MARSHALL

S.172 Statement

Marshall Thermo King Limited

(Extract from the Strategic Report Year Ended 31/12/2022)

REPORTING ON SECTION 172(1)

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. The Regulations also require the company to report how the directors of the company have considered their duties under section 172(1) (of the Companies Act 2006 (the "Act")) ("Section 172(1)") during the financial year.

Section 172(1) sets out the duties owed by the directors to the company. In the context of the Group, being Marshall of Cambridge (Holdings) Limited and its subsidiaries (the "Group"), the company's directors owe their duty to the company and not the parent company. Success for a commercial company is often defined as long term value creation. Our directors always consider whether the decision they are about to take leads to a positive long term increase in the value of the company for the benefit of the shareholder.

Section 172(1) of the Companies Act 2006

Duty to promote the success of the company

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to–

(a) the likely consequences of any decision in the long term,
(b) the interests of the company's employees,
(c) the need to foster the company's business relationships with suppliers, customers and others,
(d) the impact of the company's operations on the community and the environment,
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and
(f) the need to act fairly as between members of the company.

Section 172(1) protocol

As part of its Framework, the ultimate parent company of the Group, Marshall of Cambridge (Holdings) Limited, has adopted a Section 172(1) protocol (the "Protocol"), which provides detailed guidance for directors and management on the application and execution of Section 172(1) duties across the Group, including the company. The Protocol provides directors and management with a clear process to follow when considering principal decisions, as defined in the Protocol and the Group's annual report and accounts. Responsibility for decision making on these principal decisions is delegated to the board of the Group (the "Group Board"), except where they cannot be delegated under the Act, via the company's terms of reference.

Key Stakeholders

The key stakeholders have been identified and engagement is ongoing with all relevant parties as referenced in the Directors' report. This includes the ultimate parent company, customers, partners, suppliers and communities as well as employees. Engagement with each stakeholder can be through a number of methods for example written and in person reporting to the ultimate parent company and direct interaction with customers and suppliers at multiple levels throughout the organisation. Employee engagement is referenced further in the Directors report.

Principal decisions

The principal decisions taken by the company are made by the Company Board in line with delegated authority from the Group. Examples of key decisions taken in the year include:

Implementation of a new ERP system

The company has taken the decision to replace the existing ERP system with a more modem and fully integrated ERP. This helps position the company to absorb future growth effectively and is an opportunity to update and improve controls across the business. The new ERP is expected to be in operation in mid-2023. Benefits to key stakeholders will ultimately include more timely and accurate information and efficiencies across the business.

Launch of Titan as a solar power source for refrigeration on commercial vehicles

The company have taken the decision to independently develop and produce a solar power solution for refrigeration on transport. This provides a low carbon solution to temperature-controlled logistics which have historically been diesel powered and significantly contributed to carbon emissions in the transport industry. This is a new product to the market, so the company is able to offer this to customers enhancing their carbon reduction agendas. Further it has meant expanding the supplier network and ensuring that a robust supply chain is in place.

Section 172(1) application

The Group's Framework approach to the application of Section 172(1), to promote the success of the Group, including the company, regulates the behaviour and activities of the Group Board and the company's board and executive committee. Examples of activities undertaken in relation to the ultimate parent company include regular reporting to the Group on performance of the business as well as other ad hoc reports on specific areas of the business. This includes monthly financial reporting as well as forecasting and budgeting with regular update meetings on the company operations.

Activities in relation to employee and other stakeholder engagement are listed in the Directors report[1].

FUTURE DEVELOPMENTS

The company's principal activities are expected to remain unchanged in the foreseeable future. Whilst developing its core refrigeration business, the company will continue to develop its "one-stop shop" customer offering by growing its tail lift service and fleet management operations.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are broadly grouped as competitive, legislative, and financial. The company's exposure to these risks is assessed and controlled by its executive management team which meets monthly. The company also utilises and participates in the risk management framework of the Group.

Competitive Risks

In common with the rest of the haulage industry, the marketplace for the supply and service of commercial vehicle refrigeration solutions remains highly competitive.

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[1] The full report can be found at Companies House:

https://find-and-update.company-information.service.gov.uk/company/00759572

The company's risk profile in this dynamic marketplace is managed by its broad customer base which it constantly seeks to expand. The company is also acting to further minimise competitive risks by diversifying its range of service offerings.

Legislative Risks

As with all transportation related companies, the impact of health, safety and environmental issues on both the company's business and its customers' businesses are only going to increase over forthcoming years. To ensure compliance and mitigate risks, the company ensures staff are appropriately trained in health and safety matters and maintains an insurance policy.

In conjunction with Thermo King, for whom the company acts as a dealer, the company aims to provide fuel efficient refrigeration solutions which both minimise environmental impact and reduce operating costs particularly through improved control systems and telematics. These must comply with legal regulations around use of fluorinated gases for refrigeration.

The introduction of the new Titan product, a solar power solution for refrigeration on commercial vehicles will accelerate the reduction in carbon emissions across the industry.

The operation of GPS tracking and satellite navigation systems on the company's fleet of service vehicles has helped to minimise its own fuel use whilst improving incident response times. In addition, the introduction of electronic field communication systems has nearly eliminated the need for paper-based administration whilst vastly improving customer service levels.

FINANCIAL RISK MANAGEMENT

Financial Risks

The company has developed a risk and financial management framework designed to control and minimise the financial risks facing the business which may be broadly summarised as follows:

Contract risk

Under its contract maintenance and fleet management products, the company commits to perform all service and repair work on units covered by such agreements for a specified period of time in return for a fixed or RPI linked monthly fee.

The contract risks associated with these arrangements are mitigated by the large pool of units operated under maintenance agreements. The company has been offering contract maintenance arrangements for many years and has built up a large history of expected spend profiles from which a comprehensive pricing matrix has been developed. This matrix is under constant review and is updated when spend profiles indicate a change in expected cost of a unit over its lifetime.

Credit risk

Credit risk is minimised by only offering deferred terms to customers who satisfy credit worthiness procedures and demonstrate an appropriate payment history. Credit authorisation and approval procedures are stratified based of the quantum of the credit facilities to be offered.

Liquidity and cash flow risk

Day to day trading cash flow and liquidity risks relate. to the ability to pay for goods and services required by the company to trade. The company participates in the Marshall of Cambridge (Holdings) Limited group's treasury arrangements. Under these arrangements, it has access to and shares banking arrangements and facilities with the ultimate parent company and fellow group undertakings.

Foreign exchange risk and use of derivatives

The majority of the company's refrigeration units and spare parts purchases are denominated in Euros. The company regularly uses forward foreign exchange contracts to reduce its exposure to the variability of foreign exchange rates.