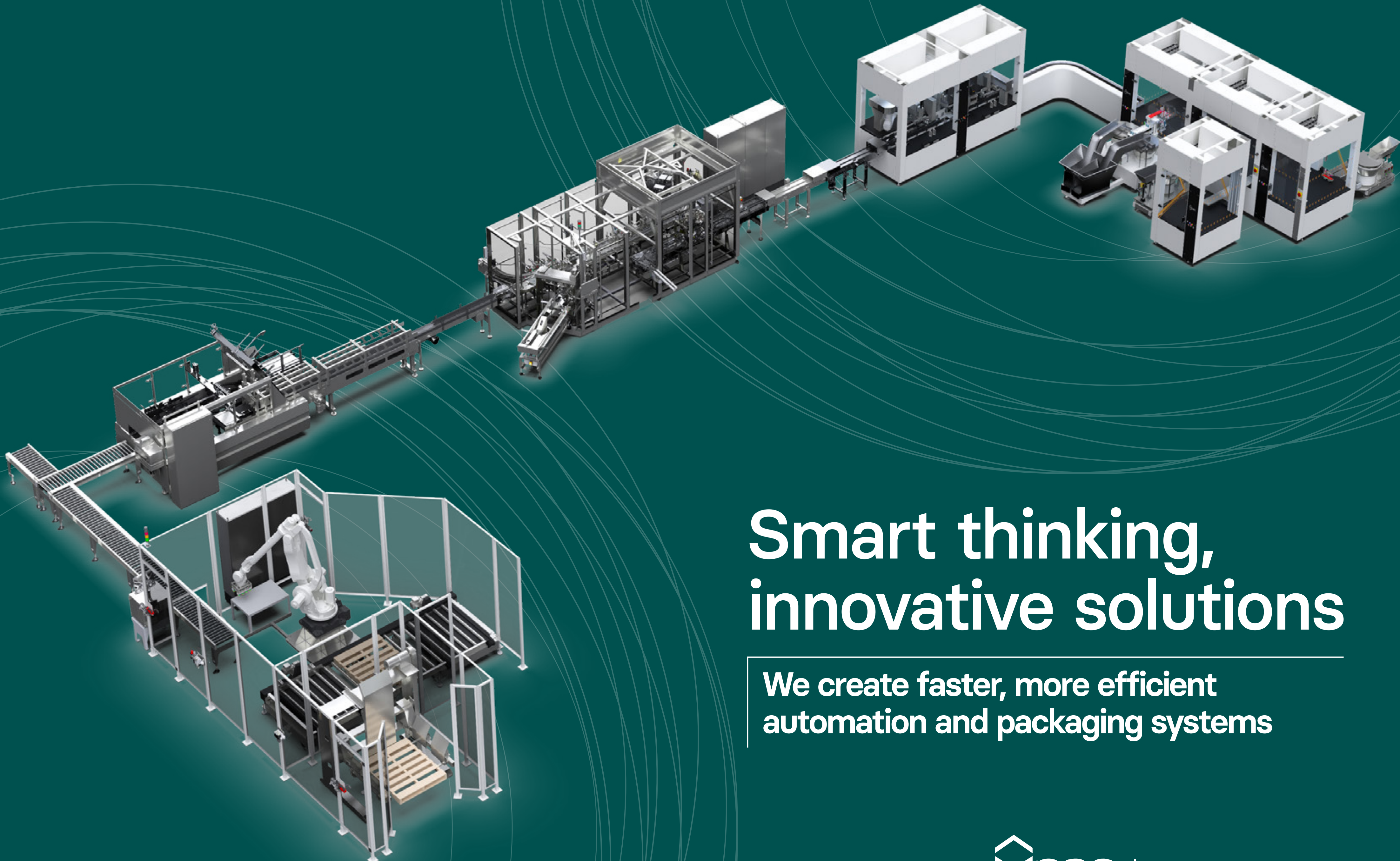
Mpac Group plc

Annual Report and Accounts 2023



Smart thinking, innovative solutions

We create faster, more efficient automation and packaging systems

Mpac | AUTOMATION

Mpac | AUTOMATION

Mpac Group plc is an international company listed on the London Stock Exchange (symbol: MPAC), with a long and proud history of delivering innovation and excellence on a global basis. Our business is focused on the creation of manufacturing solutions that make and package the products millions of people worldwide depend on.

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mpac-group.com

Year at a glance

- Good progress on the Group's strategic initiatives
- 2023 order intake of £118.5m (2022: £83.8m)
- Group full year revenue £114.2m (2022: £97.7m)
- Statutory profit before tax of £4.7m (2022: £0.2m)
- Underlying profit before tax of £7.1m (2022: £3.5m)
- Basic earnings per share of 13.1p (2022: loss of 2.2p)
- Underlying earnings per share of 26.2p (2022: 13.3p)

ORDER INTAKE

£118.5m

(2022: £83.8m)

REVENUE

£114.2m

(2022: £97.7m)

BASIC EARNINGS PER SHARE

13.1p

(2022: Loss of 2.2p)

UNDERLYING EARNINGS PER SHARE

26.2p

(2022: 13.3p per share)

PROFIT BEFORE TAX

£4.7m

(2022: £0.2m)

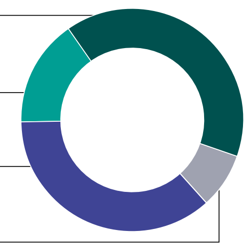
NET ASSETS

£64.0m

(2022: £62.2m)

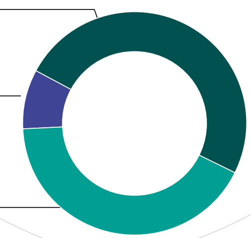
REVENUE BY SECTOR

Food and beverage
£45.8m
Clean Energy
£9.1m
Healthcare
£41.6m
Other
£17.7m



REVENUE BY REGION

Americas
£56.7m
Asia
£9.7m
Europe, Middle East & Africa
£47.8m



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Who we are and what we do

We support all brands and all locations with our global operations

Mpac is a provider of product manufacturing and packaging solutions. We serve customers globally in the essential and growing sectors of healthcare, clean energy, food and beverage, with engineering and services that increase automation, safety, sustainability and cost effectiveness.

Headquartered in the UK, we have strategically located manufacturing and Service hubs worldwide to provide our customers with local support and a global reach.

We are 'One Mpac', with four connected businesses that trade under the globally respected brand names and product ranges of Lambert, Langen and Switchback. Lambert specialises in solutions for the healthcare and clean energy sectors. Langen and Switchback provide secondary and tertiary packaging solutions for all sectors in which we operate.

Our philosophy is 'Ingenuity without limits'

We provide packaging and automation solutions to fast-moving consumer goods customers, enabling their products to be packaged for distribution to their consumers, ensuring security, quality, sustainability and shelf appeal.

We ensure manufacturing consistency through integration; from product assembly to primary packaging, cartoning to case packing and palletisation – designed, delivered and supported globally, while protecting the wider ecosystem we all live in.

We don't just build machines however, we create automation solutions to develop and optimise manufacturing processes. Our end-to-end capabilities help our customers thrive in a changing world.

The Group leverages its engineering expertise with cutting-edge manufacturing technologies and proven machine design, and supports its customers with world class service support, delivered locally. We are a global organisation and can provide support to customers in any region.

Our sectors

Healthcare

Supporting healthcare industries as diverse as contact lenses, facial tissues and dentifrice. Mpac supplies innovative first-of-a-kind machinery as well as standard packing and testing equipment.

Food and beverage

Providing innovative solutions for secondary and end-of-line packaging. Cartoning and case packing of bags, stick packs, pouches, flow wrapped products, bottles and more, to our customers' requirements.

Clean energy

Developing partnerships and solutions offering innovative scalable manufacturing approach for lithium battery production line, while reducing the unit cost.

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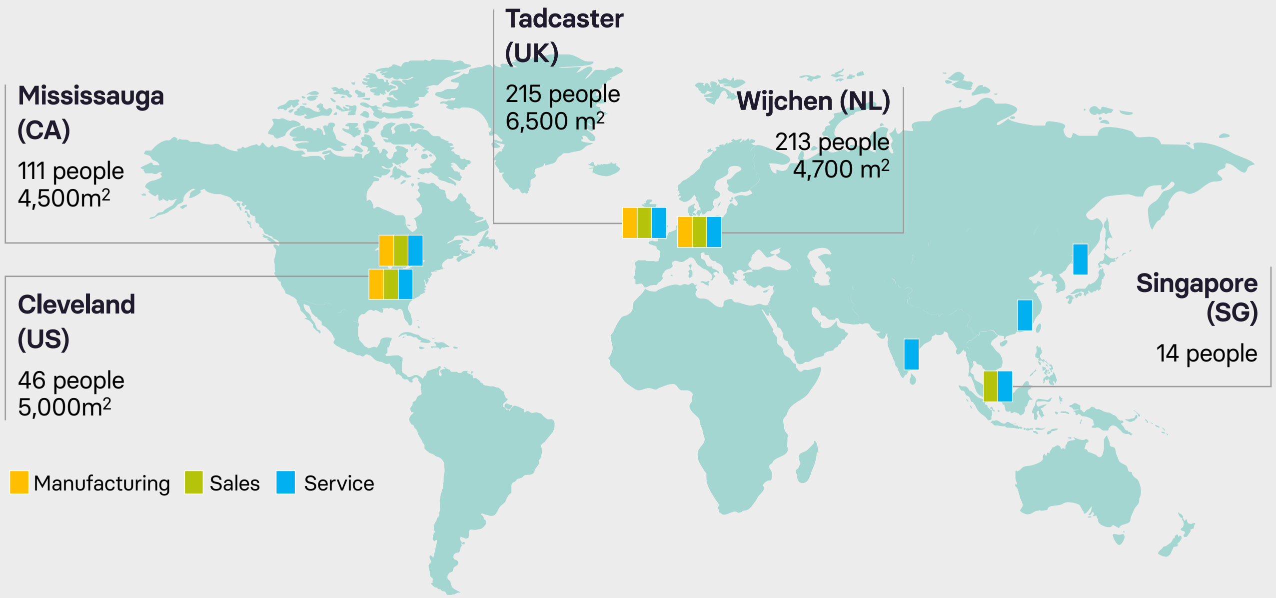
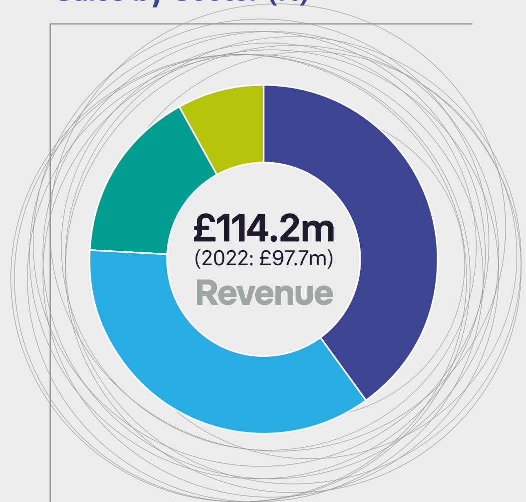
We create and service superior automation and packaging machines globally



Sales by Sector (%)



Food & Beverage	40%
Healthcare	36%
Other	16%
Clean Energy	8%

Original equipment manufacturing, combined with a compelling service offering

LAMBERT PRODUCT LINE

LANGEN PRODUCT LINE

SWITCHBACK PRODUCT LINE

Product assembly

Filling & Dosing

Product handling and infeed

Cartoning

Tray forming

Case packing

Palletising

4,000
Machines in service

4
Global manufacturing facilities

80
Countries served

4
Innovations centres

330
Global engineers and designers

8
Customer service hubs

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Chairman's introduction

"I am pleased to report a successful turnaround in financial performance in 2023 in addition to a smooth transition of Chief Executive with the appointment of Adam Holland and the retirement of Tony Steels. Adam subsequently initiated an assessment of Mpac's strategy and delivered a clearly defined set of strategic objectives aimed at building upon the existing sound foundation and delivering a growth agenda over a five-year period."

ANDREW KITCHINGMAN CHAIRMAN

With the appointment of Adam Holland as Chief Executive in May 2023, the Board initiated an evaluation of progress of our strategic objectives and to update our strategic plans for the next five years. That exercise has been completed and we now have five-year plans, focusing upon the growth potential from the Food and Beverage and Healthcare sectors alongside the potentially exciting opportunity from the emerging clean energy battery production sector.

Accessing the potential of our market sectors is underpinned by our innovation and new product development roadmap, with new products and a focus on software and platform developments, all supported by our growing Service business.

Our investment proposition remains one of organic growth, augmented by carefully selected acquisitions.

On pages 24 to 31 I discuss corporate governance and the Board's activities during the year.

Summary of results

Strong order intake in the year of £118.5m (2022: £83.8m) and Group revenues of £114.2m (2022: £97.7m) represent a strong turnaround after supply chain disruption impacted the prior year. Underlying profit before tax was in line with revised market expectations at £7.1m (2022: £3.5m). Statutory profit before tax was £4.7m (2022: £0.2m). Group net cash at 31 December was £2.1m after an unwind of working capital (2022: net debt £4.7m).

Board changes

In 2022 I welcomed Adam Holland to the Board as Chief Operating Officer and in May 2023 Adam was appointed as Chief Executive, following the retirement of Tony Steels from the position.

I would like to take this opportunity to thank Tony Steels for his seven years of service as Chief Executive at Mpac and for the service he provided to the Group.

Dividend

Having considered the trading results for 2023 and the opportunities for investment in the growth of the Group, the Board has decided that it is not appropriate to pay a final dividend. No interim dividend was paid in 2023. Future dividend payments will be considered by the Board in the context of 2024 trading performance and made when the Board believes it is prudent to do so.

Outlook

The Group operates in a range of attractive growth sectors and geographic markets and has demonstrated the ability to grow recurring Service revenue. The opening order book of £72.5m (2022: £67.2m) is strong and diverse, providing good coverage over 2024 forecast revenue, and I consider the prospects for the Group over the medium term remain positive. I look forward to reporting on the progress that will be made during 2024.

Andrew Kitchingman
Chairman

18 March 2024

New Mpac customers

MARS Petcare

amazon

Kellogg's

reckitt

P&G

ilika

UK BATTERY INDUSTRIALISATION CENTRE

Strategy: Our mission, purpose and values

Mpac | AUTOMATION

OUR VALUES

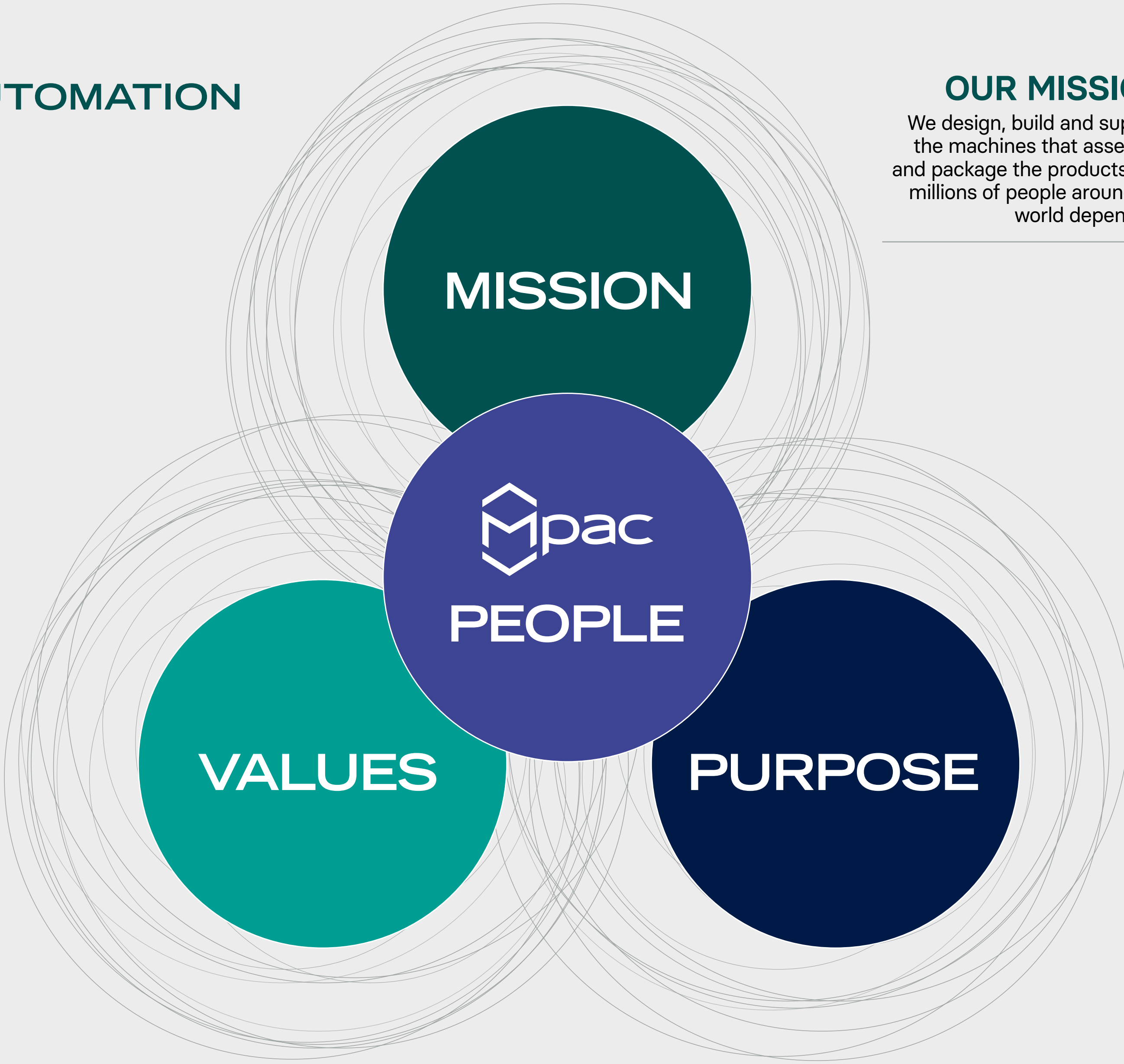
INTEGRITY
We make and keep commitments. We make decisions in an ethical and transparent way. We value diversity and inclusivity. We care, respect and value others. We drive a safer, healthier and more sustainable future.

DRIVE
We act with a sense of urgency. We believe in simpler, faster, and focusing on what matters to our customers. We do not walk away from challenges. We celebrate success.

EXPERTISE
We value expertise, curiosity and shared insight. We take pride in our work, the machines that we create, and the services that we provide to our customers. We strive to continuously improve.

COLLABORATION
We work together, with our customers, and our partners; collaborating without boundaries for the collective goal.

INNOVATION
We use our expertise to push boundaries, creating exciting new tailored solutions for our customers.



OUR MISSION

We design, build and support the machines that assemble and package the products that millions of people around the world depend on.

OUR PURPOSE

Through innovative technology and exceptional service, we help our customers to provide food and drink, healthcare, and clean sustainable energy across the world.

Strategy: Customer focussed business model

The 'One Mpac' business model ensures we deliver consistent high-quality services to our customers globally wherever they choose to locate a manufacturing site.

The Group offers its customers automation and packaging solutions, customised to their requirements using a portfolio of proven modules augmented with a customer specific product package handling solution.

The implementation of our 'One Mpac' business model incorporates sales, service, and operations functions. Common processes are all monitored and controlled by effective project management. Service support is provided through the life of the product at the customers' sites.

The capital equipment market is cyclical by its nature with a high need for responsiveness and flexibility to adapt to customer demands and lead time needs, seizing the opportunities as they arise.

The Group is able to exploit synergies, utilising best practice across the sites and a shared services resource in order to improve the operational efficiencies.

This creates a model whereby we can increase utilisation with the ability to expand capacity with increased demand and reduce capacity in periods of lower demand.

What we do

We design, develop software, precision engineer and manufacture high speed packaging solutions, first-of-a-kind machinery and high specification automation, secondary packing equipment and end-of-line robotics with integrated testing solutions. We do not just build machines; we create full-line automation to develop and optimise manufacturing processes. Our end-to-end capabilities help our customers thrive in a changing world.

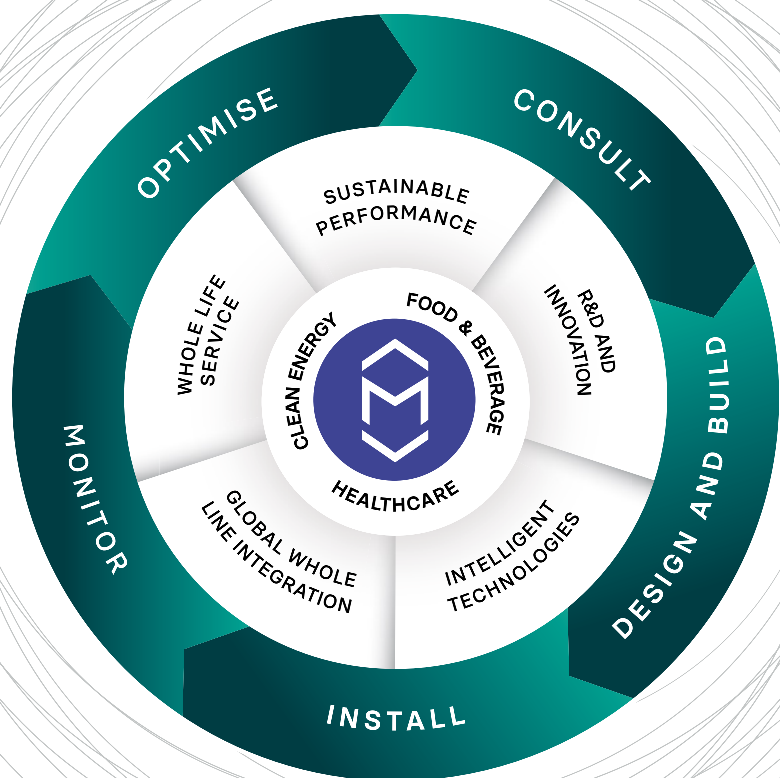
Optimise

We make sure your machine stays up-to-date with the latest modernisations and automation upgrades. This ensures minimal downtime and less risk of serious damage to your equipment throughout the lifetime of your lines.

Our bespoke whole life service options, with remote monitoring and servicing, ensure unstoppable OEE and keeps your machines in prime condition, year after year.

Monitor

With your permission, our experts can connect to your control system to give you a complete review of your machine performance. By doing so, we can predict and prevent problems to ensure consistency and compliance. We also offer you actionable insights to maximise your equipment effectiveness.



Consult

Our solutions live, breathe and evolve, and so should your business. That's why we're by your side at every stage, consulting with you to understand your challenges and solve your problems before they occur. Ingenious thinking is personal, so we take the time to listen to your needs and what you want from your machines and products.

Design and build

With your current and future needs in mind, we develop fresh ideas and design innovative machines to keep you ahead of the competition.

