Adjusted Net Debt

	Year ended 31 March 2023 £'000	15 months ended 31 March 2022 £'000
Net debt consists of:		
Cash and cash equivalents	47,798	27,698
Loans and borrowings	(10,192)	(12,111)
Lease liabilities	(185,571)	(209,271)
Closing net debt	(147,965)	(193,684)
Lease liabilities	(185,571)	(209,271)
Adjusted net cash	37,606	15,587