

Section 172 Statement

Marshall of Cambridge Aerospace Limited

(Extract from the Strategic Report Year Ended 31/12/2023)

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”) during the financial year.

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 shareholders.

Section 172 (1) of the Companies Act 2006

The directors of the company must act in accordance with a set of general duties. These duties are detailed in section 172 (1) (a)–(f) of the UK Companies Act 2006:

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 consolidated financial statements. 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.

Principal decisions

The Board has also adopted a protocol to enable the Directors in making principal decisions. Principal decisions are those that are strategic, commercially material and impact the Company's stakeholders. The principal Board decisions made during the year and how the Board considered stakeholder views are set out below.

HIOS price adjustment

Following the UK Ministry of Defence (MOD) decision to withdraw the UK's C-130 fleet from service in June 2023, Marshall Aerospace agreed a price adjustment with MOD as it prepared for the premature end of its long-term contract with the RAF. This had a significant positive impact on profit in 2022 and 2023. This contract had been due to run until at least 2030 and in agreeing a price adjustment with the MOD the Board took into account a number of important factors. These included the need to maintain key capabilities of the business, securing the continuity of employment for Aerospace's highly skilled workforce and ensuring the Group had the ability to support the MOD during the wind down of the contract. Securing a position as official resale partner for the UK fleet to work in partnership with the Defence Equipment Sales Authority to manage the sale and entry into service of the aircraft with new operators was an important consideration. It enables the Group to support a key customer in achieving best value as well as providing a significant revenue stream over the coming years.

The Company worked closely with each of our customers for a definitive view, contract-by-contract, as to which fell into the critical or essential category, and how best to support each one. The Board also satisfied itself with the continuity plans in place and considered the strategic response to permanent changes in future customer priorities. Availability of ongoing financing to the Company was considered through dialogue with the Group Board. Facilities, with the Group's lenders, were extended in December 2021 and now expire on 31 March 2023. However, the receipt of proceeds from the sale of the Group's interest in Marshall Motor Holdings pie mean the Group is no longer dependent upon these facilities.

Throughout the year, the Board engaged with shareholders, keeping them informed by letter, email, and virtual briefings, including the AGM that was live-streamed to shareholders unable to attend.

Relocation

The Board also supported the Group Board's intention to relocate the Aerospace businesses from Cambridge Airport to new, state-of-the-art facilities as part of its commitment to investing in the long term future of the Company. In October 2020, the Group Board approved an option agreement for a 150-year lease on a parcel of land on Cranfield University's proposed Air Park development. This option was renewed in 2021, 2022, and 2023. In April 2023, Central Bedfordshire Council passed a resolution to grant our outline planning application. In making this decision, the Group Board considered the impact on employees, customers, the community and the environment and agreed it was the right step towards unlocking value for all stakeholders.

Section 172 application

The Group's Framework approach to the application of Section 172, 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 Director's report.¹

¹ The full report can be found at Companies House: <https://find-and-update.company-information.service.gov.uk/company/00245740>