Install

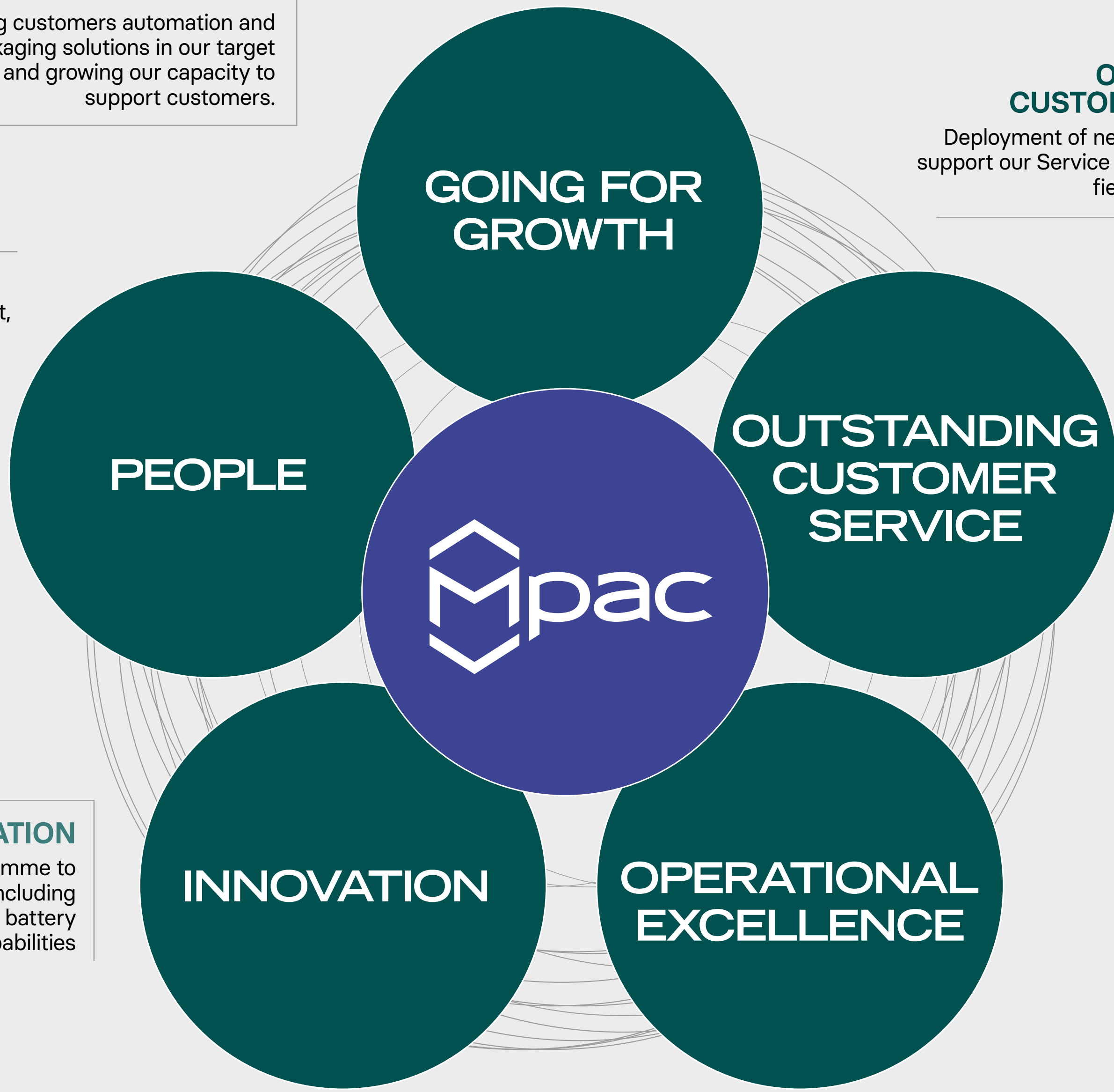
We install your new machine at a time that suits you. To get the most out of your machine, our effective employee training reduces start-up costs and allows your equipment to reach its target performance quickly.

Strategy: Goals and priorities

GOING FOR GROWTH
Offering customers automation and packaging solutions in our target markets and growing our capacity to support customers.

OUTSTANDING CUSTOMER SERVICE
Deployment of new business tools to support our Service teams, growing our field service capacity.

PEOPLE
Increasing employee engagement, talent acquisition, development and retention.



INNOVATION
A comprehensive programme to extend our product range, including packaging technology and battery cell assembly capabilities

OPERATIONAL EXCELLENCE
Focussing on project execution to drive shorter lead times and on-time, in-full delivery.

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Strategy: Goals and priorities

New five year strategic cycle

The Group reviewed the overall strategy in the year and demonstrated it to be a clear and solid foundation for the future prosperity of the business, whilst developing a new and revised set of strategic initiatives to deliver double digit annual growth from the Group's existing businesses and achieve a sustainable double digit return on sales. The five pillars were updated to reflect the progress made and the focus within each pillar revised to deliver the most effective long term value for the Group.

	2023 progress		Future plans	
Going for growth	**Customers** Retaining customers through outstanding customer service and broadening customer base	**One Mpac** Integration of our Original Equipment ("OE") and Service offerings to deliver more compelling customer propositions on a global basis	**Global** Expansion of the key account management targeting and acquisition programme	**Innovation** Develop and augment our clean energy proposition
Outstanding customer service	**Service** Expanded regional technical resource and field service teams	**Customers** Expansion of the machine healthcheck programme to all areas of the business	**Capacity** Developing the bandwidth of the technical service team	**Systems** Excellence in project execution programme to deliver greater flexibility and responsiveness in our service offering
Operational excellence	**One Mpac** Significant ERP upgrade completed across the Group	**One Mpac** ERP and business systems blueprint deployment in Cleveland, USA	**One Mpac** Excellence programmes for the project management, operations and engineering teams	**Knowledge** Active programme of knowledge sharing between facilities
Innovation	**Products** Top load robotic cartoner concept demonstrated	**Products** Extension of our battery cell assembly capabilities and overall clean energy proposition	**Technology** Develop next generation cartoning capabilities, including extending our product offering	**Americas** Extend Switchback product line offering for Food and Beverage and Healthcare markets
People	**Skills** Graduation of second cohort of Mpac Academy participants to develop future leaders	**Knowledge** Growth in breadth and depth of the HR function	**Talent** Development of a comprehensive talent acquisition and retention process	**Skills** Expansion of our training and development programme to engage more people across the Group

Operating review

"I am delighted to present my first report as Chief Executive of Mpac Group plc, announcing full year performance in line with expectations. In 2023, the Group built momentum, reporting a substantial increase in revenue and profit in H2 2023 over the first half year. Since joining the Group, I have said on many occasions that Mpac is defined by Mpac people. I have been impressed by the capability and dedication of Mpac people to serve our customers and to deliver on our commitments. It is due to their hard work and expertise that we are able to report record levels of order intake in 2023 and to start 2024 with a strong and diverse order book providing good coverage of future revenues."

ADAM HOLLAND CHIEF EXECUTIVE

Introduction

In my first full year with Mpac, and as Chief Executive since May 2023, my focus has been on our customers, our people and our strategy.

Meeting with new and existing customers, the impact that Mpac can have on production in our customers' facilities is immediately apparent. Our equipment sits at the heart of our customers' operations, assembling and packaging the products that their businesses produce. From the smallest business introducing automation for the first time, to the largest multinational blue chip corporation rolling out the latest factory expansion, Mpac performance is critical to the value that our customers create. Our expertise, depth of understanding, and customer insight is what sets us apart. Our focus on our customers in 2023 resulted in an uptick in service performance, an increase in new equipment opportunities, and record levels of order intake, providing the Group with a solid pipeline and a strong and diverse order book going into 2024.

During 2023 I visited each of the Mpac operating sites and was fortunate enough to spend time with very nearly every member of the global team. As a project-based business, our people are critical to our success. From our most recent apprentices to our most experienced colleagues, the dedication and focus that our people bring to Mpac is outstanding. It is particularly encouraging to see engineering hours increasing through the year as we bring new people into the Group, complete training, and deploy them to project activities. These activities, along with the actions that drive employee engagement and retention, have been essential in supporting the growth delivered in 2023, and setting the path for future years.

As part of my onboarding with the Group, and with the support of the Board, this year we also critically assessed the Group strategy. The strategy has delivered growth since 2016, and continues to provide a solid foundation for future growth today. In 2022 the Group was impacted by short-term operational issues which affected semiconductor supply chains globally, but performance in 2023 has demonstrated that the fundamentals are sound. Maintaining a clear and stable strategy helps our teams to focus on what is important, finding new ways to deliver on firm objectives. In 2023 we saw an acceleration in growth, as we started to implement new ways of delivering strategic change, focussing on accessing the opportunities in the attractive markets in which we operate.

Operationally, the Group delivered a strong performance in 2023, growing Original Equipment ("OE") and Service order intake and revenue whilst improving margins, and making good progress with the unwinding of working capital. Mpac operates in large, resilient markets and has a significant

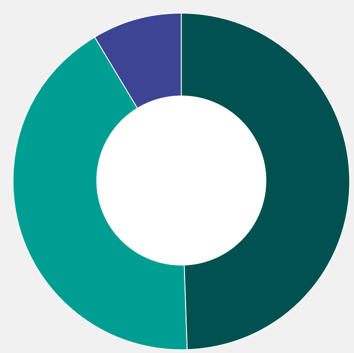
£118.5m
Overall Group order intake
(2022: £83.8m)

£72.5m
Order book for 2024
(2023: £67.2m)

£114.2m
Group revenue
(2022: £97.7m)

£82.4m
Original Equipment revenue
(2022: £74.6m)

£31.8m
Service revenue
(2022: £23.1m)



Revenue by geography
- Americas **£56.7m**
- Europe, Middle East & Africa **£47.8m**
- Asia **£9.7m**

opportunity to increase market share. By remaining focussed on executing the long-term strategy of developing order intake growth, improving margins through the development of our Service business and increased operational efficiencies, the Group will continue to deliver profitable growth.

The scale of the opportunity with our customers in attractive growth markets is clear. The Board and I are excited about the next growth phase for the Group, and we remain well placed to deliver on our long-term strategy.

Strategic update

Under our stable Group strategy, we have adopted an updated set of strategic initiatives, linked to a new five-year financial plan under which we seek to deliver double digit annual growth from the Group's existing businesses and achieve a sustainable double digit return on sales. A key element of our growth strategy is to focus on extending our customer base with new, global, blue chip key accounts and in 2023 Mpac was successful in securing orders from several of the targeted global customers, thereby providing a strong platform for future growth. These blue chip customers chose Mpac due to the quality of our engineered solutions, our ability to provide flexible automation and packaging solutions and our global support infrastructure.

Our strategy remains focussed on our core markets, but with a broadening customer base, an extended product portfolio and a well-executed Service offering.

Our updated strategy focuses on the following five pillars to drive growth:

Going for Growth – Offering customers automation and packaging solutions in our target markets, growing our capacity to support customers, and supporting the development of our commercial team with a new programme: Sales Excellence.

Outstanding Customer Service – Deployment of new business tools to support our Service teams, thereby growing our field service capacity. We provide our customers with a comprehensive portfolio of service products to ensure they maximise their return on investment.

Operational Excellence – Focussing on project execution, including project management, engineering, operations and supply chain processes, supported by integrated resource planning, to drive shorter project lead times and on-time-in-full delivery.

Innovation – A comprehensive programme to extend our product range, including packaging technology and further development of our battery cell assembly capabilities.

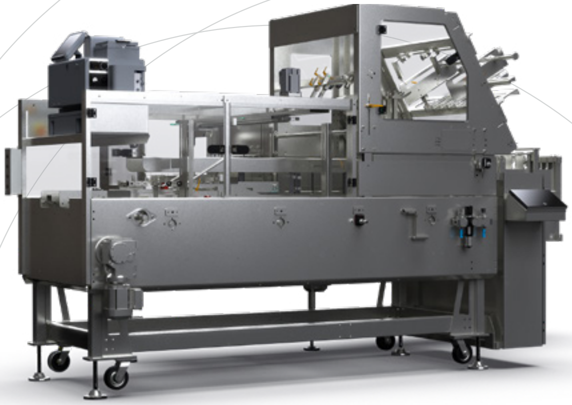
People – Increasing employee engagement, talent acquisition, development and retention.

Going for Growth

Our goal is to broadly double revenue from our existing businesses over our five-year strategic planning period. Our addressable end market is substantial, resilient to wider macro-economic cycles and growing. The Group's objective is to deliver sustainable growth in our target end markets, capturing market share by increasing the number of touch points with our customers and the amount of time that we spend with them. We have increased the size of our commercial team and appointed additional experienced senior leaders. In 2023 we invested extensively in brand awareness and marketing, exhibiting at the flagship Interpack (Europe) and Pack Expo (US) trade shows and launching our first SEO programme to drive online presence. In 2024 we will continue to expand our commercial teams and introduce a comprehensive sales excellence programme to optimise our prospect pipeline and conversion rate.

Our opportunity in Clean Energy remains a focus for the Group. In July 2021, the Group signed a contract with FREYR Battery ("FREYR"), a developer of clean, next-generation battery cell production capacity, incorporating 24M Technologies ("24M") battery platform technology, for the supply of casting and unit cell assembly equipment to the battery cell production line at FREYR's Customer Qualification Plant in Norway. The equipment supplied by Mpac will support FREYR in achieving its ambitious plans for a more sustainable future through semi-solid lithium-ion technology. Mpac brings production equipment, services and know-how in the automation of production processes, applied in this project to industrialise the battery cell production. In June 2023, we announced the award of a pre-engineering order to begin work to scope the requirements for Gigafactory production lines for FREYR. In October 2023 we also announced the award of an engineering contract for Ilika plc, to support their work on scaling up solid-state lithium-ion technology, further cementing our position in the Clean Energy sector. The Group continues to work closely and collaboratively with FREYR, 24M, Ilika and others in the development of battery cell production capability.

Our strategy remains focussed on our core markets complimented by outstanding customer service.



Case study: Clean energy

During 2023, Mpac supported both FREYR and Ilika in delivering several key milestones.

FREYR

2023
March

Mpac successfully installs system within CQP facility ahead of Freyr's Chapter One opening event in Mo i Rana Norway.

2023
June

Mpac and Freyr begin collaboration on their US Gigafactory whilst continuing support for Norwegian projects.

2023
October

Interim milestone of automatic electrode casting with solvent slurry at the CQP facility with representatives from Nidec Corporation present.

2024

Targeting full-speed production in 2024.

ilika

UK BATTERY INDUSTRIALISATION CENTRE

Mpac, Ilika and the UK Battery Industrialisation Centre announce £2.7m partnership for industrialisation of solid-state battery technology for electric vehicles.

2023
October

Mpac, Ilika and the UK Battery Industrialisation Centre collaboratively agree on concept for the assembly system.

2023
December

Mpac successfully completes Proof of Principle work, a key engineering milestone.

2023
December

Detailed system design, machine build, commissioning and FAT to be completed in 2024.

2024

"Following the official opening of the FREYR CQP facility in Mo i Rana, we look forward to progressing our relationship with Mpac and work together to meet our ambitions for speed and scale in producing clean and sustainable battery solutions." *Einar Kilde, EVP Project Execution FREYR*

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Operating review continued

Outstanding Customer Service

We have made excellent progress in growing our Service business, supported by expanding the field service and technical resources located in the regions our customers operate. Our goal remains to generate a sustainable 30% of Group revenue from these services and we are well on track to meet this target after a very strong 2023. We will continue to help our customers meet their operational needs by developing the experience and capacity of our Service team aided by the deployment of Service business tools to both enhance our customers' experience and to provide business intelligence. The development of digital service products with advanced engineering, information management, connected services and machine insights underpins our offering and ensures that our customers can fully embrace Industry 4.0.

Operational Excellence

Our strategic objective remains consistent: building an increasingly flexible organisation which can respond with agility to our customers' needs, leveraging our global resources. Our global ERP and business systems blueprint, already implemented in our facilities in the Netherlands, Canada and the UK, was successfully rolled out to our facility in the US in H1 2023 and provides the Group with a single, fully flexible, operating model. The updated strategic plan for operational excellence will now focus on project execution, with programmes for our project managers, engineering, and operations teams. The goal is to further leverage our resources to reduce lead times and maximise utilisation between the facilities.

Innovation

In 2023 we made significant progress in the development of our battery cell assembly capabilities and introduced to the market the concept of our first top load robotic cartoner, which will provide Mpac with access to a significant additional market segment. The next phase of our innovation roadmap will complete this launch, followed by a comprehensive and ambitious programme to extend our cartoning and end of line product offering.

People

Our employees are critical to the success of our Group. In 2023 we elevated our focus on people with the appointment of a senior HR leader, furthering our attention on development, talent acquisition, retention and engagement. During 2023 we also added HR managerial bandwidth, and are proud to have completed the second year of our Mpac Leadership Academy. The 17 graduates from two cohorts of Mpac Academy now extend the pool of future leaders available to the Group.

Environmental, Social & Governance

We are fully committed to improving our Environmental, Social & Governance ("ESG") performance in all areas, meeting our own needs without compromising the ability of future generations to meet theirs. Sustainability is also increasingly important to our customers. Our engineered automation and packaging solutions provide customers with sustainable and environmentally sound equipment that support the global megatrends of reduction in packaging, particularly single-use plastics, reducing waste and energy use, and increasing overall equipment effectiveness. Our end-to-end capabilities help our customers to achieve their sustainability goals.

Our approach to our people and the communities in which we operate as well as governance considerations will be set out in our 2023 ESG report to be published in the first half of 2024.

Acquisition strategy and update

The Board continues to seek and evaluate potential acquisition opportunities. Our focus is to identify businesses that will enhance our customer proposition in automation and packaging solutions by extending our product range and our access to a broader range of customers in our key market sectors. The Company will provide updates on acquisitions when appropriate to do so.

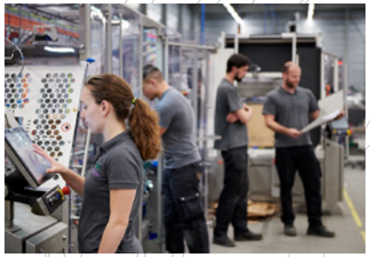
Outlook

Full year 2023 order intake was the highest ever for Mpac and the Group built momentum throughout 2023, reporting a substantial increase in revenue and profitability over the prior year. This momentum has continued into 2024, with trading in line with expectations. The Group ended the year in a net cash position, aided by working capital improvements which are expected to continue in FY24. Our balance sheet remains healthy and provides us with the ability to invest in the Group for growth.

We have an expanding order book and prospect pipeline from our existing and target blue chip customers and an exciting new product development roadmap to launch in the coming years. Under our new strategic and five-year plans we are seeking to deliver OE and Service growth at improved margins, doubling revenue from our existing businesses by the end of the strategic period. The Board believes the Group's long-term prospects are strong and that the Group is well positioned to meet its strategic objectives.

Adam Holland, Chief Executive

18 March 2024



Our employees were critical to the success of our Group in 2023, and will continue to be integral to every success going forward.

Financial review

"The Group delivered on its expectations to report record order intake, a 17% revenue increase and a doubling of pre tax profit, all whilst reducing the 2022 investment in working capital."

WILL WILKINS GROUP FINANCE DIRECTOR

Revenue and operating results

Group revenue of £114.2m (2022: £97.7m) represents an increase of 17% compared to the previous year. OE revenue increased by 10% at £82.4m (2022: £74.6m), underpinned largely by growth in EMEA and Asia. Services revenue grew by 38% to £31.8m (2022: £23.1m), driven predominantly by growth in the Americas and EMEA, assisted by the first service projects in the Clean Energy sector. The rate of revenue growth in all regions benefitted from the reduction in supply chain lead times and more consistent supplies of key electronic components.

Overall order intake for the Group grew by 41% to £118.5m (2022: £83.8m), due primarily to the reversal of prior deferrals in customer investment decision making in the light of a more positive global economic outlook. We made good progress with the closing 2023 order book which increased to £72.5m (2022: £67.2m). The value of the closing order book continues to provide good coverage over the forecast 2024 revenue. We remain vigilant to project execution risk and the operational efficiency of the business.

As anticipated, revenue and profit before tax in H2 2023 were substantially above H1 2023, aided by the normalisation of margins through 2023 with full year underlying operating profit of £7.8m (2022: £3.9m), a 100% increase on 2022 and in line with market guidance.

The extension of project build times in 2022 was partially reversed during 2023, along with the timing of significant projects, led to lower working capital and significantly improved cash generation during the year, though the level remains above historical levels.

Underlying profit before tax for the year of £7.1m (2022: £3.5m), net of third party interest charges of £0.7m (2022: £0.4m), was 103% up on 2022 and in line with revised market guidance.

The extension of project build times in 2022 was partially reversed during 2023 leading to lower working capital and significantly improved cash generation during the year.

Revenue by region was Americas £56.7m (2022: £52.8m), EMEA £47.8m (2022: £37.5m) and Asia £9.7m (2022: £7.4m).

Key Performance Indicators:
The Group uses a range of measures to monitor progress against its strategic and financial plans. The key performance indicators are presented below:

£118.5m
Overall Group order intake
(2022: £83.8m)

£114.2m
Revenue
(2022: £97.7m)

£7.1m
Underlying profit before tax
(2022: £3.5m)

6.2%
Underlying PBT return on sales
(2022: 3.6%)

26.2p
Underlying EPS
(2022: 13.3p)

Statutory Key Performance Indicators:
The statutory measures relating to the underlying Key Performance Indicators above are as follows:

£4.7m
Profit before tax
(2022: £0.2m)

4.1%
PBT return on sales
(2022: 0.2%)

13.1p
Basic EPS
(2022: loss of 2.2p)

Revenue by sector was food & beverage £45.8m (2022: £45.7m), healthcare £41.6m (2022: £30.1m), clean energy £9.1m (2022: £11.1m) and other £17.7m (2022: £10.8m).

Individual OE contracts, and, to a lesser extent, contracts within the Service business, can be large. Accordingly, a few significant orders can have a disproportionate impact on the growth rates seen in individual sectors and regions from year to year.

Original Equipment

OE order intake of £86.3m (2022: £57.2m) was 51% above the prior year due to customer orders being delayed from 2022 and the growing confidence in the markets we serve. OE revenues of £82.4m (2022: £74.6m) were 10% ahead of the prior year.

OE revenue generated in the Americas region was level with the prior year at £40.8m (2022: £40.9m).

In EMEA, OE revenue in the year was £34.0m (2022: £27.8m), a growth of 22% due primarily to a recovery in the performance of our traditional markets of healthcare, food and beverages offsetting the lower revenue from clean energy. OE revenue in Asia was £7.6m (2022: £5.9m).

Service

Order intake for the Service division was 21% above 2022 at £32.2m (2022: £26.6m). Service revenue of £31.8m (2022: £23.1m) was 38% above the prior year.

Service revenue in the Americas showed strong growth at £15.9m compared to £11.9m in 2022, with the increase being driven largely by the healthcare and food & beverage sectors. EMEA revenue in the year was £13.8m compared to £9.7m in 2022, driven by the commencement of service for the clean energy sector and an appealing product proposal in the key markets of healthcare and food and beverages. Asia revenue in the year was £2.1m compared to £1.5m in 2022.

Operating results

Gross profit was £31.6m (2022: £24.4m) and underlying selling, distribution and administration costs were £23.8m (2022: £20.5m).

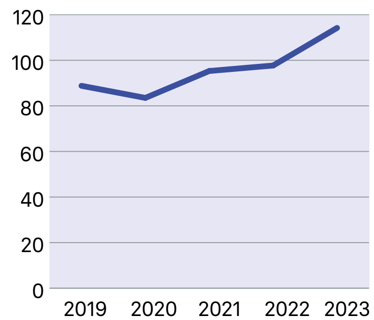
Underlying operating profit was £7.8m (2022: £3.9m). Underlying profit after tax was £5.3m (2022: £2.7m) and statutory profit for the year was £2.7m (2022: loss of £0.4m).

Non-underlying items merit separate presentation in the consolidated income statement to allow a better understanding of the Group's financial performance, by facilitating comparisons with prior periods and assessments of trends in financial performance. Pension costs, acquisition-related items, reorganisation costs and property transactions are considered non underlying items as they are not representative of the core trading activities of the Group and are not included in the underlying profit before tax measure reviewed by key stakeholders.

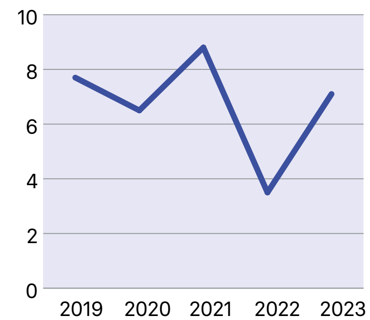
Reconciliation of underlying profit before tax to profit before tax

	2023 £m	2022 £m
Underlying profit before tax	7.1	3.5
Non-underlying items		
Defined benefit pension scheme – other costs and interest	0.4	(0.8)
Acquisition costs	–	(0.3)
Reorganisation costs	(1.2)	(0.6)
Acquired intangible asset amortisation	(1.6)	(1.6)
Non-underlying items total	(2.4)	(3.3)
Profit before tax	**4.7**	**0.2**

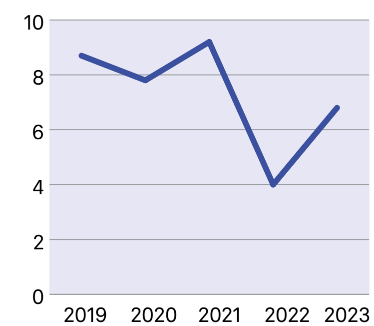
Revenue (£m)



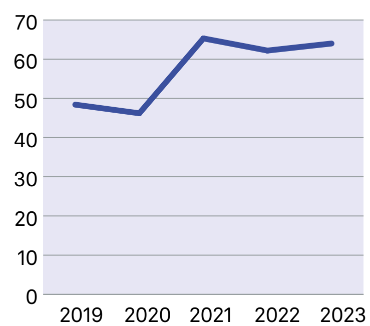
Underlying profit before tax (£m)



Underlying operating return on sales (%)



Net assets (£m)



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Financial review continued

Net financing income was £0.8m (2022: £0.2m). Tax on underlying profit before tax was £1.8m (2022: £0.8m). The tax charge on the Group's profit before tax was £2.0m (2022: £0.6m).

Dividends

Having considered the opportunities for investment in the growth of the Group, the Board has decided that it is not appropriate to pay a final dividend. No interim dividend was paid in 2023. Future dividend payments will be considered by the Board in the context of future growth opportunities and when the Board believes it is prudent to do so.

Cash, treasury and funding activities

Cash at the end of the year was £11.0m (2022: £4.2m) with £8.0m of borrowings drawn at both the 2023 and 2022 year ends. Net cash inflow before reorganisation was £13.1m (2022: outflow of £12.8m) after a decrease in working capital of £4.7m (2022: outflow of £17.7m) and defined benefit pension payments of £2.3m (2022: £2.1m). Reorganisation costs of £0.8m (2022: £0.8m) were paid in the year. Net taxation payments were £1.1m (2022: £0.4m). Capital expenditure on property, plant and equipment was £1.1m (2022: £1.0m), and capitalised product development expenditure was £1.5m (2022: £1.4m). Net current assets at the end of the year were £15.1m (2022: £12.2m) and net assets at the year end were £64.0m (2022: £62.2m).

The Group entered into a three-year funding agreement with HSBC in 2022, which provides the Group with a £20.0m revolving credit facility ("Facility") to support future growth. The Facility also provides several other opportunities to proactively manage the Group's cash and ensure that the Group is well placed to react to opportunities, both organic and acquisition related, as they arise. The Group utilised £8.0m of the Facility in the year.

There were no significant changes during 2023 in the financial risks, principally currency risks and interest rate movements, to which the business is exposed, and the Group treasury policy has remained unchanged. The Group does not trade in financial instruments and enters into derivatives (mainly forward foreign exchange contracts) solely for the purpose of minimising currency exposures on sales or purchases in currencies other than the functional currencies of its various operations.

Working capital

The global supply chain issues experienced in 2022 began to ease in early 2023, though supply chain lead times remain extended compared to earlier years, with the consequent extension of the Group's working capital cycle. The improvements in supply chain management led to £4.7m of cash being generated from working capital movements in the year, compared to a £17.7m outflow of funds into working capital in 2022. Further improvements in working capital levels are anticipated throughout 2024.

Pension schemes

The Group is responsible for defined benefit pension schemes in the UK and the US, in which there are no active members.

The IAS 19 valuation of the UK scheme's assets and liabilities was undertaken as at 31 December 2023 and was based on the information used for the funding valuation work as at 30 June 2021, updated to reflect both conditions at the 2023 year end and the specific requirements of IAS 19. The smaller US defined benefit schemes were valued as at 31 December 2023, using actuarial data as of 1 January 2023, updated for conditions existing at the year end. Under IAS 19 the Group has elected to recognise all actuarial gains and losses outside of the income statement.

The IAS 19 valuation of the UK scheme resulted in a net surplus at the end of the year of £32.2m (2022: £31.5m) which is included within the Group's assets. The value of the scheme's assets at 31 December 2023 was £309.0m (2022: £311.2m) and the value of the scheme's liabilities was £276.8m (2022: £279.7m). Despite the continuing volatility in financial markets around the world in 2023, the scheme's protection strategies, notably its use of Liability Driven Investments, ensured that the surplus was protected.

The IAS 19 valuations of the US pension schemes showed an aggregated net deficit of £1.8m (2022: £2.1m) with total assets of £7.7m (2022: £8.1m).

During the year the Company made payments to the UK defined benefit scheme of £2.0m (2022: £2.0m).

The UK scheme's triennial valuation as at 30 June 2021 reported a deficit of £28.4m. The contributions are £2.0m per year, increasing at 2.1% per year, with a recovery period of four years and six months. The scheme deficit on a triennial valuation basis had reduced ahead of this projection at 31 December 2023.

Equity

Group equity at 31 December 2023 was £64.0m (2022: £62.2m). The movement arises mainly from the profit for the year of £2.7m, a net actuarial loss in respect of the Group's defined benefit pension schemes of £1.7m and changes in the fair value of cash flow hedges of £0.8m; all figures are stated net of tax where applicable.

Will Wilkins
Group Finance Director

18 March 2024

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Principal risks and uncertainties

The Board regularly considers the main risks that the Group faces and how to mitigate those risks. The principal risks and uncertainties to which the business is exposed are summarised as follows.

Risk	Mitigation	2023 Movement
SUPPLY CHAIN		
Timely, efficient supply of parts and purchased components is critical to our ability to deliver to our customers. Manufacturing and supply chain continuity is exposed to external events that could have significant adverse consequences, including natural catastrophes, civil or political unrest, changes in regulatory conditions, terrorist attacks and disease pandemics – this applies to our own manufacturing sites and those of our key suppliers. The inability to deliver products/ solutions to customers would impact financial performance and our reputation.	Business continuity recovery plans are in place. We have undertaken mitigation plans for sole-source suppliers, sub-contractors and service providers to identify and qualify alternative sources of supply where appropriate.	**Reducing** Whilst the supply chain issues relating to unforeseen delays have largely been resolved, lead times remain extended, which has extended the overall lead times for projects and the conversion of orders to cash. In partial mitigation of this effect, inventory levels have been increased and other options, including alternative sources of supply, engineering rework and closer management of the supply chain have been employed.
POLITICAL, ECONOMIC AND MARKET CYCLES		
The Group is potentially affected by global political and local and global economic cycles and changes in a number of industrial sectors, including Healthcare and Food and Beverage industries. Such potential changes include those arising as a consequence of changing economic factors and volatility, governmental activities, such as escalating political tensions, regulation and taxation or as a consequence of competitive developments within the packaging machinery market.	Customers, suppliers, and Group operations are geographically diverse, and the Group sells a range of products and services to a number of industries in all parts of the world. Our One Mpac strategy allows the business to flex capacity between sites to help mitigate local cycles. The usual market cycles have been disrupted by the heightened global economic volatility, with shifts in sector demand and new opportunities being accelerated. Mpac has benefitted from new opportunities and sought to mitigate the impacts where possible, including those from energy insecurity. In respect of mitigating against the impact of political unrest, Mpac maintained a wide and diverse customer and supplier base which is not dependent upon any one jurisdiction. In respect of mitigating against the impact of competitive disruption, the Group actively monitors (via publicly available information) and responds to both product and competitor innovation, as well as seeking opportunities for acquisitions where aligned to its strategic objectives.	**Unchanged** Whilst the political environment is more consistent than in previous periods, economic headwinds, especially global interest rates and inflation, have resulted in delays and changes to customer investment intentions. Current high employment levels around the globe, in addition to driving inflation, have also resulted in increased staff turnover, mitigated by clear processes, established knowledge retention and transfer practices and established local management teams.

Principal risks and uncertainties continued

Risk	Mitigation	2023 Movement
REGULATORY CHANGE		
The Group may be affected by changes in global or national regulations across any of its key sectors, examples of which include changes in regulations which significantly change the demand for our customer's products or restrictions upon/changes to the methods of packaging and distribution. The Group may also be affected by changes in regulations affecting its manufacturing and distribution processes, especially in areas such as health and safety and environmental compliance.	The Group's products are used to produce and package a very wide range of products and restrictions or changes to any one product, especially within our key sectors where individuals are reliant upon the sector daily, provides some mitigation against sudden change. The Group has extensive knowledge and experience in designing machines to accept all kinds of products and packaging materials, including those with the lowest environmental impact and machines designed to minimize packaging material usage whilst maintaining the customer's product in perfect condition. The Group's operations are closely monitored by internal processes, emergent risk reviews and ongoing risk assessments to ensure both regulatory compliance and a safe working environment.	**Unchanged** The demand for new packaging and innovation in this area has continued unabated, to the benefit of the Group. The proposed new EU Packaging Directive may change the packaging market in Europe but represents a positive opportunity for Mpac Group as we support our customers on their journey to a more sustainable future.
LOSS OF TRADING PARTNERS		
The Group faces the general risk of trading partners, including both customers and suppliers, ceasing to operate or trade with Mpac; the loss of any such partner could have an adverse effect on the Group's operating results and financial condition, including potentially affecting the viability of a subsidiary company. A number of customers operate in countries which may face a higher degree of political risk than others.	The Group has a diversified base of customers. In certain years sales to a customer may be more than 15% of Group revenue, although the sales would typically be both original equipment and service, and to a number of different geographic regions. The Group regularly reviews its trading relationships with suppliers with the aim of ensuring that alternative sources of supply are available.	**Customers – Unchanged** **Suppliers – Unchanged** The group continues to enjoy a diverse, blue chip customer base, so the impact of a loss of a single customer is limited. Although economic circumstances have become more volatile, the strength of our customer base has both increased and diversified during the period, so this risk has, overall, remained unchanged. Suppliers remain at greater risk of distress in difficult or changing market conditions and positive steps towards additional supplier diversification have been taken, though no material supplier failures have been suffered in the period.
LARGE ONE-OFF PROJECTS		
The Group undertakes large, one-off projects for its customers each year. Several risks follow from the nature of this type of business, including the potential for cost over-runs and delays in performing the contract, with a consequent impact on cash flows and profits. Also, the Group is prone to potentially large fluctuations in business levels, as demand can be volatile.	The Group utilises good project management practices, including regular technical and commercial reviews of its major projects. Resource capacity is regularly reviewed, alongside reviews of order prospects lists. Our One Mpac strategy allows the business to flex capacity between sites to help manage fluctuations in business levels and demand.	**Unchanged** Although the Group is now pursuing larger projects than usual, especially in the Clean Energy sector (with Freyr and others), it utilises strong contract management processes which have ensured that the Group has partially mitigated and contained the risks from cost over-runs and delays. The Group continues to focus on plans to flex, optimise and grow our staff and factory resources to best manage expected growth.

Risk	Mitigation	2023 Movement
LOSS OF A KEY FACILITY		
The Group operates a number of sites around the world and the loss of any one of them would interrupt a revenue stream and could potentially have an adverse effect on the Group's operating results and financial condition. The Group, and the Group's customers and suppliers, may also be affected by sudden restrictions in global logistics.	Disaster recovery plans are in place for each site. IT infrastructures are designed to have minimal inter dependence across the Group, thereby not exposing a number of facilities to the failure of one central system. The diverse locations and common skill sets around the Group, along with the Group's investments in communication technology, means that production could be moved from one site to another at short notice if a site or its region were unable to function for a period of time.	**Unchanged** The Group's sites have demonstrated considerable resilience to remain operational in changing circumstances. Appropriate contractual protections continue to be included in the Group's contracts to mitigate the direct financial cost of such an event.
EXCHANGE RATE MOVEMENTS		
The majority of the Group's trading is conducted outside of the UK and in currencies other than sterling. Consequently, its financial performance is affected by fluctuations in foreign exchange rates, particularly as a result of changes in the relative values of the US dollar, Canadian dollar, euro, and sterling.	The Group has a wide supply base in different countries and monitors the relative values of currencies in making purchasing decisions. The Group enters into forward foreign exchange contracts to minimise currency exposures on sales and purchases in other than the functional currencies of its operations.	**Unchanged** Volatility in the foreign exchange markets has reduced compared to 2022 and the use of hedging, short quote validity periods and matching of supply locations to customers continues to minimise the impact.
IT SECURITY		
The Group holds sensitive data relating to its employees, customers, and suppliers as well as intellectual property and financial data. Should security infringement occur the Group risks loss of customers, disruption of normal operations, fines, and reputational damage.	The Group continually reviews the effectiveness of its IT security controls in consultation with external experts and invests in industry best practice security software. The security arrangements of the Group's IT assets prevent unauthorised access to core IT hardware. IT infrastructures are designed to have minimal inter dependence across the Group. Cyber security user training is employed as a final line of defence.	**Increasing** The organisation and resource available to malicious actors seeking to breach IT security continues to develop rapidly. The group maintains best practice in this area and there has been no significant change in the period. A third party expert review of Mpac IT security and systems was completed, highlighting no significant areas of concern.
AVAILABILITY OF FUNDING		
The banking facilities in place prove insufficient for the needs of the Group to meet its growth objectives.	The Group has access to a £20.0m revolving credit facility with HSBC committed to July 2025, of which £8.0m is currently drawn and the Group holds cash balances of £11.0m. It is considered that the Group has sufficient cash resources to carry on in operational existence for the foreseeable future without the use of the new facility, which thus provides a substantial buffer against the Group being constrained by restricted availability of funding.	**Reducing** The committed HSBC facility plus available free cash provide the Group with adequate funding to meet its longer term strategic objectives and operating capital requirements.

Principal risks and uncertainties continued

Risk	Mitigation	2023 Movement
LIABILITIES OF THE GROUP SPONSORED DEFINED BENEFIT PENSION SCHEMES		
The Group is responsible for the funding of a defined benefit pension scheme in the UK, which pays a levy to the Pension Protection Fund of an amount outside the control of the Group, as well as three smaller such schemes in the USA. Changes in the value of the liabilities of the pension schemes, which were valued in aggregate at £276.8m at 31 December 2023 in accordance with IAS 19, as a consequence of changes in interest rates and mortality rates, amongst others, and changes in the value of the assets of the pension schemes, which were valued in aggregate at £309.0m at 31 December 2023, are largely outside the control of the Group. The valuation of these schemes impact on the value of capital employed in the Group and the extent to which, as a matter of law, it has available as distributable profits. The Group has responsibility for the adequate funding of the pension schemes and is currently paying to the UK scheme £2.1m per annum in respect of deficit funding following an actuarial funding valuation as at 30 June 2021. The UK scheme is subject to a full actuarial funding valuation as at 30 June 2024 which will help inform its funding requirements over the subsequent periods.	The Group and the pension schemes implement liability reduction strategies where such opportunities exist, and the Group maintains regular dialogue with its pension advisors on such matters. Regular meetings are held with the trustee of the UK pension scheme, to input into their asset investment decisions and to apprise the trustee of the progress of the Group to help inform them in making decisions which may impact the scheme funding requirements. In particular, the Group and the trustees of the schemes have an active programme of risk mitigation for the schemes, including seeking to match investments to the underlying liabilities and to provide options for the membership which can benefit both themselves and the schemes. However, many factors which impact the valuations and funding requirements of the pension schemes are outside the control of the Group.	**Unchanged** Discount rates have increased since the prior year and have led to a slight improvement in funding levels. The investment strategy of the fund has been largely derisked to eliminate investment and inflation risk, though some asset valuation risk remains. The pension schemes remain at the risk of being affected by regulatory changes.
LITIGATION		
The Group from time to time may be subject to claims from third parties in relation to its current and past operations, which could result in legal costs and rulings against it that may have a material effect on the Group's operating results and financial condition.	The Group has a comprehensive risk management and review process, including contract risk management, which is aimed at minimising the risk of such claims arising because of its actions. Insurance policies are in place to cover some such incidences and third-party legal assistance is sought as required.	**Unchanged** No new material litigation in the period.
ETHICAL BREACHES		
The Group operates in highly regulated markets requiring strict adherence to laws with risk areas including Bribery & Corruption, International Trade Laws, Human Rights, Modern Slavery and General Data Protection Regulation. Ethics or compliance breaches could cause harm to the Group's reputation, financial performance, customer relationships and internal morale.	A Group wide ethics policy, which is reviewed by the Board annually sets out the principals that the Board expects all businesses and employees within the Group to adhere to.	**Unchanged** No concerns raised in the year. Mpac has recently rebranded and relaunched its whistle blowing policy to encourage staff to be vigilant in identifying any potential concerns and be confident in speaking up.

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Risk	Mitigation	2023 Movement
CONTRACTUAL OBLIGATIONS		
The Group could fail to deliver contracted solutions and/or fail in our contractual execution due to delays, technical issues or breaches by our suppliers or other counterparties Production delays, quality and warranty issues could all cause unexpected losses and could potentially lead to breach of contract and expenses due to disputes and claims. This could lead to loss of customers and reputational damage within the industry alongside loss of revenue and profit due to higher costs, liquidated damages and/or other penalties.	Contracts are managed and delivered by programme management teams that regularly review risks and take appropriate action, including extensive validation processes, assessments of execution risks and tight focus upon both contract and change management. Review and approval process for significant and higher-risk contracts in place at Group level, including appropriate contract risk management processes prior to acceptance. Diversified nature of the Group mitigates exposure to single contracts.	**Unchanged** Stresses on global supply chains and the supply of qualified staff continue to add risks to the Group's ability to deliver its contractual obligations. Expanded range of products and applications increases the risk of product delays and/or quality issues. Our drive for growth can expose us to more onerous contractual terms.
SUSTAINABILITY AND CLIMATE CHANGE		
The Group's operations and strategies could be deemed by stakeholders and potential investors to fail to comply with national and international targets on climate change reduction. This could lead to issues with trading and employment and financial penalties	The Group's products and strategy naturally lend themselves to be well placed environmentally. We partner with our customers to drive their packaging solutions in a more environmentally friendly manner, and consequently help them reduce emissions.	**Increasing** The global focus on Environmental Social and Goverance issues is increasing. The challenge is demonstrating the Group's place in combating these issues. Mpac is a low generator of emissions and waste, with the greatest potential impact of the Group to reduce emissions being in the production of operationally and energy efficient machinery.

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Section 172 statement

Section 172(1) of the Companies Act 2006 ("S172") requires the Directors' to act in good faith and in the way that they consider to be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard to the interests of other stakeholders. The Directors should also consider the desirability of maintaining high standards of business conduct, the need to act fairly between members of the Company, the impact of the Company's operations on the community and the environment and the likely long-term consequences of their decisions.

In the table below, we set out our key stakeholder groups and how we engage with each of them. Each type of engagement is designed to foster effective and mutually beneficial relationships so that we continue to work effectively with our stakeholders.

Stakeholder group	How we engage
EMPLOYEES	As at 31 December 2023, we employed 508 people in the Group, based in the UK, Canada, the United States, the Netherlands, Singapore and Thailand. Our employees bring a broad range of experience, expertise and perspective to Mpac that contributes to the delivery of our strategic objectives. The Board recognises that employees are the cornerstone of the business and develops the Group's employment policies in line with best practice and providing equal opportunities for all, irrespective of gender, age, marital status, sexual orientation, ethnic origin, religious belief or disability. Full and fair consideration is given to applications for employment from people with disabilities having regard to their aptitudes and abilities. Every reasonable effort is made to support those who become disabled, either in the same job or, if this is not practicable, in suitable alternative work. Emphasis is placed on training, effective communication and the involvement of employees in the development of the business. During the year, the Group employed its first HR Director to review and implement a new people strategy for the Group, which will include a five-year strategy to align with the overall business strategy; globally align the Group's vison, mission and values statement; review the communications and engagement plan; updated Group objectives; review the reward and benefit structure across the Group; and design and implement a new talent acquisition process. The Board is updated at each Board meeting on health and matters. There have been no significant accidents during the year. During the last quarter of the year, a new hazard reporting system, SafetyQube, was implemented across all Group sites which enables increased emphasis on reporting hazards and implementing preventative measures. The new system also enables enhanced accident reporting and any commonality in accidents to be highlighted. Specific training is then provided to prevent similar accidents from happening in the future.
SUPPLIERS	The Group now has dedicated supplier managers based in both the Americas and EMEA who work closely with its suppliers to ensure that the relationships are productive for all parties. The Group's Modern Slavery Act statement was reviewed and updated as part of a new Group supplier manual being drafted. The manual will also include the Group's Anti-Bribery and Ethics policies. The Group's policy is to pay suppliers in line with its standard terms except where alternative arrangements have been agreed in advance with individual suppliers. The Group does not follow any external procurement or payment code. The Group's trade creditor days outstanding at the year-end were 66.
CUSTOMERS	The Group has good relationships with its customers, some of whom are long-standing. Regular meetings and discussions are held with the customers to keep them informed of the progress of their projects and for them to provide details of any changes which they require to be made mid-project.
COMMUNITIES	We believe that business should be a force for good in the communities in which we operate. We aim to support and inspire our employees to make a difference in their communities. The responsibility for community engagement is devolved to the local business units. The Group encourages employees to be involved in charitable, educational or other social pursuits which contribute to the local community and aids local community projects through organisational support.

Further details on the Company's strategy and long-term decisions are set out in the Chairman's introduction and Operating review on pages 4 to 13. Further details of our stakeholder engagement, including the impact of the Company's operations on the environment, are set out in the Directors' Report on pages 44 to 46.

Ethics policy
The Group's Ethics policy is reviewed annually and updated as necessary. The policy, which is distributed to every Group employee and is available to view on the Group's website at www.mpac-group.com, sets out the values which Mpac seeks to encourage and certain principles governing the way it does business.

The strategic report was approved by the Board and signed by Andrew Kitchingman, Chairman, on 19 March 2024.

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Corporate governance

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Chairman's corporate governance statement

ANDREW KITCHINGMAN
CHAIRMAN

"We are committed to excellence in corporate governance, and maintain clear policies and practices that promote good corporate governance."

As Chairman of the Company, I have pleasure in presenting the Corporate Governance Statement for 2023.

The QCA Corporate Governance Code 2018 ("QCA Code")

Sound governance is fundamental to ensuring that a Company is run effectively and responsibly, which assists in a Company's long-term success. Accordingly, the Board has chosen to follow the QCA Code since 2018. The Board is aware that the QCA has introduced a new Code which will come into effect for the Company's 2025 financial year, the Company is currently reviewing to assess if there will be any changes to the Corporate Governance framework as a result of this.

Due to the ever-changing nature of corporate governance, there is a need to ensure that policies and practices are kept under review to ensure that the Company meets the required standards, while also ensuring that these are in line with the growth and overall strategic plan for the Company.

The Board considers that the policies, procedures and relevant systems, which have been implemented to date, have given us a firm foundation for our governance structure.

The Company believes that during 2023 it has complied with the 10 principles set out within the QCA Code as shown in the following table.

Andrew Kitchingman
Chairman

18 March 2024

Principles of the QCA Code	How the Company has complied
Deliver Growth	
1. Establish a strategy and business model which promote long-term value for shareholders.	The strategic aims and objectives of the Group are set by the Board. The strategy is set out on pages 6 to 9 and on the Group's website.
2. Seek to understand and meet shareholder needs and expectations. **3.** Take into account wider stakeholder and social responsibilities, and their implications for long-term success.	The Annual General Meeting serves as the perfect opportunity to meet and engage with its retail shareholders. When implementing the Group's strategic aims, the Board takes into account expectations of the Company's shareholders and also its wider stakeholders and social responsibilities.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The responsibility for the Group's internal control and risk management systems also falls under the Board's remit. The risks faced by the Group are regularly reviewed by the Board, which ensures that the mitigation strategies in place are the most effective and appropriate for the Group's operations. The Group regularly reviews and updates it's risk register, the principal risks to the Group are disclosed on pages 17 to 21 of the Strategic Report.
Maintain a Dynamic Management Framework	
5. Maintain the Board as a well-functioning, balanced team led by the Chair.	In my role as Chairman, I regularly consider the operation of the Board as a whole and the performance of the Directors individually. There is a Board effectiveness test performed annually.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	Directors attend seminars and industry events from time to time as appropriate to assist with training. All appointments to the Board are on merit, but with due consideration to the need for diversity on the Board. Such appointments are made to complement the existing balance of skills and experience on the Board.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	The Board carries out a formal internal review annually in respect of its performance over the previous year. The evaluation is informed by detailed questionnaires completed by each Director, which are then summarised on an anonymous basis, considered by the Board and action taken as appropriate.
8. Promote a corporate culture that is based on ethical values and behaviours.	The Company is committed to the Group operating to the highest standards of ethical behaviour. In support of the Group's business objectives, the Company strives for excellence in all it does through five key values: honesty & integrity, respect, empowerment & responsibility, delivery of commitments, and open communication. More information about the Group's Ethics Policy is available on the Company's website.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	The Company operates an open and inclusive culture and this is reflected in the way that the Board conducts itself. The Non-Executive Directors attend the Group's offices and other Group events.
Build Trust	
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The application of the QCA Code is monitored by the Board which will revise its governance framework as necessary as the Group evolves. The Board recognises the importance of maintaining regular dialogue with institutional shareholders to ensure that the Group's strategy is communicated and to understand the expectations of our shareholders.

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Board of Directors

Andrew Kitchingman FCA
Independent Non-Executive Chairman

Appointment: Andrew joined the Board on 11 May 2016 as a Non-Executive Director and was appointed Chairman of the Board on 19 April 2018.

Committees: Member of the Audit Committee and the Remuneration and Nomination Committee.

Skills and experience: Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales, and formerly worked in senior positions in corporate finance with a number of firms, including KPMG, Hill Samuel, Albert E Sharp, Brewin Dolphin and WH Ireland.

Key strengths:
- Strong experience of financial control and good corporate governance
- Expertise in equity and debt capital raising
- Mergers & acquisitions

External appointments:
- Chairman of H.C. Slingsby PLC
- Non-Executive Director of Andrew Sykes Group plc
- Chairman of British Board of Agrément
- Treasurer of Ripon Cathedral

Adam Holland
Chief Executive Officer

Appointment: Adam joined the Board as Chief Operating Officer on 1 November 2022 and was appointed Chief Executive Officer on 17 May 2023.

Skills and experience: Adam is a Chartered Engineer and Chartered Physicist, with a Masters degree in Natural Sciences from the University of Cambridge, and qualifications from Warwick Business School UK and the Tuck School of Business USA. Adam previously held a number of senior executive and company director positions in global engineering and technology companies including JCB, Siemens and Rolls-Royce plc., and in the space and defence sector at AEA Technology plc.

Key strengths:
- Extensive Commercial and Operational experience gained from roles based in both the UK and internationally
- Proven track record in business development
- More than 20 years leading businesses to deliver market share growth

Will Wilkins
Group Finance Director

Appointment: Will joined the Board as Group Finance Director on 22 June 2018.

Skills and experience: Will is a Chartered Certified Accountant and, prior to his appointment, he held a variety of senior positions with the Company, including Group Financial Controller, Group Operations Director and a senior project director role. He previously held a senior financial position at BSH Home Appliances and began his career at Grant Thornton in 1992.

Key strengths:
- Extensive experience in improving business systems, processes and controls
- More than 25 years' proven track record as a senior finance professional with strong financial reporting discipline
- Cross functional practical experience in operations and finance

Doug Robertson
Independent Non-Executive Director

Appointment: Doug joined the Board on 1 November 2018 as a Non-Executive Director.

Committees: Chair of the Audit Committee and member of the Remuneration and Nomination Committee.

Skills and experience: Doug is a Fellow of the Institute of Chartered Accountants in England and Wales and was Group Finance Director of SIG plc until he retired from the role in January 2017. Prior to joining SIG, Doug was Group Finance Director of Umeco plc and Seton House Group Limited. He spent his early career with Williams plc in a variety of senior financial and business roles.

Key strengths:
- Extensive multinational financial management experience in both public and private companies
- Strategic planning
- Acquisitions and divestments

External appointments:
- Non-Executive Director of HSS Hire Group plc
- Non-Executive Director of Zotefoams plc

Sara Fowler
Independent Non-Executive Director

Appointment: Sara joined the Board on 6 March 2020 as a Non-Executive Director.

Committees: Chair of the Remuneration and Nomination Committee and a member of the Audit Committee.

Skills and experience: Sara is a chartered accountant and former partner with Ernst & Young ("EY"), a former practising member of the Academy of Experts and a CEDR accredited mediator. She had been with EY for 30 years, a partner for 17 years and senior partner for EY Midlands for seven years until 30 June 2017. She was on the Board of the Compulsory Purchase Association and Chair of the CBI West Midlands.

Key strengths:
- Extensive HR experience gained through her roles at EY and as an accredited mediator
- Extensive financial experience
- Experience of developing the skills agenda

External appointments:
- Chair of BHSF Group Limited

Matthew Taylor
Independent Non-Executive Director

Appointment: Matthew joined the Board on 21 October 2021 as an independent Non-Executive Director.

Committees: Member of the Audit Committee and the Remuneration and Nomination Committee.

Skills and experience: Matthew has over 20 years of Executive and Board of Directors experience within the automotive, steel and manufacturing sectors across the world, including Belgium, the UK and Hong Kong. He has previously held several executive-level roles including CEO of J C Bamford Excavators, CEO of Edwards Vacuum and more recently CEO of Bekaert SA, a role he held until 2020.

Key strengths:
- Extensive senior executive experience
- Steel and Manufacturing industry experience of over 20 years
- Strong experience of good corporate governance

External appointments:
- Non-Executive Director of Surface Transforms plc
- Non-Executive Director of Strip Tinning Holdings plc.

Left to right: **Sara Fowler, Matthew Taylor, Doug Robertson, Adam Holland, Andrew Kitchingman, Will Wilkins.**

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Corporate governance report

Board meetings

The Board has an established schedule of meetings throughout the year, with additional meetings convened when required. The Board addresses several recurring items at each Board meeting, including strategic, operational (including health & safety) and financial performance updates. The Directors maintain a dialogue between Board meetings on a variety of matters.

The table below sets out the attendance record of individual Directors at the Board meetings held during 2023:

Directors	Board Meeting Attendance
A J Kitchingman	10/10
Dr A Steels[1]	3/4
A P Holland	10/10
W C Wilkins	10/10
S A Fowler	10/10
D G Robertson	10/10
M G R Taylor[2]	9/10

1 Dr Steels stepped down as a Director on 17 May 2023.
2 Mr Taylor was unable to attend one of the meetings due to a clash in the diary.

Composition and independence of the Board

The Board currently consists of six Directors: the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. All the Non-Executive Directors are considered independent. Details of each Director's experience and background are given in their biographies on page 27. Their skills and experience are relevant and cover areas including financial management and control, capital raising, capital goods industries, banking, engineering, strategic planning, business development, mergers and acquisitions and international management.

Appointments to the Board and re-election

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Remuneration & Nomination Committee. Further details on the role of the Remuneration & Nomination Committee may be found on pages 36 to 38. All Directors will offer themselves for annual re-election, in accordance with best practice in corporate governance. The Board considers all Directors to be effective and committed to their roles.

Division of responsibilities

The Chairman and Chief Executive have separate, clearly defined roles. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company, and the Chief Executive is responsible for implementing the Group's strategy and for its operational performance.

Executive Directors

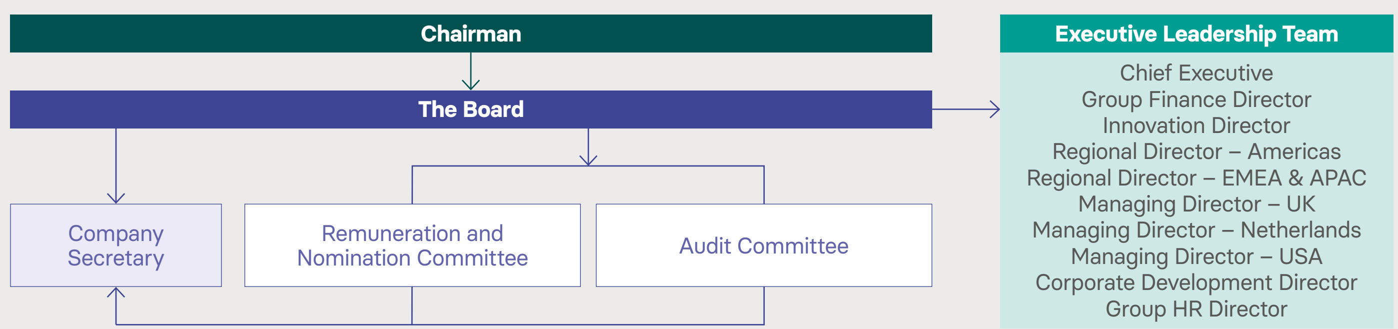
The Executive Directors are full-time employees of the Company and have entered into service agreements with the Company. Neither Executive Director holds an external non-executive directorship.

Non-Executive Directors

Each of the Non-Executive Directors has entered into a letter of appointment with the Company, which sets out the duties of the Director and the time commitment expected. They are expected to commit at least 24 days per annum to their role and are specifically tasked with:

- bringing independent judgement to bear on issues put to the Board;
- applying their knowledge and experience in considering matters such as strategy, company performance, use of resources and standards of conduct; and
- ensuring high standards of financial probity and corporate governance.

Our Board and Committee structure



The Board delegates certain responsibilities to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit Committee and a combined Remuneration and Nomination Committee, both of which operate within a scope and remit defined by specific terms of reference determined by the Board. The Annual Report includes a report from each of these Committees and describes the work each Committee has undertaken during the year. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

The Board delegates certain responsibilities to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit Committee and a combined Remuneration & Nomination Committee, both of which operate within a scope and remit defined by specific Terms of Reference determined by the Board. These Terms of Reference are available on the Company's website. The Annual Report includes a report from each of these Committees describing the work each Committee has undertaken during the year. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

How the Board operates

The Board is responsible for:

- developing Group strategy, business planning, budgeting and risk management;
- monitoring performance against budget and other agreed objectives;
- setting the Group's values and standards, including policies on employment, health and safety, environment and ethics;
- relationships with shareholders and other major stakeholders;
- determining the financial and corporate structure of the Group (including financing and dividend policy);
- major investment and divestment decisions, including acquisitions, and approving material contracts; and
- Group compliance with relevant laws and regulations.

The Board retains control of certain key decisions through the schedule of Matters Reserved for the Board. Anything falling outside of the schedule of Matters Reserved for the Board or the Committee Terms of Reference falls within the responsibility and authority of the Chief Executive, including all executive management matters. Day-to-day management of the Company's business is delegated to the Executive Directors and in turn to senior members of the leadership team in accordance with a clear and comprehensive statement of delegated authorities.

The Board meets at regular intervals and met 11 times during the year. Directors also have contact on a variety of issues between formal meetings and there is also contact with the Executive Leadership Team of the Group. An agenda and accompanying detailed papers, covering key business; governance issues; and reports from the Executive Directors and other members of senior management, are circulated to the Board in advance of each Board meeting. All Directors have direct access to senior management should they require additional information on any of the items to be discussed. A calendar of matters to be discussed at each meeting is prepared to ensure that all key issues are captured.

At each meeting, the Board reviews comprehensive financial and trading information produced by the management team and considers the trends in the Company's business and its performance against strategic objectives and plans. It also regularly reviews the work of its formally constituted standing Committees as described below and compliance with the Group's policies and obligations.

All Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Directors are unable to attend a meeting, they are encouraged to submit any comments on paper to be considered at the meeting to the Chairman in advance to ensure that their views are recorded and taken into account during the meeting.

Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate. The Board is supported in its work by Board Committees, which are responsible for a variety of tasks delegated by the Board. There is also an Executive Leadership Team composed of the Chief Executive and Group Finance Director, and representatives from senior management whose responsibilities are to implement the decisions of the Board and review the key business objectives and status of projects.

The main activities of the Board during the year

During the year, the majority of the meetings were held in-person, with one meeting held in Cleveland, USA.

There are a number of standing and routine items included for review on each Board agenda. These include the Chief Executive's trading update, a health and safety report, operations reports, financial reports, governance and investor relations updates. In addition, key areas put to the Board for consideration and review this financial year included:

- approval of annual and half-year report and financial statements;
- dividend strategy;
- review and approval of budget;
- strategy review and its implementation;
- clean energy strategy;
- going concern and cash flow;
- material customer proposals;
- consideration of banking arrangements;
- investor relations;
- acquisitions and integration;
- board succession planning; and
- review of corporate structure.

Corporate governance report continued

External advisers
The Board seeks advice on various matters from its nominated adviser Shore Capital, joint-broker Liberum Capital, and other advisers as appropriate. The Board also sought remuneration advice from KPMG LLP during the year.

Development, information and support
Directors keep their skillset up to date with a combination of attendance at industry events, individual reading and study, and experience gained from other Board roles. The Company Secretary ensures the Board is aware of any applicable regulatory and governance changes and developments and updates the Board as and when relevant.

Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. Directors also have direct access to the advice and services of the Company Secretary. The Company Secretary supports the Chairman in ensuring that the Board receives the information and support it needs to carry out its role effectively.

Conflicts of interest
Under the Company's Articles, the Directors may authorise any actual or potential conflict of interest a Director may have and may impose any conditions on the Director that are felt to be appropriate. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and they are not counted in the quorum. A process is in place to identify and monitor any of the Directors' potential or actual conflicts of interest.

Performance evaluation
The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. The Board carries out an internal evaluation process each year in respect of its performance over the previous year. The evaluation is informed by a detailed Board effectiveness questionnaire completed by each Director and covering topics such as the composition of the Board, the quality and timeliness of information provided, relationships between the Board, shareholders and employees and succession planning. The results are collated and reported to the Board for discussion.

An evaluation process has been undertaken in respect of 2023 and the results discussed by the Board. No substantive actions were required as a result of the Board evaluation.

Accountability
The Company has in place a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. These procedures include the preparation of management accounts, forecast variance analysis and other ad-hoc reports. There are clearly defined authority limits throughout the Group, including matters reserved specifically for the Board.

Risk management and internal control
Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic report on pages 17 to 21. Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

Financial and business reporting
The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects in all half-year, final and any other ad-hoc reports, and other information as may be required from time to time. The Board receives a number of reports, including those from the Audit Committee, to enable it to monitor and clearly understand the Group's financial position.

Business ethics
The Board is committed to the Group operating to the highest standards of ethical behaviour. The Group's Ethics policy sets out certain principles that the Board expects all businesses within the Group to adhere to and certain values that should be embodied in the day-to-day activities of the Group. It expects all employees of the Group, led by the members of the Board and the Group's senior management, to encourage and support all other employees in acting in accordance with the policy. In support of this policy and its principles, the Board has published guidance in the Group Ethics policy, which is available on the Company's website at www.mpac-group.com/group-policies.

Whistleblowing

The Company has a whistleblowing procedure, details of which are provided to all employees. Staff may report any suspicion of fraud, financial irregularity or other malpractice to a senior manager, Executive Director, or an independent helpline. The policy is reviewed by the Audit Committee every year and updated as required. Details of any matters raised under this procedure are reported to the Audit Committee. The whistleblowing policy was re-branded as "Speak Up" during the course of the year.

Shareholders

The Company welcomes contact with its shareholders and they can contact the Company via the Investors section of the website. Directors are available to discuss any matters that shareholders might wish to raise. They maintain communication with institutional shareholders, other investors and analysts through meetings, particularly following publication of the Group's interim and full-year preliminary results. The Board also regularly receives copies of analysts' and brokers' briefings.

The Company strives to provide a clear, balanced and comprehensive level of information and written material. The Company maintains a corporate website, which contains regularly updated regulatory and other information. The Annual Report and Accounts is a key communication document and is also available on the Company's website. The Company also issues both statutory and non-statutory regulatory news announcements throughout the year to update on financial, operational and other matters. The Company offers its larger shareholders, either directly or via its brokers, face-to-face meetings on a bi-annual basis at a minimum to present and discuss performance and other matters and obtain any feedback. These meetings are hosted by the Company's Chief Executive and Group Finance Director. The Company also hosts a briefing for analysts, arranged by the Company's financial public relations adviser, twice a year to coincide with the announcement of its half-year and full-year financial results to present and discuss the same matters.

Annual General Meeting (AGM)

All shareholders are encouraged to attend the AGM at which the Group's activities will be considered and questions answered. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

This year's AGM will be held on 15 May 2024. The Notice of Annual General Meeting is set out on pages 103 to 107 and will be available on the Company's website at www.mpac-group.com. Separate resolutions are provided on each issue so that they can be given proper consideration.

Andrew Kitchingman
Chairman

18 March 2024

Audit Committee report

DOUG ROBERTSON
CHAIR OF THE AUDIT COMMITTEE

"I am pleased to present my report as Chair of the Audit Committee for the year ended 31 December 2023."

Chair's letter

Dear Shareholders,

I am pleased to present my report as Chair of the Audit Committee for the year ended 31 December 2023. In this Report I have sought to provide investors and other stakeholders with an understanding of the approach that the Audit Committee (the "Committee") has taken to provide assurance over the 2023 Annual Report and Accounts. The Statement of Directors responsibilities in respect of the Annual Report can be found on page 47.

The Committee has continued to play a key role within the Group's governance framework to support the Board in matters relating to financial reporting, internal control and risk management. It has focused on ensuring that the interests of the shareholders are properly protected in relation to the Group's financial reporting and internal control by challenging the decisions and approach taken by management relating to the content, judgements and disclosures within the Company's financial statements.

The Board directs the Committee to advise on whether the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Committee receives reports from management covering the key areas of estimation and judgement underpinning the financial statements and ensures that the related disclosures reflect supporting information. It challenges management to explain and justify their interpretation. The Committee is supported in this by the external auditors who present their findings to the shareholders in the Independent Auditor's Report.

The Committee is responsible for ensuring that the relationships between management, the external auditors and the Committee are appropriate and provides information on how the Committee assesses the independence of the external auditors in the Audit Committee Report.

As Chair I ensure that the Committee's agenda is kept under review and aware of relevant developments. An internal evaluation of the Committee's performance has been undertaken in respect of 2023 and the results discussed by the Committee. No substantive actions were required as a result of the Committee evaluation.

Doug Robertson
Chair of the Audit Committee

Audit committee report

The Committee met four times during 2023 and the following served as members during the year.

Committee member	Meeting attendance
Doug Robertson – Chair	4/4
Andrew Kitchingman	4/4
Sara Fowler	4/4
Matthew Taylor	4/4

The following regularly attend meetings:

- the Executive Directors
- the Group Financial Controller
- representatives from the external auditors, PKF Littlejohn LLP ('PKF')

Other members of the management team may also be asked to attend meetings for discussion on specific issues. The Committee also meets with the external auditors at least twice each year without management being present and the Chair also has private meetings with the audit partners at least twice per year.

The Committee is authorised to seek legal or other independent professional advice as it sees fit but has not done so during the year.

The qualifications of Committee members are outlined in the Directors' biographies on page 27. The members of the Committee are all independent non-executive directors. In addition to having extensive business experience as detailed in their biographies, members of the Committee also have extensive financial experience as recommended by the QCA Audit Committee Guide.

Main responsibilities of the Committee

- Reviewing the financial statements and announcements relating to the financial performance of the Company, including reporting to the Board on the significant issues considered by the Committee in relation to the financial statements and how these were addressed;
- Reviewing the scope and results of the annual audit and reporting to the Board on the effectiveness of the audit process and how the independence and objectivity of the auditors have been safeguarded;
- Reviewing the scope, remit and effectiveness of the internal audit function and the Group's internal control and risk management systems;
- Reviewing significant legal and regulatory matters;
- Overseeing the Company's relations with the external auditor;
- Reviewing matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external audit process and reviewing the scope and results of the audit;

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- Reviewing the whistleblowing policy on an annual basis;
- Reporting to the Board on how the Committee has discharged its responsibilities; and
- An assessment of the risk management process including the identification of key risks and the monitoring and mitigation thereof.

The Terms of Reference for the Audit Committee can be found on www.mpac-group.com.

Activities during the year

A summary of the Committee's principal activities in 2023 is set out below:

- Review the draft Annual Report and Accounts 2022 and draft preliminary results announcement
- Consideration of the effectiveness of the external audit process
- Review of the half-year results announcement Review of external auditor's memorandum
- Review of Going Concern
- Consideration of and approval of external audit fee quotation for 2023
- Review and approval of the external audit plan for 2023
- Review and approval of the non-audit work policy
- Review of internal controls and risk management systems, including the 2023 internal audit plan
- Review of whistleblowing arrangements and policy
- Review of anti-bribery and corruption policy and procedures
- Review of Group principal risks and uncertainties

External auditor

PKF Littlejohn LLP was appointed as the Company's auditor at the annual general meeting on 17 May 2023.

The Committee monitors the relationship with PKF to ensure that auditor independence and objectivity are maintained. They assess auditor independence by obtaining assurances from PKF that all partners and staff involved are independent of any links to the Company and confirmation that all partners and staff comply with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standard.

Policies for non-audit services and engagement of former employees of the external auditor

The Committee has in place policies that are reviewed annually relating to the employment of former employees of the external auditor and the engagement of the auditor, or advisers related to the auditor, on non-audit services which provide that the external auditor will not undertake any non-audit related work other than tax compliance services. These policies, which have been adopted formally by the Board, require, inter alia, the Committee's consent to any engagements or employment, with appropriate confirmation of independence from the auditor.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditors, and report to the Board the appropriateness of, the annual and half-year financial statements, considering amongst other matters:

- Clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- Areas in which significant judgements have been applied, including discussions on such matters undertaken with the external auditors; and
- Whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

In addition to the above, the Committee supports the Board in completing its assessment of the adoption of the going concern basis of preparing the financial statements. The Committee performed a robust review of the process and underlying assessment of the Group's longer-term prospects made by management. These included:

- The review period and its alignment with the Group's strategic plans;
- The assessment of the prospects of the Group after consideration of the Group's principal risks, current financial position, and ability to generate cash; and
- The modelling of the financial impact of additional key scenarios which encompass the potential impact of crystallisation of one or more of the principal risks.

Audit Committee report continued

Significant issues considered by the Committee

The Committee reviews accounting papers prepared by management that provide details of significant financial reporting issues, together with reports from the external auditor prepared in conjunction with the interim and full-year results.

The significant issues considered by the Committee in respect of the period ended 31 December 2023 are set out on the following table.

Significant issue/accounting judgement identified	How it was dealt with
Revenue recognition, the application of IFRS 15 and accounting for the significant judgements around open contracts	The valuation of contracts is carefully monitored throughout the year, utilising both accounting data and inputs from all aspects of the business, to ensure contracts are always valued appropriately, with particular attention paid to contractual changes made in the course of contract performance.
Carrying value of goodwill and acquired intangible assets	The Group conducts extensive forecasting and stress testing exercises to review the carrying value of goodwill and acquired intangible assets in line with the strategic plans to ensure that the values are supportable.
Pension accounting	External experts are used on an ongoing basis to value the schemes in line with IAS19 and ensure a consistent and appropriate level of disclosure.
Capitalisation and carrying value of internally developed intangible assets	Detailed reviews of assets developed internally are undertaken internally by the Group, including engineering, commercial and innovations staff, to ensure capitalisation occurs where the criteria in IAS38 are met and that the carrying values of assets capitalised in prior periods are valued appropriately.
Going concern and business disruption	The Group conducts extensive forecasting and stress testing exercises for multiple scenarios, including market disruption, currency volatility and project uncertainty, the results of which are reviewed regularly by the Board, including both realistic worst-case scenarios and tests to determine what would be required to challenge the going concern basis.

Assessing the Annual Report

The Committee has the responsibility to assess whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Group's position on performance, business model and strategy.

The Committee made this assessment by:

- Reviewing key messages proposed for the Annual Report;
- Reviewing copies of the Annual Report at various stages during the drafting process to ensure the key messages were being followed and were aligned with the Company's position, performance and strategy being pursued and that the narrative sections of the Annual Report were consistent with the financial statements;
- Ensuring that all key events and issues that had been reported to the Board in the executive Board reports during the year had been appropriately referenced or reflected within the Annual Report;
- Reviewing how alternative performance measures were used in the Annual Report, ensuring completeness and accuracy of definitions, consistency of use, relevance to users of the Annual Report and balance with statutory metrics; and
- Considering reports produced by both management and the external auditors on principal matters and judgements in areas underpinning the financial statements.

Internal audit

The Committee considers annually how the internal audit function operates in the Group, including its Terms of Reference and whether this gives sufficient assurance that the business and controls of the Group are reviewed adequately. The Committee also approves the internal audit work plan each year. This function is part of the Group's finance department and its senior member reports to the Committee at each meeting on its activities and has direct access to the Chair as required.

Internal audit reports are produced following a site visit and completion of an internal control questionnaire, providing details of how the internal controls are being followed and what areas, if any, need improving and amending as appropriate.

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Risk management and internal controls

The Committee is responsible for reviewing the systems of risk management and internal control and has reviewed management's progress in implementing and maintaining such control systems during the year. The Committee is satisfied that the internal control systems are operating effectively.

The Board has taken and will continue to take appropriate measures to ensure that the chances of financial irregularities occurring are reduced as far as reasonably possible by improving the quality of information at all levels in the Group, fostering an open environment and ensuring that financial analysis is rigorously applied. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The major elements of the system of internal control are as follows:

- major commercial, strategic and financial risks are formally identified, quantified and assessed during the annual budgeting exercise and presented to and discussed with executive directors, after which they are considered by the Board;
- there is a comprehensive system of planning, budgeting, reporting and monitoring. This includes monthly management reporting and monitoring of performance and forecasts. Monthly reviews are embedded in the internal control process and cover each principal site. Monthly reviews require the Executive Leadership Team to consider, among other things, business development, financial performance against budget and forecast, health and safety and capital expenditure proposals, as well as a review of longer-term business development and all other aspects of the business. In addition, quarterly business reviews are carried out at each principal site and are attended by the executive directors and local management teams as appropriate;
- there is an organisational structure with clearly defined lines of responsibility and delegation of authority;
- each site is required to comply with defined policies, financial controls and procedures and authorisation levels which are clearly communicated;
- a programme of internal control reviews and specific investigations is carried out. These are followed up during regular executive management visits. The internal control reviews include assessments of compliance with Group policies and procedures and findings are reported to the Committee and Board as appropriate;
- a formal risk management audit is regularly carried out by Group personnel and external risk management consultants, which covers physical damage, environmental and health and safety risks together with business continuity issues; and
- Formal reports including recommendations are sent to each site for action and reported back to Group management. Progress reports are issued to the Board for review and monitoring.

Whistleblowing

The Group has in place a Whistleblowing policy which details the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Whistleblowing is an annual item on the Committee's agenda, and any reported incidents will be notified to the Committee. During 2023, there were no reported incidents.

Doug Robertson
Chair of the Audit Committee

18 March 2024

Remuneration and Nomination Committee report

SARA FOWLER
CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

"I am pleased to present the Committee's report which is presented in four sections: the Committee Report, the Nomination Report, the Remuneration Report and the Remuneration Policy."

As Chair of the Remuneration and Nomination Committee ("the Committee"), I am pleased to present the Committee's report, which is presented in three sections: the Committee Report, the Remuneration Report and the Remuneration Policy.

The Remuneration report, on pages 37 to 38, details the amounts earned by the Directors in respect of the period to 31 December 2023 and is subject to an advisory shareholder vote.

Committee report

Committee Composition and Meetings

The Committee's members are the independent Non-Executive Directors, whose biographies are set out on page 26.

The Terms of Reference of the Committee requires that it meets at least twice a year. During 2023, the Committee met five times and the table below sets out the attendance record of each member of the Committee:

Member	Meeting attendance
Sara Fowler	5/5
Andrew Kitchingman	5/5
Doug Robertson*	4/5
Matthew Taylor	5/5

* Doug Robertson was unable to attend one of the meetings due to a clash in the diary.

Additionally, the Chief Executive is invited to attend meetings as necessary.

Duties and Terms of Reference

The duties of the Committee are as set out in its Terms of Reference which is available on the Company's website at www.mpac-group.com.

The Committee deals with all aspects of remuneration of the Executive Directors and certain senior managers, and in identifying and nominating members of the Board.

The Committee undertook the following main items of business during the year:

- reviewed the structure of the Long-Term Incentive Plan for 2024 awards onwards;
- reviewed the performance of the executive management incentive scheme against their 2022 objectives and approved bonus payments;
- approved executive management pay increases;
- set 2023 objectives and performance metrics for the executive management incentive scheme;
- reviewed the 2022 performance against the Long-Term Incentive Plan performance target;
- reviewed the exit package for Dr. Steels;
- board and senior management succession planning; and
- reviewed the Committee's Performance Evaluation.

Committee Evaluation

An internal evaluation of the Committee's performance has been undertaken in respect of 2023 and the results discussed by the Committee. No substantive actions were required as a result of the Committee evaluation.

Nomination report

Appointment of Chief Executive Officer

When Tony Steels advised in early 2023 that he wished to retire from the Group, the Committee considered who would be best to replace him as Chief Executive Officer (CEO).

The committee reviewed its internal candidates first and Adam Holland was highlighted as the successor. His extensive commercial and operational experience, gained from previous roles based in the UK and internationally, means that he is well placed to lead the Group in its future growth.

The role of Chief Operating Officer (COO) has been left vacant for now while Adam settles into the CEO role and reviews what skills and experience are required within the Group's executive leadership team as a whole. Should there be a need to recruit a new COO in the future, a decision will be made as to whether this will be a member of the executive leadership team, in which case Adam will lead the recruitment process, or as a member of the Board, in which case the Committee will be involved.

Diversity policy
The Group values diversity among its employees. In their day-to-day behaviour, employees are expected not to discriminate in their relationships with each other and with customers, suppliers and other business partners, and also to encourage others to behave in a proper manner.

Employment and promotion opportunities will be offered on the basis of merit regardless of race, colour, religion, age, gender, sexual orientation, disability and/or national origin. The Group aims to ensure freedom from harassment and bullying for all employees. It is the responsibility of each employee to act in non- discriminatory ways at all times and if an employee sees an example of possible discrimination, harassment or bullying taking place to bring those concerns to the attention of the Group's management.

2023 Remuneration report
Directors' total remuneration
The remuneration of the Executive Directors for 2023 is made up as follows:

Executive Directors' remuneration as a single figure (audited)

2023	Salary £000	All benefits[a] £000	Short-term incentive scheme[b] £000	Pension[c] £000	Total £000	2022 Total £000
T Steels[d]	112	7	-	29	148	1,328
A P Holland	293	20	218	32	563	47
W C Wilkins	214	20	87	53	374	877

a Benefits include: Executive Directors – car allowance payments, income replacement insurance and private medical cover.
b The performance criteria for the short-term incentive scheme is described in the Remuneration policy on page 39.
c The values are the amounts contributed by the Company into the Company's Personal Pension Plans for the Executive Directors.
d Tony Steels stepped down as a director on 17 May 2023 following the AGM. Details of his exit package, not included in the above figures, are set out below

Mr Holland's basic salary was increased from £250,000 to £318,000 with effect from the close of the AGM, when Mr Holland was promoted from Chief Commercial Officer to Chief Executive Officer, in line with that previously paid to Mr Steels but subject to a 6% increase, in line with the average pay increase awarded to employees in the UK.

Upon a review of base salaries for Dr Steels and Mr Wilkins it was agreed Dr Steels would not receive a pay increase for 2023. However, it was agreed to give Mr Wilkins a 6% increase, in line with the average increase for UK employees.

The 2023 bonus awards for Mr Holland and Mr Wilkins were based upon the achievement of certain functional and personal targets, totalling 40% of salary.

In 2022 Mr Holland's contract included a guaranteed bonus of £90,000 in April 2023 in recognition of the bonus foregone upon departure from his former employer.

Dr Steels Exit Package
Upon retiring from the Group after the AGM in May 2023, Dr Steels was granted his contractual notice of 12 months' base salary and benefits, to be paid monthly. This consists of £300,000 of salary, £20,000 of benefits and £77,000 of pension contributions.

He has also been treated as a good leaver under the LTIP Rules and is therefore eligible to receive his outstanding LTIP options should they vest in 2025, pro-rated from the date of grant to the date of his retirement on 17 May 2023.

Dr Steels is also eligible to participate in the 2023 short-term incentive plan and he received a payment of £150,000 under the plan.

The remuneration of the Non-Executive Directors for 2023 is made up as follows:

Non-Executive Directors' remuneration as a single figure (audited)

	2023			
	Fees £000	All taxable benefits £000	Total £000	2022 Total £000
A J Kitchingman	86	–	86	81
D G Robertson	57	–	57	54
S A Fowler	57	–	57	54
M G R Taylor	58	–	58	53

Directors' interests in shares (unaudited)
The beneficial interests of Directors holding office at 31 December 2023 and persons connected with them in the ordinary shares of the Company (excluding share options) were as follows:

	Held at 1 January 2023	Acquired in the year	Held at 31 December 2023
A Holland	–	12,680	12,680
W C Wilkins	81,381	4,813	86,194
M G R Taylor	18,000	–	18,000
A J Kitchingman	13,133	–	13,133
S Fowler	–	10,000	10,000

No Director holds, or held at any time during the year, a beneficial interest in the Company's preference shares. There were no changes in the Directors' interests in shares between 31 December 2023 and 19 March 2024.

Incentive scheme – Deferred share plan (audited)
No award under the Deferred share plan was made in 2023.

Remuneration and Nomination Committee report continued

Long Term Incentive Plan (audited)

Conditional grants under the LTIP are now made on an annual basis rather than every three years. Details of conditional grants of Mpac Group plc ordinary shares under the LTIP for each Director who held office during the year and who is eligible to participate in the plan are as follows:

	Date of award	End of three-year performance period	Number of shares	Face value at grant (£000)	% of salary	Lapsed	Exercised	Balance
A Holland	2 May 2023	31 Dec 2025	192,124	451.5	180%	–	–	192,124
W C Wilkins	10 June 2022	31 Dec 2024	37,548	163	79%	–	–	37,548
	2 May 2023	31 Dec 2025	76,849	180.6	83%	–	–	76,849
T Steels	10 June 2022	31 Dec 2024	96,552	418	139%	–	–	96,552

The face value of the 2022 and 2023 awards are calculated based on the closing share price on the day of grant, being 432.5p and 235p respectively. No shares are anticipated to vest under any of the awards.

The award to Dr Steels will be restricted to a maximum of 46% of the above (44,173 shares) due to his retirement on 17 May 2023.

Performance Conditions

For the 2022 award:

Metric	Weighting	Performance condition	Threshold target	Stretch target
EPS	70%	Cumulative Underlying EPS to exceed 180p over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if cumulative Underlying EPS is 140p over the three-year period and is reduced to nil if it fails to reach 140p.	140p	180p
ROCE	30%	Average ROCE to exceed 40% over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if average ROCE is 30% over the three-year period and is reduced to nil if it fails to reach 30%.	30%	40%
Total	100%			

For the 2023 award:

Metric	Weighting	Performance condition	Threshold target	Stretch target
EPS	70%	Cumulative Underlying EPS to exceed 140p over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if cumulative Underlying EPS is 110p over the three-year period and is reduced to nil if it fails to reach 110p.	110p	140p
ROCE	30%	Average ROCE to exceed 40% over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if average ROCE is 30% over the three-year period and is reduced to nil if it fails to reach 30%.	30%	40%
Total	100%			

Awards will normally remain subject to a holding period of two years, commencing on the vesting date with the exception of sales to cover related personal tax liabilities. There is currently no minimum shareholding requirement for Executive Directors.

Sara Fowler
Chair of the Remuneration and Nomination Committee

18 March 2024

Remuneration Policy

This part of the Remuneration and Nomination Committee's report sets out the Remuneration policy, which is designed to ensure that the remuneration packages offered, and the terms of the contracts of service, are competitive and designed to attract, retain and motivate Executive Directors of the right calibre. To achieve these goals, the Remuneration and Nomination Committee's policy is to establish fixed salary at around half of the total obtainable in the case of excellent performance, with recognition and reward for achieving performance targets annually and growth in the long term.

Remuneration packages

The main components of the package for each Executive Director are:

i. Basic salary

Basic salary is determined by taking into account the performance of the individual and information on the rates of salary for similar jobs in companies of comparable size and complexity in a range of engineering and other technology industries.

ii. Incentive schemes

The Executive Directors participate in a short-term incentive scheme in which the minimum bonus payable is nil and the maximum bonus payable is 120% of relevant salaries. The incentive is payable wholly in cash. The targets against which performance is judged are primarily the Group's key financial performance indicators and personal objectives. The Directors' personal objectives are commercially sensitive and therefore remain, and are expected to continue to remain, confidential to the Company. In some years, the targets may be varied to reflect particular objectives determined by the Committee.

iii. Long Term Incentive Plan ("LTIP")

An LTIP, which was adopted by the Board on 10 June 2019, has been introduced to incentivise Executive Directors and certain senior managers over the longer term and encourage retention. 70% of the award of shares is based on cumulative Earnings Per Share ("EPS") performance over a three-year period. 30% of the award of shares is based on average Return On Capital Employed ("ROCE") over the same three-year period. Further details of the performance conditions can be found on page 38.

An award granted under the LTIP in the form of a conditional right giving the participant a right to acquire ordinary shares in the Company if certain conditions are met. Awards were made covering a three-year period. Awards will normally vest following the end of the three-year performance period, once it is determined whether and to what extent the performance conditions have been achieved. Awards will normally remain subject to a holding period of two years commencing on the vesting date. Standard malus, clawback and leaver provisions apply.

iv. Pensions

Directors may choose to join the Mpac Group Personal Pension Plan, which is a defined contribution scheme. Additionally, life assurance and income protection policies are put in place for the Executive Directors.

Contracts of service

The Company's policy is to offer contracts of employment that attract, motivate and retain skilled employees who are incentivised to deliver the Company's strategy. These service contracts are terminable on notice of one year given by the Company and six months given by the Director. In the event of termination by the Company, the Company has the option of making a payment of liquidated damages equivalent to the value of 12 months' salary, or the balance of the period to the date of expiry if less, or of negotiating appropriate compensation reflecting the principle of mitigation. In the event of a change of control in the Company, if the Company terminates an Executive Director's contract within six months of the change of control, or if an Executive Director terminates the contract within six months of the change of control, the Company will be obliged to pay liquidated damages equivalent to the value of 12 months' salary. The purpose of the change of control clause, which is reviewed regularly, is that the contracts should provide reasonable and appropriate security to the director concerned and to the Company.

Any commitment contained within the current Directors' service contracts, or a current employee's contract of employment who is subsequently promoted to the role of Director, will be honoured even where it may be inconsistent with the Company's Remuneration policy.

The current service contracts for Mr Wilkins and Mr Holland were entered into on 22 June 2018 and 17 July 2022 respectively.

Remuneration and Nomination Committee report continued

Letters of appointment
The Non-Executive Directors are not issued with a separate service contract on appointment. The terms of their appointment are set out in their letter of appointment. The Company does not make termination payments to Non-Executive Directors in the event that a Non-Executive Director's appointment is terminated by the Company.

Recruitment
The Committee reserves the right to make payments outside the Remuneration policy in exceptional circumstances. The Committee would only use this right where it believes that this is in the best interests of the Company and when it would be disproportionate to seek the specific approval of the shareholders in a general meeting.

When hiring a new Executive Director, the Committee will use the Remuneration policy to determine the Executive Director's remuneration package. To facilitate the hiring of candidates of the appropriate calibre to implement the Group's strategy, the Committee may include any other remuneration component or award not explicitly referred to in this Remuneration policy sufficient to attract the right candidate. In determining the appropriate remuneration, the Committee will take into consideration all relevant factors (including the quantum and nature of the remuneration) to ensure the arrangements are in the best interests of the Company and its shareholders.

The Committee may buy-out incentive arrangements forfeited on leaving a previous employer after taking account of relevant factors including the form of the award, any performance conditions attached to the award and when they would have vested. The Committee may consider other components for structuring the buy-out, including cash or share awards where there is a commercial rationale for this.

Where the recruitment requires the individual to relocate appropriate relocation costs may be offered.

Recruitment awards will normally be liable to forfeiture or clawback if the Executive Director leaves the Company within the first two years of their employment. Any such awards will be linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Termination
The Committee reserves the right to make additional liquidated damages payments outside the terms of the Directors' service contracts where such payments are made in good faith in order to discharge an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment.

Non-Executive Directors
The fees of Non-Executive Directors are determined by the Board based upon comparable market levels. The Non-Executive Directors do not participate in the Company's incentive schemes and nor do they receive any benefits or pension contributions.

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Future Remuneration policy table
The following table provides a summary of the key components of the remuneration package for Directors:

Salary

Purpose and link to strategy	This is a fixed element of the Executive Directors' remuneration and is intended to be competitive and attract, retain and motivate.
Operation	Takes into account the performance of the individual and information on the rates of salary for similar jobs in companies of comparable size and complexity in a range of engineering and technology industries.
Opportunity	Salary is normally reviewed annually. Ordinarily, salary increases will be in line with increases awarded to other employees within the Group. However, increases may be made above this level at the Remuneration and Nomination Committee's discretion to take account of individual circumstances such as: › increase in scope and responsibility; › to reflect the individual's development and performance in the role; and › alignment to market level.
Performance metrics	Not applicable, although individual performance is one of the considerations in determining the level of salary.

Benefits

Purpose and link to strategy	The benefits provided to the Executive Directors are intended to be competitive and attract and retain the right calibre of candidate.
Operation	Benefits are paid to the Executive Directors in line with market practice.
Opportunity	Benefits are set at a level which the Remuneration and Nomination Committee considers: › are appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market; and › provide a sufficient level of benefit based upon the role and individual circumstances.
Performance metrics	Not applicable.

Remuneration and Nomination Committee report continued

Short-term incentive scheme

Purpose and link to strategy	The short-term incentive scheme is intended to reward Executive Directors for the performance of the Group in the financial year.
Operation	The Remuneration and Nomination Committee reviews the financial performance of the Group following the end of each financial year and determines the payments to be made.
Opportunity	Maximum of 120% of salary.
Performance metrics	The targets against which performance is judged are primarily the Group's key performance metrics in each financial year set annually by the Remuneration and Nomination Committee as well as personal objectives. In some years, the targets for the short-term incentive scheme may be varied to reflect particular objectives determined by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee retains the ability to adjust and/or set different performance measures if events occur (such as a change in strategy, a material acquisition/divestment of a Group business, a change in prevailing market conditions, or a change in regulation which affects the Group) which cause the Remuneration and Nomination Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Long Term Incentive Plan ("LTIP")

Purpose and link to strategy	The LTIP is intended to incentivise Executive Directors and certain senior managers over the longer term in direct alignment with shareholders' interests and encourage retention.
Operation	An award granted under the LTIP in the form of a conditional right giving the participant a right to acquire ordinary shares in Company if certain conditions are met. Awards were made covering a three-year period. Awards will normally vest following the end of the three-year performance period, once it is determined whether and to what extent the performance conditions have been achieved. Awards will normally remain subject to a holding period of two years, commencing on the vesting date with the exception of sales to cover related personal tax liabilities. Standard malus, clawback and leaver provisions apply.
Opportunity	The normal maximum award, covering the rolling three-year plan period, is 300% of salary based on the value of the award at the date of grant.
Performance metrics	Performance metrics selected reflect underlying business performance. 70% of the award of shares is based on cumulative Earnings Per Share ("EPS") performance over a three-year period. 30% of the award of shares is based on average Return On Capital Employed ("ROCE") over the same three-year period. In respect of the percentage of the award that relates to EPS, 20% of the award is made if EPS is 140p. 100% of the award is made if EPS is equal to or exceeds 180p. Between these two points, allocation will be on a straight-line basis pro rata. If EPS is below 140p no award will be made in respect of EPS. In respect of the percentage of the award that relates to ROCE, 20% of the award is made if ROCE is 30%. 100% of the award is made if ROCE equals or exceeds 40%. Between these two points, allocation will be on a straight-line basis pro rata. If ROCE is below 30%, no award will be made in respect of ROCE.

Pension

Purpose and link to strategy	The payment of a pension benefit is intended to form an integral part of an Executive Director's remuneration package that is competitive and attracts, retains and motivates the Director.
Operation	Directors may join the Mpac Group Personal Pension Plan, or alternatively, in lieu of payments to the pension scheme, the Company may pay additional emoluments.
Opportunity	Any percentage increase in pension contributions will not exceed the percentage increase in salary.
Performance metrics	Not applicable.

Non-Executive Directors' fees

Purpose and link to strategy	To attract and retain Non-Executive Directors of the right calibre.
Operation	The fees of Non-Executive Directors are determined by the Board based upon comparable market levels. The Non-Executive Directors do not participate in the Company's incentive schemes and nor do they receive any benefits or pension contributions.

Statement of consideration of employment conditions elsewhere in the Group

The Group applies the same key principles to setting remuneration for its employees as those applied to the Directors' remuneration. In setting salaries and benefits each business considers the need to retain and incentivise key employees and the impact such policy has on the continued success of the Group.

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Directors' report

Reporting requirements

The following information is provided in other appropriate sections and is included in this Directors' Report by reference and so is deemed to be part of it:

Information	Reported
Strategic report	Pages 1 to 22.
Directors' Remuneration Report	Pages 37 to 38.

Business review

The Directors' business review is set out as part of the Strategic report with the results of the Group being set out in the consolidated income statement on page 56 and in its related notes. The Group has overseas subsidiaries.

Going concern

The Group's activities together with the factors likely to affect its future development, performance and position are as described within the Strategic report on pages 1 to 22 in particular the Outlook section on page 13. The Directors have considered the trading outlook, including the preparation of profit, balance sheet and cash flow forecasts, for the Group for a 24-month period ending 31 December 2025, its financial resources including its cash resources and access to borrowings, as set out in note 20 to the accounts on page 81, and its continuing obligations, including to its defined benefit pension schemes, details of which are set out in note 24 to the accounts on pages 83 to 87. These forecasts have been sensitised to cover a range of credible downside scenarios, including the potential future impacts of the pandemic and the conclusions remained unchanged. "Reverse stress tests", where scenarios were run to determine the full extent of the Group's resilience to downside risks, did not challenge the Group's conclusions under any plausible scenario. Performance subsequent to the year-end suggests the forecasts remain appropriate. Having made enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on page 26.

In accordance with Section 416(1)(a) of the Companies Act 2006, the Directors who served during the year are as follows:

Executive Directors	Non-Executive Directors
Tony Steels[1]	Andrew Kitchingman
Will Wilkins	Sara Fowler
Adam Holland[2]	Douglas Robertson
	Matthew Taylor

1 Resigned on 17 May 2023.
2 Was appointed COO effective 1 November 2022 and subsequently appointed CEO effective 17 May 2023.

The Company's approach to the appointment and replacement of Directors is governed by its Articles of Association (together with relevant legislation) and takes into consideration any recommendations of the QCA Code.

Subject to any restrictions in its Articles of Association and the Companies Act 2006, the Directors may exercise any powers which are not reserved for exercise by the shareholders.

The Company maintained Directors' and Officers' Liability Insurance cover throughout 2023. The Articles of Association of the Company permit it to indemnify the Company's officers, and officers of any associated company, against liabilities arising from conducting Company business, to the extent permitted by law. The Company's Articles of Association, together with the Directors' Service Contracts, will be available for inspection at the AGM.

Directors and Directors' interests

Directors' interests in the Company's shares as at 31 December 2023 are shown on page 37. There are no shareholding requirements for Directors.

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Substantial shareholdings

At 31 December 2023, the Company had been notified, or is aware of, the following interests in the issued ordinary share capital of the Company:

	Number of ordinary shares	% of issued ordinary shares
Schroder Investment Management Limited	3,455,000	16.87%
Mr G V L Oury	1,095,000	5.35%

Results and dividends

The Group's profit for the year was £2.7m (31 December 2022: £0.4m loss). The Board has decided to not pay a final dividend. An interim dividend was not paid during 2023 (2022: none).

Dividends on the 6% preference shares are due for payment on 30 June and 31 December in each year and in 2023 amounted to £0.1m (2022: £0.1m).

Research and development

Group policy is to retain and enhance its market position through the design and development of specialist machinery and services. To achieve this objective, engineering and product development facilities are maintained in the UK and overseas. Research and development expenditure for the Group incurred in 2023, net of third-party income, amounted to £2.1m (2022: £1.7m), of which £1.2m (2022: £0.5m) was charged to the consolidated income statement and £0.9m (2022: £1.2m) was capitalised and included in development costs.

Share capital

At 31 December 2023, the Company's issued share capital was £5,118,606 divided into 20,474,424 ordinary shares of £0.25 each plus 900,000 preference shares of £1.00 each. Details of movements in issued share capital in the year are set out in note 86 to the financial statements. Authority for the purchase of up to 2,047,422 ordinary shares for cancellation was granted at the 2023 Annual General Meeting and this authority expires at the end of the 2024 AGM. While this authority was not used during the year, the Directors consider it appropriate to seek further authority from the shareholders at the forthcoming Annual General Meeting for the Company to purchase its own shares.

Resolution 14 which will be proposed as a special resolution, will seek the necessary authority to enable the Company to purchase for cancellation ordinary shares in the market for a period of up to 12 months from the date of the meeting, upon the terms set out in the resolution, up to a maximum number of 2,047,442 ordinary shares representing approximately 10% of the issued ordinary share capital at the date of the notice convening the Annual General Meeting.

EES Trustees International Limited is the trustee for the Company's long-term incentive arrangements for the benefit of the Group's employees. As at 31 December 2023, it did not hold any shares. However, when the Trustee does hold shares, it has agreed to waive all dividends and not to exercise voting rights in respect of those shares.

Disclosure of information to the auditor

In accordance with section 418(2) of CA2006, as far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information to establish that the Group's auditors are aware of that information.

Auditor

PKF Littlejohn LLP was appointed as statutory auditor on 17 May 2023 and a resolution to approve their re-appointment will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will take place on 15 May 2024. Notice of the meeting can be found on pages 103 to 107.

Political donations

The Company made no political donations during the year 31 December 2023.

Financial instruments

The financial risk management objectives of the Group, including details of the exposure of the Company and its subsidiaries to financial risks including credit risk, interest rate risk and currency risk, are provided in note 26 to the accounts on pages 89 to 96.

Sustainability policy

The Group is committed not only to compliance with environmental legislation but also to the progressive introduction of appropriate measures to limit the adverse effects of its operations upon the environment. In particular, efforts are made to minimise waste arising from operations, to recycle materials wherever possible and to consider alternative methods of design or operation.

The Group aims both to reduce its costs by these means and to promote good practice in the use of resources at sustainable levels.

Directors' report continued

Annual quantity of emissions

In accordance with the Companies Act 2006, Mpac Group plc is committed to reporting emissions for the Group on an annual basis as set out in the following tables. Emissions are measured as tonnes of CO_2 equivalent from the Group's metered purchases of electricity and fuel consumed in the activities of the Group for which it is responsible; an intensity ratio has also been included. Additionally, a measure of the CO_2 emitted by travel in the Group has been included, representing the emissions from Group-operated vehicles and from business-related flights taken by the Group's employees. The methodologies used for the calculation of the emissions are as follows. The emissions in relation to electricity and gas have been calculated by the multiplication of the metered usage by the emissions level provided by the supplier, or, where this is not available, by publicly available equivalents. In the case of transport, emissions are calculated based on the distances travelled multiplied by known emissions levels of the vehicles or, where this is not available, from equivalent publicly available data.

Globally

	MWH	KWH intensity (per employee)[a]	CO_2 (tonnes)	CO_2 intensity (kg per employee)[a]
Purchased electricity	1,314	2,671	528	1,074
Combustion of fuel	2,878	5,850	540	1,097
Travel			1,654	3,361

UK only

	MWH	KWH intensity (per employee)[a]	CO_2 (tonnes)	CO_2 intensity (kg per employee)[a]
Purchased electricity	293	1,776	108	653
Combustion of fuel	785	4,597	154	932
Travel			798	4,837

2022 comparative

Globally

	MWH	KWH intensity (per employee)[a]	CO_2 (tonnes)	CO_2 intensity (kg per employee)[a]
Purchased electricity	1,381	2,981	620	1,339
Combustion of fuel	3,447	7,444	645	1,392
Travel			1,220	2,634

UK only

	MWH	KWH intensity (per employee)[a]	CO_2 (tonnes)	CO_2 intensity (kg per employee)[a]
Purchased electricity	421	2,665	155	981
Combustion of fuel	761	4,816	158	976
Travel			315	1,996

a Calculated using average number of employees in the year.

Carbon Emissions have been calculated using different parameters for 2023, these updated parameters have been retrospectively applied to 2022, which has driven a difference to the prior year disclosures.

Energy efficiency

The Group continues to focus on reducing energy consumption and carbon emissions and reviews have been undertaken and recommendations implemented. Reviews of new and evolving technologies form an integral part of a continuous operational review programme.

Travel

The installation and commissioning of the FREYR Customer Qualification Plant required extensive travel to their site in Mo i Rana, Norway, which offset the reduction in emissions from the Group's travel reduction initiatives.

Employee and other stakeholder engagement

Details of the Group's arrangements for engaging with employees, suppliers and customers are required to be disclosed in this Directors' report and are set out under the s.172 statement on page 22. Such information is incorporated into this Directors report by reference and is deemed to form part of this report.

Prism Cosec Limited
Company Secretary

18 March 2024

Statement of Directors' responsibilities

in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group 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. They are also 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 responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 parent 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 parent Company's auditors are aware of that information.

This Responsibility statement was approved by the Board on 19 March 2024 and is signed on its behalf by:

Adam Holland
Chief Executive

Will Wilkins
Group Finance Director

18 March 2024

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Financial statements

Independent Auditor's report

to the members of Mpac Group plc

Opinion

We have audited the financial statements of Mpac Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Income statement, the Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining the group cash flow forecast for the period ended 31 December 2025 and ensuring mathematical accuracy of these forecasts;
- assessing the reasonableness of the underlying assumptions, including forecast levels of expenditure and contractual cash inflows used in preparing the forecasts. To assess the reasonableness and timings of the cash inflows and outflows, we used our knowledge of the business and compared the forecasts to the directors' previously approved budgets, historic performance and information subsequent to the year end including board minutes and management accounts;
- verifying cash balances used in the forecast close to the date of sign off of these financial statements;
- reviewing management's sensitivity analysis and performing our own sensitivities to understand the key drivers of the forecasts. Where necessary, we have evaluated potential mitigating factors that could be actioned by management in the sensitised scenarios;
- assessing the appropriateness of the going concern disclosures included in the financial statements against the requirements of the relevant auditing standards; and
- Recalculated covenants during the going concern period to ensure ongoing compliance.

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 or parent 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.

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

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. We determined materiality for the financial statements to be:

Entity	Materiality £'000	Performance materiality at 70% (2022: 60%) £'000	Triviality threshold (5%) £'000
Group	1,100 (2022: 950)	770 (2022: 570)	55 (2022: 47)
Parent company	640 (2022: 625)	448 (2022: 375)	32 (2022: 31)

The benchmark for group materiality was selected as 1% of revenue in the year. Revenue was deemed to be the most appropriate metric for group materiality as revenue growth is a key performance indicator.

The benchmark selected for the parent company materiality was 1% of the net asset value, as the parent company is not revenue generating, and the significant balances in the financial statements are the investments in, and amounts advanced, to the trading subsidiaries.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures. We have increased the performance materiality from 60% to 70% of overall materiality for both the group and parent company as this is our second year as auditors and we did not identify any material errors or adjustments in the prior period.

While materiality for the group financial statements as a whole was set at £1,100,000, each significant component of the group was audited to an overall materiality ranging between £940,000 and £536,000, with performance materiality set at 70%. We applied the concept of materiality in planning and performing our audit and in evaluating the effects of misstatement.

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Independent Auditor's report continued

Our approach to the audit
Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, and areas subject to significant management judgement as well as greatest complexity, risk and size.

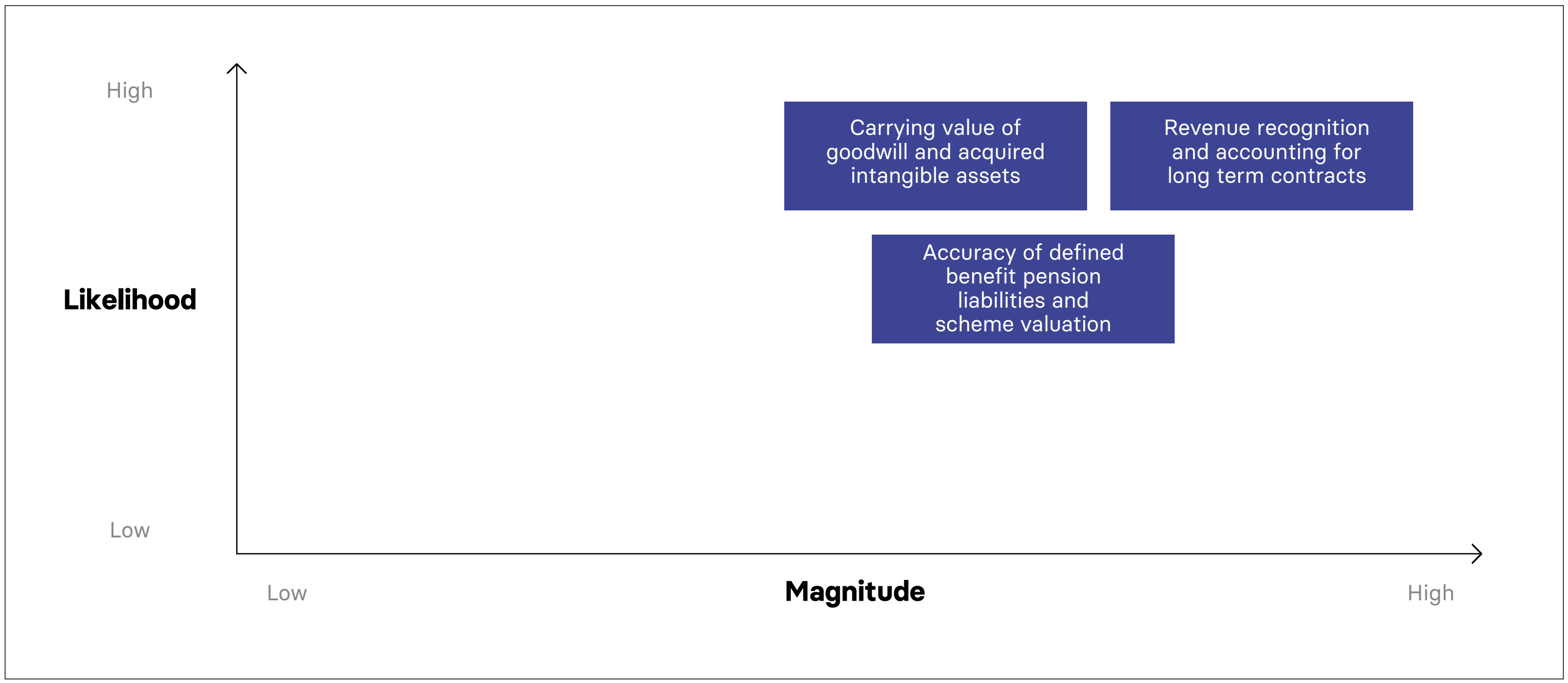
As part of designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. These areas of estimation and judgement included:

- Revenue recognition over time on long term contracts;
- Carrying value and impairment assessment of intangible assets, including goodwill and acquired intangibles;
- Carrying value of the investments and amounts advanced to the subsidiaries (at the parent company level)
- Pension asset/liability calculation and assumptions used thereon; and
- Recognition of deferred tax assets based on unutilised losses within the group.

We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

A full scope audit was completed on the financial information of all of the group's significant operating subsidiaries by PKF Littlejohn LLP and no component auditors were engaged. The key audit matters and how these were addressed are outlined below.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How our scope addressed the matter
Revenue recognition and accounting for long term contracts (Note 1 and Note 18) The group generates significant revenue through entering into contracts with customers to design, engineer and manufacture machinery and packaging solutions. The majority of revenue is recognised over time. The group adopts an inputs based method for recognising contract revenue by estimating total labour hours at the outset of a contract. Revenue is then recognised over the life of the contract based on total labour hours incurred as a percentage of total expected hours. In applying this method, management judgement and estimation is required, and there is a risk that revenue is not being recognised in accordance with IFRS 15 Revenue from Contracts with Customers. This includes the risk that contract assets and liabilities, and contract fulfilment assets, at the year end are not accurate or complete. As a result, this has been identified as a key audit matter.	Our audit work in this area included the following: › Updating our understanding of the information systems and related controls relevant to each material income stream; › Evaluating the appropriateness of the information system used to record labour hours and performing testing on the effectiveness of the key controls within the system; › Performing analytical review over the total labour hours recorded at each significant component; › Evaluating management's revenue recognition policy in line with IFRS 15, specifically ensuring that performance obligations are met prior to revenue being recognised and that revenue over time, as well as revenue at a point in time, is recognised in line with the group's accounting policy as well as IFRS 15; › Challenging management's assumptions used in forecasting contract margin/profitability as well as percentage of completion by reference to post year end performance and historic evidence for a sample of revenue contracts open at year end; › Testing a sample of closed contracts and assessing management's historic forecasting accuracy on a contract by contract basis by reviewing expected labour hours and margins at contract inception to actual margins at completion; › Substantive testing of contract labour hours included in the revenue recognition calculation, agreeing amounts to timesheets and other supporting information to test the revenue and profit recognised. › Reviewing contract margins for indicators of any potential loss making contracts and discussing with management whether these are onerous contracts per IAS 37. › Recalculating a sample of year-end adjustments to contract revenue as well as the associated contract assets and contract liabilities recognised to ensure correctly calculated and recognised in accordance with the stated accounting policies; and › Testing the recoverability of contract assets at year end with reference to post year end contract performance.

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Independent Auditor's report continued

Key audit matter	How our scope addressed the matter
Carrying value of goodwill and acquired intangible assets (Note 12) The group holds significant goodwill and acquired intangible assets arising from historic acquisitions. When carrying out the goodwill and acquired intangible impairment review, determining the recoverable amount for the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or group of assets (cash-generating unit ("CGU")) requires management to make judgements over several key inputs in the models for predicting future revenue/future cash flow levels (discounted cash flow models). Due to the high level of estimation uncertainty present in the impairment test and the sensitivity of small changes to the assumptions on the net present value of the assets in management's model, we identified the valuation of acquired intangibles and goodwill as a key audit matter.	Our audit work in this area included the following: › Obtaining management's impairment papers and value in use calculations along with related workings to support the value in use of each CGU; › Testing the mathematical accuracy of the value in use calculations, as well as challenging key assumptions used in the preparation of the discounted cash-flow model, including the discount rate, growth rate of expected revenue (based on orderbook) and operating profit margins; › Reviewing management's identification of each CGU to ensure that it is consistent with the associated intangible asset and whether the discount rates are reasonable for each CGU; › Assessing the accuracy of historic forecasts to actual results to evaluate management's ability to forecast the CGU's future cashflows; › Considering the reasonableness of cash flows included in the calculation through comparison with current year performance and historic trends. We also confirmed the consistency of the model with that being used to assess going concern; › Performing a sensitivity analysis on key assumptions to determine potential impact on value in use in the event of an adverse movement in assumptions; and › Reviewing the disclosures in the financial statements in relation to the intangible assets and associated estimates. As outlined in Note 12, management have implemented a revised business plan in one of the CGU where the current headroom over carrying value is sensitive to reasonably possible changes in key assumptions which would result in a recoverable amount below carrying amount.

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Key audit matter	How our scope addressed the matter
Accuracy of defined benefit pension liabilities and scheme valuation (Note 24) The group operates defined benefit pension schemes in the UK and US that provide benefits to a number of current and former employees. At 31 December 2023 the group's net defined benefit asset was £30.4m on an IAS 19 basis (2022: £29.4m). The total fair value of scheme assets and present value of defined benefit obligations which form the net defined benefit asset amounted to £316.7m (2022: £319.3m) and £286.3m (2022: £289.9m), respectively. IAS 19 Employee Benefits describes the recognition and measurement of defined benefit pension schemes. The valuation of these schemes at year end involve complex judgements and assumptions. Variations in these key assumptions such as discount rates or mortality rates have the ability to significantly influence the net asset/liability position of these schemes, and as such the scheme valuation is considered as a key audit matter.	Our audit work in this area included the following: › Updating our understanding of the processes surrounding the valuation of pension scheme assets and defined benefit obligations; › Obtaining the actuarial report prepared by management's expert and assessed the scope of their work, competence and independence; › Using an auditors actuarial expert to inform our challenge of the assumptions used, including discount rates, growth rates, mortality rates and the calculation methods employed in the calculation of the pension liability; › Reconciling the pension balances disclosed within the financial statements to management's actuarial report; › Reviewing funding agreements between the pension trustees and the group, including the latest triennial review performed in June 2021 and corroborated deficit reduction payments with the fund administrator; › Testing a sample of the pension scheme assets to underlying documentation to confirm ownership and valuation at the reporting date; › Reviewing disclosures relating to pension assets & liabilities to ensure that they are in line with IAS 19 'Employee Benefits'.

Independent Auditor's report continued

Other information
The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group and parent company financial statements, the directors are responsible for assessing the group and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, and our expertise of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, UK-adopted international accounting standards, the AIM Rules for Companies, as well as local laws and regulations in the jurisdiction in which the group and parent company operate.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - conducting enquiries of management and those charged with governance regarding potential instances of non-compliance;
  - Discussing with external legal counsel regarding any material litigation or claims;
  - reviewing RNS announcements;
  - reviewing legal and professional fees ledger accounts for evidence of any litigation or claims against the group;
  - discussing with local management with regards to the good standing of the subsidiaries; and
  - reviewing board minutes and other correspondence from management.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key management judgements could include management bias was identified in relation to:
- the recognition of revenue and contract assets/liabilities in relation to the long-term contracts with customers;
- the carrying value of the intangible assets (goodwill and acquired intangible as well as internally generated intangibles); and
- the valuation of the pension assets/liabilities.

We addressed these as outlined in the Key audit matters section above. The potential for management bias also existed in the recognition of deferred tax assets, valuation of the hedging arrangements and carrying value in the parent company's investments in subsidiaries in the year. Audit procedures were performed in this regard to recalculate the balances with reference to the underlying agreements or assess the carrying value of investments with reference to the value in use calculations used for the going concern and intangible asset impairment assessment.

- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- Compliance with laws and regulations at the subsidiary level was ensured through enquiry of management, communication with local specialists and review of correspondence for any instances of non-compliance.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Ling
(Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

18 March 2024

Consolidated income statement

for the year ended 31 December 2023

	Note	2023 Underlying £m	2023 Non-underlying £m	2023 Total £m	2022 Underlying £m	2022 Non-underlying £m	2022 Total £m
Revenue	1	114.2	–	114.2	97.7	–	97.7
Cost of sales		(82.6)	–	(82.6)	(73.3)	–	(73.3)
Gross profit		31.6	–	31.6	24.4	–	24.4
Distribution expenses		(8.8)	–	(8.8)	(8.1)	–	(8.1)
Administrative expenses	4,5	(14.6)	(3.9)	(18.5)	(11.9)	(3.9)	(15.8)
Other operating expenses	3	(0.4)	–	(0.4)	(0.5)	–	(0.5)
Operating profit/(loss)	1,4	7.8	(3.9)	3.9	3.9	(3.9)	–
Financial income	8	–	1.5	1.5	–	0.6	0.6
Financial expenses	8	(0.7)	–	(0.7)	(0.4)	–	(0.4)
Net financing income/(expense)		(0.7)	1.5	0.8	(0.4)	0.6	0.2
Profit/(loss) before tax		7.1	(2.4)	4.7	3.5	(3.3)	0.2
Taxation	9	(1.8)	(0.2)	(2.0)	(0.8)	0.2	(0.6)
Profit/(loss) for the period		5.3	(2.6)	2.7	2.7	(3.1)	(0.4)
(Loss)/earnings per ordinary share							
Basic	11			13.1p			(2.2)p
Diluted	11			13.1p			(2.2)p

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Statement of comprehensive income

for the year ended 31 December 2023

	Note	Group 2023 £m	Group 2022 £m
Profit/(loss) for the period		2.7	(0.4)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial losses	24	(1.7)	(5.0)
Tax on items that will not be reclassified to profit or loss	9	–	1.3
		(1.7)	(3.7)
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments		(0.9)	2.1
Effective portion of changes in fair value of cash flow hedges	26	0.4	(1.3)
Reclassified to income statement from hedge reserve	26	1.3	–
		0.8	0.8
Other comprehensive (expense)/income for the period		(0.9)	(2.9)
Total comprehensive income/(expense) for the period		1.8	(3.3)

Statements of changes in equity

for the year ended 31 December 2023

	Note	Group						
		Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022		5.0	26.0	0.3	3.9	(0.5)	30.7	65.4
Profit for the period		–	–	–	–	–	(0.4)	(0.4)
Other comprehensive (expense)/ income for the period		–	–	2.1	–	(1.3)	(3.7)	(2.9)
Total comprehensive (expense)/ income for the period		–	–	2.1	–	(1.3)	(4.1)	(3.3)
Equity-settled share-based transactions	24	–	–	–	–	–	0.1	0.1
Purchase of own shares		0.1	–	–	–	–	(0.1)	–
Total transactions with owners, recorded directly in equity		0.1	–	–	–	–	–	0.1
Balance at 31 December 2022		5.1	26.0	2.4	3.9	(1.8)	26.6	62.2
Profit for the period		–	–	–	–	–	2.7	2.7
Other comprehensive (expense)/ income for the period		–	–	(0.9)	–	1.7	(1.7)	(0.9)
Total comprehensive (expense)/ income for the period		–	–	(0.9)	–	1.7	1.0	1.8
Equity-settled share-based transactions	24	–	–	–	–	–	–	–
Purchase of own shares	25	–	–	–	–	–	–	–
Total transactions with owners, recorded directly in equity		–	–	–	–	–	–	–
Balance at 31 December 2023		5.1	26.0	1.5	3.9	(0.1)	27.6	64.0

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	Note	Company						
		Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022		5.0	26.0	–	3.9	–	34.5	69.4
Profit for the period		–	–	–	–	–	0.6	0.6
Other comprehensive (expense)/ income for the period		–	–	–	–	–	(3.3)	(3.3)
Total comprehensive (expense)/ income for the period		–	–	–	–	–	(2.7)	(2.7)
Equity-settled share-based transactions	24	–	–	–	–	–	0.1	0.1
Purchase of own shares		0.1	–	–	–	–	(0.1)	–
Total transactions with owners, recorded directly in equity		0.1	–	–	–	–	–	0.1
Balance at 31 December 2022		5.1	26.0	–	3.9	–	31.8	66.8
Profit for the period		–	–	–	–	–	2.1	2.1
Other comprehensive (expense)/ income for the period		–	–	–	–	–	(2.3)	(2.3)
Total comprehensive (expense)/ income for the period		–	–	–	–	–	(0.2)	(0.2)
Equity-settled share-based transactions	24	–	–	–	–	–	–	–
Purchase of own shares	25	–	–	–	–	–	–	–
Total transactions with owners, recorded directly in equity		–	–	–	–	–	–	–
Balance at 31 December 2023		5.1	26.0	–	3.9	–	31.6	66.6

Statements of financial position

as at 31 December 2023

	Note	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Non-current assets					
Intangible assets	12	24.0	25.4	0.9	1.1
Property, plant and equipment	13	4.1	4.0	0.3	0.1
Investment property	14	0.8	0.8	0.8	0.8
Right-of-use assets	27	5.9	5.0	0.2	–
Investments	15	–	–	63.8	63.8
Amounts owed by group undertakings	15	–	–	22.3	25.6
Employee benefits	24	32.2	31.5	32.2	31.5
Deferred tax assets	16	0.9	1.3	–	–
		67.9	68.0	120.5	122.9
Current assets					
Inventories	17	11.1	9.6	–	–
Trade and other receivables	19	46.8	47.3	11.7	8.0
Current tax assets	10	1.1	0.6	–	–
Cash and cash equivalents	21	11.0	4.2	0.4	(0.3)
		70.0	61.7	12.1	7.7
Current liabilities					
Lease liabilities	27	(1.3)	(1.4)	–	–
Interest-bearing loans and borrowings	20	(8.0)	(8.0)	(8.0)	(8.0)
Trade and other payables	22	(43.8)	(39.0)	(45.5)	(43.9)
Current tax liabilities	10	(0.9)	(0.1)	–	–
Provisions	23	(0.9)	(1.0)	–	–
		(54.9)	(49.5)	(53.5)	(51.9)
Net current assets/(liabilities)		15.1	12.2	(41.4)	(44.2)
Total assets less current liabilities		83.0	80.2	79.1	78.7
Non-current liabilities					
Interest-bearing loans and borrowings	20	(0.9)	(0.9)	(0.9)	(0.9)
Employee benefits	24	(1.8)	(2.1)	–	–
Deferred tax liabilities	16	(11.4)	(11.1)	(11.3)	(11.0)
Lease liabilities	27	(4.9)	(3.9)	(0.3)	–
		(19.0)	(18.0)	(12.5)	(11.9)
Net assets	1	64.0	62.2	66.6	66.8
Equity					
Issued capital	25	5.1	5.1	5.1	5.1
Share premium		26.0	26.0	26.0	26.0
Reserves		3.8	2.1	3.9	3.9
Retained earnings		29.1	29.0	31.6	31.8
Total equity		64.0	62.2	66.6	66.8

The parent company has taken the exemption conferred by s.408 of the Companies Act 2006 not to publish the income statement of the parent company with these consolidated accounts. The parent company profit for the year was £2.1m (2022: £0.6m profit). These financial statements were approved by the Directors on 18 March 2024 and signed on their behalf by:

Adam Holland
Director

Will Wilkins
Director

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Statements of cash flow

for the year ended 31 December 2023

	Note	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Operating activities					
Operating profit/(loss)		3.9	–	–	(0.3)
Non-underlying items included in operating profit	5	3.9	3.9	1.7	1.4
Amortisation of internally developed intangible assets	12	0.8	0.9	0.4	0.3
Depreciation	13,27	2.1	2.0	0.1	0.1
Profit on sale of property, plant and equipment	13	–	–	–	–
Other non-cash items		–	0.2	–	0.1
Pension payments	24	(2.3)	(2.1)	(2.1)	(2.0)
Working capital movements:					
– increase in inventories		(1.7)	(3.7)	–	–
– decrease/(increase) in contract assets		1.7	(5.9)	–	–
– (increase)/decrease in trade and other receivables		(0.3)	(6.3)	3.9	(2.7)
– increase in trade and other payables		1.8	1.7	(1.4)	0.9
– (decrease)/increase in provisions		(0.1)	0.5	–	–
– increase/(decrease) in contract liabilities		3.3	(4.0)	–	–
Cash flows from continuing operations before reorganisation		13.1	(12.8)	2.6	(2.2)
Acquisition and reorganisation costs paid		(0.8)	(0.8)	(0.4)	(0.3)
Cash flows from operations		12.3	(13.6)	2.2	(2.5)
Taxation paid		(1.1)	(0.4)	–	–
Cash flows from/(used in) operating activities		11.2	(14.0)	2.2	(2.5)
Investing activities					
Capitalised development expenditure	12	(1.5)	(1.4)	(0.2)	–
Acquisition of property, plant and equipment	13	(1.1)	(1.0)	(0.3)	–
Loans with subsidiaries		–	–	(0.2)	(10.6)
Payment of deferred consideration		–	(0.8)	–	–
Cash flows used in investing activities		(2.6)	(3.2)	(0.7)	(10.6)
Financing activities					
Interest paid		(0.7)	(0.3)	(0.6)	(0.3)
Proceeds from borrowings		–	8.0	–	8.0
Principal elements of lease payments		(1.1)	(1.1)	–	–
Cash flows used in financing activities		(1.8)	6.6	(0.6)	7.7
Net increase/(decrease) in cash and cash equivalents	21	6.8	(10.6)	0.9	(5.4)
Cash and cash equivalents at 1 January		4.2	14.5	(0.3)	4.0
Effect of exchange rate fluctuations on cash held		–	0.3	(0.2)	1.1
Cash and cash equivalents at 31 December		11.0	4.2	0.4	(0.3)

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Cash and cash equivalents as at 31 December comprise:				
Cash at bank and in hand	11.0	4.5	0.4	–
Bank overdrafts	–	(0.3)	–	(0.3)
	11.0	4.2	0.4	(0.3)

Accounting policies

The significant accounting policies as set out below apply to both the Group and Company financial statements, as appropriate.

Basis of accounting
Mpac Group plc (the "Company") is a company incorporated and domiciled in the UK. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group).

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except that derivative financial instruments, principally forward foreign exchange contracts, are stated at fair value and non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with international accounting standards requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from these estimates. Revisions to these estimates are made in the period in which they are recognised.

The accounting policies, presentation and methods of computation applied by the Group and Company in these financial statements are in the main consistent with those applied in the 2022 financial statements. No new accounting standards have been adopted in the year. A number of amendments to accounting standards became effective during the period, but did not have a material impact on the Group's accounting policies.

IFRS 16 Leases
The Group leases various factories, equipment and cars. Rental contracts are typically made for fixed periods of three to five years for equipment and 10-20 years for properties. These may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. An assessment of how likely it is for the option to extend the lease to be exercised is performed and if it is determined that the lessee is reasonably certain to exercise the option then the term covered by the option is included in the lease term.

Leases are recognised as a right-of-use asset and a corresponding liability at the lease commencement date. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

IFRS 16 requires the capital element of the leases to be disclosed as a financing cost, with the amortisation of the assets being treated as a non-cash item.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (where they exist within a lease):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost, comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of workshop equipment, office furniture and machines.

Derivative financial instruments
The Group's derivative financial instruments are measured at fair value and are summarised below.

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast trade receivables in currencies other than the functional currency of the operating entity.

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting year end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

The critical terms of the foreign currency forwards entered into exactly match the terms of the hedged item.

Hedge ineffectiveness may arise if the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example, if there was a change in the timing of the forecast transactions from what was initially estimated.

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The hedged items and the hedging instrument are denominated in the same currency and, as a result, the hedging ratio is always one to one. All forward exchange contracts had been designated as hedging instruments in cash flow hedges under IFRS 9.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in the income statement.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to the income statement. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Non-underlying items and alternative performance measures
Non-underlying items are income and expenditure that, because of the nature of the item, merit separate presentation in the income statement to allow a better understanding of the Group's financial performance by facilitating comparisons with prior periods and assessments of trends in financial performance.

Non-underlying items may include, but are not limited to, the impact on the income statement of the Group's defined benefit pension schemes including administration charges and pension interest, acquisition or disposal costs and the amortisation of acquired intangible assets, significant reorganisation costs, profits or losses arising on discontinued operations, significant impairments of tangible or intangible assets and related taxation. The Group elects to include costs relating to the defined benefit pension scheme in non-underlying as there is only one active employee of the Group in the scheme, so the costs would be immaterial to the Group should the scheme not exist.

Accordingly, the Group uses alternative performance measures ("APMs"), in addition to those reported under IFRS, as management believe these measures enable the users of these financial statements to better assess the underlying trading performance of the Group. The APMs used include underlying operating profit, underlying profit before tax and underlying earnings per share.

A full breakdown of non-underlying items is provided in note 5 to the financial statements, and a reconciliation of underlying profit back to the closest IFRS measure is provided as part of note 11, which also includes a reconciliation of underlying EPS back to its closest IFRS measure.

Recent accounting developments
At the date of this report, there were no new standards in issue which were relevant to the Group and Company.

Going concern
The Group's activities together with the factors likely to affect its future development, performance and position are described within the Operating review on pages 10 to 13, Financial review on pages 14 to 16 and in the Principal risks and uncertainties on pages 17 to 21.

The Directors have considered the trading outlook of the Group and Company for a 24 month period ending 31 December 2025, its financial position, including its cash resources and access to borrowings, as set out in the Financial review on pages 14 to 16 and in note 20 to the accounts on page 81, and its continuing obligations, including to its defined benefit pension schemes, details of which are set out in note 24 to the accounts on pages 83 to 87. Having made due enquiries, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation
The Group financial statements comprise the consolidated results of the Company and all of its subsidiary companies together with the Group's share of the results of its associated companies on an equity accounting basis. A separate income statement dealing only with the results of the Company has not been presented in accordance with section 408 of the Companies Act 2006.

A subsidiary is a company controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the subsidiary company so as to obtain benefits from its activities. A subsidiary's results are included in the Group financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Accounting policies continued

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the statement of financial position date.

The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations, and of related qualifying hedges, are taken directly to the translation reserve. They are released into the income statement upon disposal.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary or associated undertaking at the date of acquisition.

Goodwill is recognised as an asset and is not amortised but is reviewed for impairment at least annually on the basis of its value in use. Any impairment is recognised immediately through the income statement and is not subsequently reversed. Impairment losses recognised are allocated first to reduce the carrying value of the goodwill the business relates to, and then to reduce the carrying value of the other assets of that business on a pro-rata basis.

Annual impairment reviews of goodwill are undertaken and are determined from value in use calculations for each cash generating unit ("CGU") using cash flow projections based on the latest three-year plan approved by the Board. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period and are consistent with external sources of information and the Board's view of long-term growth. Cash flows beyond the period of the projections are extrapolated at growth rates that do not exceed the long-term average growth rate for the relevant countries. The discount rate applied to the cash flow forecasts for each CGU is based on a market participant's pre-tax weighted average cost of capital of between 11.8% to 17.9%, dependent on the CGU being assessed (2022: 12.7% to 13.9%).

On disposal of a subsidiary or associated undertaking, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Research and development

Research and development and related product development costs are charged to the income statement in the year in which they are incurred unless they are specifically chargeable to and recoverable from customers under agreed contract terms or the expenditure meets the criteria for capitalisation.

Where the expenditure relates to the development of a new product for which the technical feasibility and commercial viability of the product is identified, where development costs can be measured reliably and where future economic benefits are probable, development costs are capitalised and amortised over their useful economic lives, up to a maximum of ten years. The expenditure capitalised includes costs of materials, direct labour and an appropriate proportion of overheads. Such intangible assets are assessed for indicators of impairment at least annually and any impairment is charged to the income statement.

Other intangible assets

Other intangible assets are valued at cost less accumulated amortisation and impairment charges and amortised on a straight-line basis over their estimated useful economic life which is set on an item by item basis. All intangible assets are tested for indicators of impairment at least annually and any impairment is charged to the income statement.

The estimated useful economic lives of the Group's intangible assets are as follows:

Acquired intangible assets	– 8 to 10 years
Product development	– 3 to 10 years
Software development	– 5 years

Property, plant and equipment
Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any provision for impairment in value.

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over its estimated useful life.

The annual depreciation rates used are as follows:

Freehold land	– nil
Freehold buildings	– 3% on cost or deemed cost
Leasehold property	– over life of lease
Plant and machinery	– 8% to 25%
Fixtures, fittings and vehicles	– 10% to 33%

The carrying value of property, plant and equipment is reviewed at least annually for indicators of impairment. Any change in value arising from impairment is charged or credited (up to the carrying value prior to any previous impairment) to the income statement for the year.

The useful lives and residual value of the Group's fixed assets are reviewed at least annually.

Certain items of property that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

Investment property
Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost. Depreciation is based on cost less residual value over its estimated useful life. Where the expected residual value exceeds cost no depreciation is provided. Investment property is valued annually for monitoring purposes only.

Investments
Investments in subsidiary undertakings are held at cost less provision for any impairment in value. The carrying value of investments in subsidiary undertakings are reviewed at least annually for indicators of impairment.

Revenue and contracts
Revenue
Revenue represents income derived from contracts for the provision of goods and services by the Group and its subsidiary undertakings to customers in exchange for consideration in the ordinary course of the Group’s activities.

Revenue is recognised in the Consolidated Income Statement when the performance obligations in the contract with the customer are met.

Performance obligations
A proportion of the Group’s contracts recognised over time comprise a variety of promises within the contracts, including, but not limited to, design and engineering, procurement, machinery testing, delivery, installation and commissioning and after sales services.

Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are ‘distinct’. A promised good or service is ‘distinct’ if both:

- the customer benefits from the item either on its own or together with other readily available resources; and
- it is separately identifiable (i.e. the Group does not provide a significant service integrating, modifying or customising it).

It is the Group’s judgement that the vast majority of promises included within contracts to customers are not distinct because a customer cannot benefit from certain promises being fulfilled without others; therefore, promises are bundled into set performance obligations. For the majority of contracts, design, procurement, engineering and manufacture are considered to be one performance obligation, installation and commissioning are considered to be one performance obligation and after sales contracts are generally negotiated and entered into at a later date and considered to be a separable performance obligation.

Where contracts include more than one performance obligation, the transaction price is allocated on a relative stand-alone selling price basis. The stand-alone selling price is normally determined based on the observable price of a good or service when the Group sells that good or service separately in similar circumstances and to similar customers. If an observable price is not available, the stand-alone selling price is determined based on an expected cost plus margin approach.

Transaction price
At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract.

The transaction price is calculated after taking into account variable consideration. Variable consideration includes, but is not limited to rebates and penalties.

In determining the transaction price, variable consideration linked to potential penalties or rebates arising under the terms of a contract is included only to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is estimated using the “most likely amount” method.

Product warranties are included as part of the standard terms and conditions of the majority of contracts; however, are not sold separately and; therefore, do not constitute a separate performance obligation. Product warranty provisions are accounted for based on historical data and a weighting of all possible outcomes against their associated possibilities.

Accounting policies continued

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

With the exception of the supply of spare parts, installation services and certain other service-based contracts, all of Mpac's contracts are accounted for over time. Supply of spare parts and installation services are recognised once the supply or service is complete. Those recognised over time satisfy the third criteria, above.

For each performance obligation to be recognised over time, the Group recognises revenue using an input method, based on labour hours incurred in the period. Labour hours have been selected as the most faithful depiction of progress (and hence the transfer of goods and services) as this most accurately reflects how Mpac provides value to the customer. Mpac delivers innovative, efficient, and technically robust solutions, with the time allocated to projects of Mpac engineers and technicians being the main driver to bring projects to fruition. Material costs incurred are not considered to be proportionate to the Group's progress in satisfying progress on contracts for which revenue is recognised over time and therefore revenue in respect of materials is recognised at an amount equal to the cost of goods used to satisfy the performance obligation. Material costs are recognised on contracts as incurred.

Revenue and attributable margin are calculated by reference to reliable estimates of the total labour hours and labour hours to be incurred, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as labour hours are incurred, and as risks have been mitigated or retired. The Group has determined that this method faithfully depicts the Group's performance in transferring control of the goods and services to the customer.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

Contract modifications

The Group's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively as an additional, separate contract;
2. prospectively as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Group's contract modifications are treated under 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IFRS 15.95 and are recognised as contract fulfilment assets providing they:

- are not within the scope of other standards;
- relate directly to a contract (or an anticipated contract);
- generate or enhance resources that will be used in satisfying performance obligations in the future; and
- are expected to be recovered from the customer.

Contract fulfilment assets are expensed at the point the corresponding revenue is recognised.

Where assets have been recognised in respect of costs to fulfil a contract, these are tested for impairment under IFRS 15.

Contract assets

A contract asset is a right to consideration conditional on something other than the passage of time. Contract assets are tested for impairment under IFRS 9.

Contract liabilities

The contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Inventories
Inventories includes raw materials, work in progress and finished goods recognised in accordance with IAS 2 in respect of contracts with customers which have been determined to fulfil the criteria for point in time revenue recognition under IFRS 15. Inventories are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term fixed deposits, and for the statements of cash flows they also include bank overdrafts. Short-term deposits all have a maturity of less than 3 months from the date of acquisition.

Share capital
When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Preference share capital is classified as a liability as dividend payments are not discretionary.

Dividends on the preference shares are disclosed as interest charges, are recognised as a liability and are accounted for on an accruals basis. Dividends on ordinary shares are only recognised in the period in which they are paid.

Financial instruments
IFRS 9 *Financial instruments* requires the classification of financial instruments into different types for which the accounting requirement is different. The Group has classified its financial instruments as follows:

- short-term fixed deposits, principally comprising funds held with banks and other financial institutions;
- trade and other receivables are held at amortised cost;
- trade and other payables are held at amortised cost;
- borrowings are classified as other liabilities held at amortised cost; and
- derivatives, comprising forward foreign exchange contracts and the deferred contingent consideration on acquisition are classified as instruments with fair value through profit or loss.

Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- loans and receivables and other liabilities are held at amortised cost; and
- instruments that are measured at fair value through profit or loss. Changes in fair value are included in the income statement unless the instrument is included in a cash flow hedge.

The Group applies cash flow hedge accounting to forward foreign exchange contracts, held to reduce the exposure to movements in the future value of foreign currency receipts and payments.

For those contracts included in an effective cash flow hedging relationship, changes in the fair value of the hedging instrument are recognised in other comprehensive income and taken to equity. When the hedged forecast transaction occurs, amounts previously recorded in equity are recognised in the income statement. Any ineffectiveness in the hedging arrangement is included in the income statement.

Trade and other receivables and contract assets
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets, recording the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the lifetime credit losses, the Group uses its historical experience, external indicators and forward looking information to calculate the expected losses. Refer to note 26 for further details.

Post-retirement and other employee benefits
The Group and Company account for pensions and other post-retirement benefits under IAS 19 Employee benefits.

For defined benefit schemes, the net obligation is calculated separately for each scheme by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of the schemes' assets (at bid price) is deducted. The liability discount rate is either the yield at the statement of financial position date on AA credit rated bonds that have maturity dates approximating to the terms of the obligations or by a cash flow matching method reflecting the duration of the liabilities, whichever more accurately reflects the schemes' pattern of cash flows. The calculations are performed by qualified actuaries using the projected unit credit method. The expense of administering the pension schemes and financing income/expense of the schemes are recognised in the income statement. Past service costs/credits and curtailment costs/credits are recognised in the periods in which they arise. Actuarial gains and losses are recognised in the period in which they arise in other comprehensive income.

Payments to defined contribution schemes are charged to the income statement as incurred.

The net obligation in respect of long-term service benefits, other than pension plans, is the amount of the future benefit that employees have earned in return for their service in the current and prior periods. Obligations are measured at their present value.

Accounting policies continued

Share-based payments
The Group has applied the requirements of IFRS 2 *Share-based payments*.

The Group issues equity-settled share-based payments to certain employees. These are measured at their fair value at the date of grant and are expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest, and adjusted for the effect of non-market related conditions.

Charges made to the income statement in respect of share-based payments are credited to retained earnings.

Provisions
A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Interest receivable
Interest receivable is recognised in the income statement using the effective interest method as defined in IFRS 9 Financial instruments.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the statements of comprehensive income, or to items recorded directly in equity in which case it is recorded directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and 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; the initial recognition of other assets and liabilities that affect neither the taxable profit nor the accounting profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Operating segments
An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. All operating segments' results are regularly reviewed by the Group's chief operating decision maker, which is the Board of Directors, in order to assess performance and make decisions about the allocation of resources to each segment.

Errors
Where errors are discovered in respect of prior periods, adjustments are made in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and revised statements are presented as required. Where adjustments are made, the heading at the top of the note will state 'Restated' and a separate note detailing the nature, amount of correction and a reconciliation between the balances provided. Where appropriate, a statement of financial position for the opening position will be presented.

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1. Revenue and operating segments

All revenue information is prepared in accordance with the Group accounting policies shown on pages 62 to 68.

The following is a description of the principal activities, separated by reportable segments, from which the Group generates its revenue. The Board identifies the reportable segments as the ones for which it regularly reviews financial information to assess their performance and make decisions around strategy and resource allocation.

Original Equipment ("OE")

The OE segments of the Group principally generate revenue from the make, pack and test of high-speed packaging solutions, first-of-a-kind machinery and high specification automation, secondary packaging equipment and at line instrumentation solutions. The typical length of a contract for OE Equipment is 4 to 12 months but may be up to 48 months. The contracts are accounted for over time unless the installation and commissioning consideration of the contact is a distinct performance obligation that could be undertaken by a third party, in which case the contract is disaggregated with the equipment consideration recognised over time and the installation consideration is recognised at a point in time. Where contracts are recognised over time, the consideration recognised is based on an estimate of labour costs completed at the statement of financial position date as a proportion of total expected labour costs for the contract.

Service

The Service segment of the Group generates revenue from sales of spare parts and providing service engineers and support staff to customers enabling them to maximise the benefits of their high-speed packaging solutions, first-of-a-kind machinery and high-specification automation, secondary packaging equipment, end-of-line robotics and at line instrumentation solutions. Service contracts are usually short-term contracts and either have a fixed price or are based on time and materials.

The Group's revenue reflects the basis of the Group's management and internal reporting structure. A commentary on the performance of the operating segments during the year is provided in the Operating review on pages 10 to 13.

In the following table, revenue is disaggregated by primary geographical market, major product lines, sector and timing of revenue recognition.

Disaggregation of revenue

	2023 £m	2022 £m
Sector		
Clean Energy	9.1	11.1
Healthcare	41.6	30.1
Food and beverage	45.8	45.7
Other	17.7	10.8
Total	114.2	97.7
Timing of revenue recognition		
Products and services transferred at a point in time	34.0	24.3
Products and services transferred over time	80.2	73.4
Total	114.2	97.7

The Group disaggregates revenue of OE and Service, together with the regional split, Americas, EMEA and Asia Pacific.

Information regarding the results of each operating segment is included overleaf. Performance is measured based on underlying segment gross profit. Unallocated items comprise distribution and administrative expenditure. The unallocated items are excluded from segment profit or loss as they are not region specific.

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Notes to the accounts continued

1. Revenue and operating segments continued

The measurement of segment assets and liabilities excludes central items that are not allocated to the regions. Unallocated items comprise mainly of goodwill and acquired intangible assets, net debt/funds (excluding the lease liabilities), pension assets/liabilities, taxation balances and net liabilities attributable to the Group's Head Office.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Segment information

	2023			2022		
	OE £m	Service £m	Total £m	OE £m	Service £m	Total £m
Revenue						
Americas	40.8	15.9	56.7	40.9	11.9	52.8
EMEA	34.0	13.8	47.8	27.8	9.7	37.5
Asia Pacific	7.6	2.1	9.7	5.9	1.5	7.4
Total	82.4	31.8	114.2	74.6	23.1	97.7
Gross profit	18.6	13.0	31.6	14.5	9.9	24.4
Selling, distribution and administration			(23.8)			(20.5)
Underlying operating profit			7.8			3.9
Unallocated non-underlying items included in operating profit			(3.9)			(3.9)
Operating profit			3.9			–
Net financing income/(expense)			0.8			0.2
Profit before tax			4.7			0.2

	2023			2022		
	Segment assets	Segment liabilities	Segment net assets	Segment assets	Segment liabilities	Segment net assets
Americas	31.5	(19.0)	12.5	28.4	(18.0)	10.4
EMEA	53.5	(41.3)	12.2	46.3	(46.1)	0.2
Asia	0.9	(0.3)	0.6	0.6	(0.2)	0.4
Total	85.9	(60.6)	25.3	75.3	(64.3)	11.0
Unallocated net assets			38.7			51.2
Total net assets			64.0			62.2

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1. Revenue and operating segments continued
Geographical information

Revenue	By location of customer 2023 £m	2023 %	2022 £m	2022 %
UK	18.4	16	9.2	9
Europe (excl. UK)	28.4	25	26.7	27
Africa and Middle East	1.1	1	1.6	2
USA	49.8	44	45.8	47
Americas (excl. USA)	6.8	6	7.0	7
Asia Pacific	9.7	8	7.4	8
	114.2	100	97.7	100

Non-current assets	By location of assets 2023 £m	2022 £m
UK	58.2	53.2
Canada and USA	5.7	6.7
Rest of the world	4.2	8.1
	68.1	68.0

2. Major customers
In 2023, the Group generated 21.9% (2022: 22.9%) of revenue from two customers. The most significant customer accounted for 13.9% (2022: 11.4%) of Group revenue. The sales constituted both equipment and service, and were spread across a number of different geographic regions.

3. Other operating expense

	2023 £m	2022 £m
Research and development costs (expensed as incurred)	1.2	0.5
Research and development UK tax credit	(0.8)	-
	0.4	0.5

Notes to the accounts continued

4. Operating profit

	2023 £m	2022 £m
Operating profit is arrived at after charging/(crediting):		
Amortisation of software and product development (Note 12)	0.8	0.9
Depreciation of owned assets (Note 13)	0.9	0.9
Depreciation of right of use assets (Note 27)	1.2	1.1
Employee benefits (Company £2.8m; 2022: £2.0m) (Note 6)	34.0	30.1
Cost of inventories recognised as an expense	55.3	40.1
Distribution and transport costs	1.5	1.7
Operating lease charges (Note 27)	1.2	1.2
Sales, marketing and office expenses	7.3	6.4
Product development expensed	1.2	0.5
Administrative expenses	14.6	11.9
Non-underlying amortisation of acquired intangible assets (Note 12)	1.6	1.6
Other non-underlying items (Note 5)	2.3	2.3
Fees payable to the Company's auditor for the audit of the Company's annual Financial Statements	0.1	0.1
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Other fees paid to the current auditor		
– audit related assurance services*	–	–
– taxation compliance or other services**	–	–

* Audit related assurance services include £30,000 (2022: £30,000) for the review of the half-year report.
** The current auditor does not provide non-audit services to the Group.

5. Non-underlying items

	2023 £m	2022 £m
Non-underlying items		
Acquisition costs	–	(0.3)
Reorganisation costs	(1.2)	(0.6)
Amortisation of acquired intangible assets	(1.6)	(1.6)
Defined benefit pension schemes administration costs	(1.1)	(1.4)
Total non-underlying operating expenditure	(3.9)	(3.9)
Net financing income on pension scheme balances	1.5	0.6
Total non-underlying expense before tax	(2.4)	(3.3)
Deferred tax on pension scheme costs	(0.2)	0.2
Total non-underlying expense after tax	(2.6)	(3.1)

The Group uses alternative performance measures ("APMs"), in addition to those reported under IFRS, as management believe these measures enable the users of financial statements to assess the underlying trading performance of the business. The APMs used include underlying operating profit, underlying profit before tax and underlying earnings per share. These measures are calculated using the relevant IFRS measure as adjusted for non-underlying income/(expenditure) listed above.

5. Non-underlyng items continued

These measures are not defined by UK IAS and therefore may not be directly comparable to similar measures adopted by other companies. These alternative performance measures should be considered in addition to, and are not intended to be a substitute for or superior to, UK IAS measures but provide useful information on the performance of the Group and underlying trends.

6. Employee information

	Period end		Average	
	2023	2022	2023	2022
The number of people employed by the Group was:				
Americas	147	131	146	142
EMEA	330	297	316	292
Asia Pacific	14	13	14	13
Head Office	17	17	16	17
Total	508	458	492	464

	Period end		Average	
	2023	2022	2023	2022
The number of people employed by the Company in EMEA was:	17	17	16	17

	Group		Company	
	2023	2022	2023	2022
Employment costs were:				
Wages and salaries	27.3	24.7	2.3	1.4
Social security costs	4.7	3.4	0.2	0.3
Employee benefits				
– defined contribution schemes	2.0	1.9	0.3	0.2
– equity-settled share-based transactions	–	0.1	–	0.1
	34.0	30.1	2.8	2.0

The costs of the defined benefit pension schemes are disclosed in note 24.

£0.9m of employment costs were capitalised in the year in relation to product development, see note 12 for more information.

7. Emoluments of Directors and interests in shares

Information on the emoluments of the Directors (page 37), together with information regarding the beneficial interests of the Directors and persons connected with them in the ordinary shares of the Company, is included in the Remuneration report on pages 37 to 39.

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Notes to the accounts continued

8. Net financing income

	2023 £m	2022 £m
Financial income:		
Amounts receivable on cash and cash equivalents	–	–
Net interest received on pension scheme balances	1.5	0.6
	1.5	0.6
Financial expenses:		
Preference dividends paid	(0.1)	(0.1)
Interest on borrowings	(0.5)	(0.2)
Lease interest (IFRS 16)	(0.1)	(0.1)
	(0.7)	(0.4)
Net financing income	0.8	0.2

Net interest received on pension scheme balances and interest on deferred consideration is included in non-underlying items.

9. Taxation

	2023 £m	2022 £m
Tax charge/(credit):		
Current tax	1.8	0.3
Deferred tax	0.2	0.3
Total	2.0	0.6

Included within the total taxation is a tax charge of £0.2m (2022: credit of £0.2m) attributable to the non-underlying items set out in note 5.

Reconciliation of effective tax rate

	2023 £m	2022 £m
Profit before tax	4.7	0.2
Income tax using the UK corporation tax rate of 25.00% (2022: 25.00%)	1.2	–
Deferred tax movements on pension payments	–	(0.2)
Change in recognised deferred tax assets	–	–
Change in unrecognised deferred tax assets	0.8	0.8
Foreign tax charged at higher rates than UK corporation tax rate	–	–
Total charge/(credit)	2.0	0.6

The main rate of UK corporation tax is 25% (2022: 25%) as enacted in the Finance Act 2022. The rate of deferred tax liability arising from the surplus in respect of the UK defined benefit pension scheme is 35%.

In view of probable timing of the utilisation of brought forward losses, deferred tax assets have not been recognised on tax losses and timing differences in respect of the Group companies in the UK.

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9. Taxation continued

Factors that may affect future tax charges

The Finance Act 2021 increased the main rate of corporation tax to 25% from 1 April 2023. Closing deferred tax balances have therefore been valued at 25% (2022: 25%) except for deferred tax on the UK defined benefit pension scheme asset, which has been valued at 35%.

Deferred tax charge/(credit) on items in other comprehensive (expense)/income

	2023 £m	2022 £m
Arising from actuarial gains/(losses)	–	(1.3)

10. Current tax assets and liabilities

Current tax assets of £1.1m (2022: £0.6m) and current tax liabilities of £0.9m (2022: £0.1m) for the Group, and current tax assets and liabilities of £nil (2022: £nil) for the Company, represent the amount of income taxes recoverable and payable in respect of current and prior periods.

11. Earnings per share

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share of 13.1p (2022: loss of 2.2p) is based upon the profit for the year of £2.7m (2022: loss of £0.4m) and the weighted average number of ordinary shares in issue during the year. The weighted average number of shares excludes shares held by the employee trust,if any, in respect of the Company's deferred share plan arrangements.

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based upon the profit for the year of £2.7m (2022: loss of £0.4m) and the diluted weighted average number of ordinary shares in issue during the year. The calculation of diluted earnings per ordinary share from continuing activities is based upon the profit for the period from continuing activities of £2.7m (2022: loss of £0.4m). For diluted earnings per ordinary share, the weighted average number of shares includes the diluting effect, if any, of own shares held by the employee trust. Where a loss is made in a period, the basic and diluted loss per share will be equal.

	2023	2022
Weighted average number of ordinary shares (non-diluted) at 31 December	20,474,424	20,261,505
Effect of own shares and shares conditionally granted under the LTIP	–	41,304
Weighted average number of ordinary shares (diluted) at 31 December	20,474,424	20,302,809

Underlying and diluted underlying earnings per share

Underlying earnings per ordinary share and diluted underlying earnings per ordinary share, which are calculated on profit before non-underlying items, amounted to 26.2p (2022: 13.3p) in respect of underlying earnings per share and 26.2p (2022: 13.3p) in respect of diluted underlying earnings per share.

The calculations of underlying earnings per ordinary share and diluted underlying earnings per ordinary share are based upon an underlying profit for the period of £5.3m (2022: £2.7m) which is calculated as follows:

	2023 £m	2022 £m
Profit / (loss) for the period	2.7	(0.4)
Non-underlying items (net of tax)	2.6	3.1
Underlying profit for the period	5.3	2.7

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12. Intangible assets

	Group						Company		
	Goodwill £m	Acquired intangible assets £m	Product develop-ment £m	Software develop-ment £m	Assets under construction £m	Total £m	Software develop-ment £m	Assets under construction £m	Total £m
Cost:									
Balance at 1 January 2022	13.2	13.1	3.8	2.8	–	32.9	1.8	–	1.8
Additions	–	–	1.2	0.2	–	1.4	0.1	–	0.1
Disposals	–	–	–	–	–	–	–	–	–
Reclassification	–	–	–	0.2	–	0.2	–	–	–
Retranslation	–	1.1	0.3	–	–	1.4	–	–	–
Balance at 31 December 2022	13.2	14.2	5.3	3.2	–	35.9	1.9	–	1.9
Additions	–	–	0.9	0.7	–	1.6	0.2	–	0.2
Disposals	–	–	(0.1)	–	–	(0.1)	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–
Retranslation	–	(0.5)	(0.1)	–	–	(0.6)	–	–	–
Balance at 31 December 2023	13.2	13.7	6.0	3.9	–	36.8	2.1	–	2.1
Amortisation and impairment losses:									
Balance at 1 January 2022	–	4.1	2.5	1.0	–	7.6	0.5	–	0.5
Amortisation for the period	–	1.6	0.6	0.3	–	2.5	0.3	–	0.3
Disposals	–	–	–	–	–	–	–	–	–
Reclassification	–	–	–	0.2	–	0.2	–	–	–
Retranslation	–	–	0.2	–	–	0.2	–	–	–
Balance at 31 December 2022	–	5.7	3.3	1.5	–	10.5	0.8	–	0.8
Amortisation for the period	–	1.6	0.3	0.5	–	2.4	0.4	–	0.4
Disposals	–	–	(0.1)	–	–	(0.1)	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–
Retranslation	–	–	–	–	–	–	–	–	–
Balance at 31 December 2023	–	7.3	3.5	2.0	–	12.8	1.2	–	1.2
Carrying amounts:									
At 31 December 2022	13.2	8.5	2.0	1.7	–	25.4	1.1	–	1.1
At 31 December 2023	13.2	6.4	2.5	1.9	–	24.0	0.9	–	0.9

The amortisation for development costs is included in cost of sales in the consolidated income statement.

The carrying amounts of goodwill are £5.7m (2022: £5.7m) in respect of Mpac Lambert (acquired in 2019) and £7.5m (2022: £7.5m) in respect of Switchback Group (acquired in 2020). The Group tests goodwill at least annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the goodwill have been determined based on value in use calculations, using cash flow projections from the Group's mid-range plan, the key assumptions included within this mid-range plan that affect the value in use calculations are revenue growth, margin growth and working capital requirements. These assumptions have been sensitised (as per Investments – note 15) as part of current year testing.

The discount and growth rates within these assumptions are estimated using a pre-tax weighted-average cost of capital ("WACC") that are indicative of current market assessments of the time value of money, based on risks specific to the market in which the Group operates. The primary reasons for differences in the rates between the CGUs are the differences in underlying risk-free rates and cost of debt across the geographical regions in which the Group's CGUs are located.

The calculation uses pre-tax cash flow projections from the 3 year mid-range plan for the period ending 31 December 2025. At the end of the discrete budget period, a terminal value is calculated based on terminal growth rate assumptions for each CGU. The WACC and terminal growth rates assessed for each CGU are 15.1% & 2.0% for the UK and 16.3% & 2.0% for the Americas, respectively. In respect of Switchback, the recoverable amount exceeds the carrying amount by £0.3m. If the revenue terminal growth rate was reduced by 0.25% to 1.75%, or the WACC increased by 0.25%, without any other changes, the carrying amount would equal the recoverable amount.

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13. Property, plant and equipment

	Group				Company		
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Total £m	Land and buildings £m	Fixtures, fittings and vehicles £m	Total £m
Cost:							
Balance at 1 January 2022	1.9	2.9	4.6	9.4	–	0.4	0.4
Additions	0.1	0.4	0.4	0.9	–	–	–
Disposals	–	(0.1)	–	(0.1)	–	–	–
Reclassification	–	0.3	(0.5)	(0.2)	–	–	–
Retranslation	0.1	0.1	–	0.2	–	–	–
Balance at 31 December 2022	2.1	3.6	4.5	10.2	–	0.4	0.4
Additions	0.1	0.1	0.8	1.0	–	0.3	0.3
Disposals	–	(0.9)	–	(0.9)	–	–	–
Reclassification	–	(0.3)	0.3	–	–	–	–
Retranslation	–	–	(0.1)	(0.1)	–	–	–
Balance at 31 December 2023	2.2	2.5	5.5	10.2	–	0.7	0.7
Depreciation:							
Balance at 1 January 2022	0.2	1.5	3.7	5.4	–	0.2	0.2
Charge for the period	0.1	0.3	0.5	0.9	–	0.1	0.1
Disposals	–	–	–	–	–	–	–
Reclassification	–	–	(0.2)	(0.2)	–	–	–
Retranslation	–	0.1	–	0.1	–	–	–
Balance at 31 December 2022	0.3	1.9	4.0	6.2	–	0.3	0.3
Charge for the period	0.1	0.3	0.5	0.9	–	0.1	0.1
Disposals	–	(0.9)	–	(0.9)	–	–	–
Reclassification	–	–	–	–	–	–	–
Retranslation	–	–	(0.1)	(0.1)	–	–	–
Balance at 31 December 2023	0.4	1.3	4.4	6.1	–	0.4	0.4
Carrying amounts:							
At 31 December 2022	1.8	1.7	0.5	4.0	–	0.1	0.1
At 31 December 2023	1.8	1.2	1.1	4.1	–	0.3	0.3

14. Investment property

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Balance at 1 January 2022 and 31 December 2022	0.8	0.8	0.8	0.8
Balance at 31 December 2023	0.8	0.8	0.8	0.8

Investment property is shown at cost. The fair value of the investment property at 31 December 2023 is £1.2m (2022: £1.2m) and has been arrived at on the basis of a valuation carried out by independent valuers, Wilks Head & Eve LLP. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Notes to the accounts continued

15. Investments

Cost of shares in subsidiaries

	2023 £m	2022 £m
Balance at 1 January	63.8	63.8
Movement in year	–	–
Balance at 31 December	63.8	63.8

The Company's subsidiary undertakings are shown in note 31.

Impairment review of investments

The Group tests the carrying value of investments at least annually or more frequently if there are indications that the value might be impaired.

The recoverable amounts of the carrying value have been determined based on value in use calculations, using cash flow projections from the Group's mid-range plan, the key assumptions included within this mid-range plan that affect the value in use calculations are revenue growth, margin growth and working capital requirements. These assumptions have been prudently sensitised as part of current year testing. The discount and growth rates within these assumptions are estimated using a pre-tax weighted-average cost of capital ("WACC") that are indicative of current market assessments of the time value of money, based on risks specific to the market in which the Group operates. The primary reasons for differences in the rates between the investments are the differences in underlying risk-free rates and cost of debt across the geographical regions in which the Group's investments are located. The calculation uses pre-tax cash flow projections from the 3 year mid-range plan for the period ending 31st December 2026. At the end of the discrete budget period, a terminal value is calculated based on terminal growth rate assumptions for each investment.

The WACC and terminal growth rates assessed for each investment are 15.1% & 2.0% for the UK, 17.9% & 2.0% for the Netherlands and 16.3% & 2.0% for the Americas, respectively.

Amounts owed by Group undertakings

Amounts owed by Group undertakings for the Company are not repayable within 12 months of the year end of these financial statements.

A rate of interest of 6.1% has been charged on the loans, resulting in an interest receivable of £0.4m in the year for the Company.

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Employee benefits	–	–	(11.4)	(11.1)	(11.4)	(11.1)
Tax losses	2.2	3.1	–	–	0.9	1.3
Acquired intangible assets	–	–	(1.3)	(1.8)	–	–
Deferred tax assets/(liabilities)	2.2	3.1	(12.7)	(12.9)	(10.5)	(9.8)
Net deferred tax assets/(liabilities)	2.2	3.1	(12.7)	(12.9)	(10.5)	(9.8)

	Assets		Liabilities		Net	
Company	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Employee benefits	–	–	(11.3)	(11.0)	(11.3)	(11.0)
Deferred tax liabilities	–	–	(11.3)	(11.0)	(11.3)	(11.0)
Net deferred tax liabilities	–	–	(11.3)	(11.0)	(11.3)	(11.0)

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

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16. Deferred tax assets and liabilities continued

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of temporary differences arising in certain subsidiary companies.

These assets are only recognised to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised. At the year end, the Group had £10.1m of unrecognised deferred tax assets (2022: £9.5m) and the Company had £4.3m of unrecognised deferred tax assets (2022: £3.7m) which would become recoverable if the relevant companies were to make sufficient profits in the future. Under current tax legislation, these tax assets expire as follows:

	Group	
Expiry	2023 £m	2022 £m
10 to 20 years	–	–
No expiry date	10.1	9.5
	10.1	9.5

Movement in temporary differences during the year

Group	Balance at 1 January 2023 £m	Recognised in profit or loss £m	Investment tax credits utilised	Recognised in other comprehensive income/(expense) £m	Retranslation of foreign differences £m	Balance at 31 December 2023 £m
Employee benefits	(11.1)	(0.3)	–	–	–	(11.4)
Corporation tax losses	2.9	(0.7)	–	–	–	2.2
Investment tax credits	0.2	–	(0.2)	–	–	–
Acquired intangible assets	(1.8)	0.5	–	–	–	(1.3)
	(9.8)	(0.5)	(0.2)	–	–	(10.5)

Group	Balance at 1 January 2022 £m	Recognised in profit or loss £m	Investment tax credits utilised	Recognised in other comprehensive income/(expense) £m	Recorded on acquisition £m	Balance at 31 December 2022 £m
Employee benefits	(12.5)	0.2	–	1.2	–	(11.1)
Tax losses	2.9	(0.2)	–	–	0.2	2.9
Investment tax credits	0.5	–	(0.3)	–	–	0.2
Acquired intangible assets	(2.0)	0.2	–	–	–	(1.8)
	(11.1)	0.2	(0.3)	1.2	0.2	(9.8)

Company	Balance at 1 January 2023 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/(expense) £m	Balance at 31 December 2023 £m
Employee benefits	(11.0)	(0.3)	–	(11.3)
	(11.0)	(0.3)	–	(11.3)

Company	Balance at 1 January 2022 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/(expense) £m	Balance at 31 December 2022 £m
Employee benefits	(12.5)	0.2	1.3	(11.0)
	(12.5)	0.2	1.3	(11.0)

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17. Inventories

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Work in progress and raw materials	4.0	2.9	–	–
Finished goods	7.1	6.7	–	–
	11.1	9.6	–	–

An amount of £nil (2022: £nil) has been charged in the year in respect of inventory write-downs.

18. Contract assets and liabilities; contract fulfilment assets

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers traded over time.

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Receivables, which are included in 'Trade and other receivables'	12.2	12.9	–	–
Contract assets	16.2	18.2	–	–
Contract liabilities	(17.5)	(14.5)	–	–

	Group Contract assets	Group Contract liabilities	Company Contract assets	Company Contract liabilities
Revenue recognised which is included in the contract liability balance at the beginning of the period	–	14.5	–	–
Increases due to cash received, excluding amounts recognised as revenue during the period	–	(17.5)	–	–
Transfers from contract assets recognised at the beginning of the period to receivables	(18.2)	–	–	–
Increases as a result of changes recognised in the measure of progress	16.2	–	–	–

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.

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 asset that the Group otherwise would have recognised is one year or less.

The Group's contracts with customers are predominantly for one year or less, accordingly the Group applies the practical expedient in paragraph 63 of IFRS 15 and does not adjust the promised amount of consideration for the effects of any financing component.

Contract fulfilment assets

These assets are recognised under paragraph 95 of IFRS 15 in respect of expenditure incurred which will satisfy future performance obligations.

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Contract fulfilment assets	2.0	2.0	–	–

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19. Trade and other receivables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current assets:				
Contract assets – see note 18	16.2	18.2	–	–
Contract fulfilment assets – see note 18	2.0	2.0	–	–
Trade receivables	18.0	17.7	–	–
Amounts owed by Group undertakings	–	–	10.8	3.7
Other receivables	1.4	1.6	0.1	0.1
Prepayments and accrued income	9.0	7.7	0.3	2.1
Foreign currency derivatives	0.2	0.1	0.5	2.1
	46.8	47.3	11.7	8.0

20. Interest-bearing loans and borrowings

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current liabilities:				
Repayable in less than one year	8.0	8.0	8.0	8.0
Non-current liabilities:				
Repayable between one and five years	–	–	–	–
Repayable in more than five years	0.9	0.9	0.9	0.9
	8.9	8.9	8.9	8.9

An interest rate of 2% above the HSBC base rate is charged on the above loan repayable in less than one year, generating an expense of £0.5m (2022: £0.2m) that has been recognised as part of the underlying finance expense in the income statement.

An interest rate of 6% is charged on the above loan repayable in more than five years, generating an expense of £0.1m (2022: £0.1m) that has been recognised as part of the underlying finance expense in the income statement.

Preference shares

The preference shares carry a fixed cumulative preferential dividend at the rate of 6% per annum and on the winding-up of the Company entitle the holders to repayment of the capital paid up thereon (together with a sum equal to any arrears or deficiency of the fixed dividend calculated to the date of the return of capital and to be payable irrespective of whether such dividend has been declared or earned or not) in priority to any payment to the holders of the ordinary shares. The preference shares do not entitle the holders to any further participation in the profits or assets of the Company.

The preference shareholders are not entitled to receive notice of or to attend or vote at any general meeting unless either:

- at the date of the notice convening the meeting, the dividend on the preference shares is six months in arrears (for this purpose the dividend on the preference shares is deemed to be payable half-yearly on 30 June and 31 December); or
- the business of the meeting includes the consideration of a resolution for the winding-up of the Company, or for reducing its share capital or for sanctioning a sale of the undertaking, or any resolution directly and adversely affecting any of the special rights or privileges attached to the preference shares.

There were no arrears in the payment of preference dividends at the statement of financial position date. Preference dividends paid amounted to £0.1m (2022: £0.1m).

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21. Reconciliation of net cash flow to movement in net funds

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Net increase/(decrease) in cash and cash equivalents	6.8	(10.6)	0.9	(5.4)
Change in net funds resulting from cash flows	6.8	(10.6)	0.9	(5.4)
Translation movements	–	0.3	(0.2)	1.1
Movement in net funds in the period	6.8	(10.3)	0.7	(4.3)
Opening net (debt)/funds	(10.0)	7.6	(9.2)	3.1
Movement in interest-bearing loans and borrowings:				
Revolving credit facility	–	(8.0)	–	(8.0)
Movement in lease liabilities under IFRS 16:				
Non-cash movement	(2.1)	(0.5)	(0.3)	–
Cash movement	1.2	1.2	–	–
Closing net debt	(4.1)	(10.0)	(8.8)	(9.2)
Analysis of net funds:				
Cash and cash equivalents – Current assets	11.0	4.2	0.4	(0.3)
Interest-bearing loans and borrowings – Current liabilities	(8.0)	(8.0)	(8.0)	(8.0)
Interest-bearing loans and borrowings – Non current liabilities	(0.9)	(0.9)	(0.9)	(0.9)
Lease liabilities	(6.2)	(5.3)	(0.3)	–
Closing net (debt)/funds	(4.1)	(10.0)	(8.8)	(9.2)

22. Trade and other payables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current liabilities:				
Contract liabilities – see note 18	17.5	14.5	–	–
Trade payables	17.4	15.3	0.4	0.6
Amounts owed to Group undertakings	–	–	42.0	39.3
Other taxes and social security	1.2	1.2	–	–
Other payables	3.0	3.8	0.8	2.0
Accruals and deferred income	4.6	3.6	1.8	1.3
Foreign currency derivatives	0.1	0.6	0.5	0.7
	43.8	39.0	45.5	43.9

23. Provisions

Group	2023 £m	2022 £m
Balance at 1 January	1.0	0.6
Provisions created in the year	–	0.5
Utilised during the year	(0.1)	(0.1)
Unused amounts reversed	–	–
Balance at 31 December	0.9	1.0

Provisions are based on historical data and a weighting of all possible outcomes against their associated possibilities. Group provisions relate primarily to product warranties. Except for specific identifiable claims, they are generally utilised within one year of the statement of financial position date.

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24. Employee benefits

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes for employees. Contributions to these schemes are recognised as an expense in the consolidated income statement as they fall due.

Defined benefit pension schemes

The Group is responsible for defined benefit pension schemes in the UK and the USA. All schemes are funded by Group companies as necessary, at rates determined by independent actuaries and as agreed between the trustees of the schemes and the sponsoring company.

The defined benefit pension schemes are administered by bodies that are legally separate from the Group. The trustees of the schemes are required by law to act in the interest of the schemes and of all relevant stakeholders in the schemes. The trustees of the schemes are responsible for the investment policies in respect of the assets of the schemes.

The pension schemes typically expose the Group to certain risks. These include the risk of investment under-performance, a fall in interest rates, an increase in life expectancy and an increase in inflation.

UK pension scheme

The Group operated one defined benefit pension scheme in the UK in which future accruals ceased in November 2012. The assets of the scheme are held separately from those of the Company and it is funded by the Company as necessary in order to ensure that the scheme can meet the expected benefit obligations. The funding policy is to ensure that the assets held by the scheme in the future are adequate to meet expected liabilities, allowing for future increases in pensions. The only assets of the scheme which are invested in the Company are an interest in the cumulative preference shares of the Company with an estimated current market value of £0.2m.

The most recent formal actuarial valuation of the scheme was carried out as at 30 June 2021 using the projected unit credit method. The market value of the scheme assets at that date was £431.4m and the funding level was 94% of liabilities, which represented a deficit of £28.4m. The principal terms of the deficit funding agreement between the Company and the Fund's Trustees, which is effective until 31 December 2035, but is subject to reassessment every three years, are that the Company will continue to pay a sum of £2.0m per annum to the scheme (increasing at 2.1 per cent. per annum) in deficit recovery payments.

The funding agreement focuses the scheme and the company on achieving a funding level which should permit the scheme to achieve risk transfer to an alternative arrangement which the company would not be liable for the performance of. Based on annual tests, once the funding level on a technical provisions basis reaches 103%, contributions will be redirected to an escrow account which can only be used by the scheme to either enable risk transfer or remedy a future deficit arising and would be returned to the company should risk transfer be achieved without the funds being required. Should the funding level reach 110% of technical provisions (including the value of the escrow account), contributions cease.

The deficit recovery period from 30 June 2021 was estimated to be four years and six months, which is scheduled to be formally reassessed following the completion of the actuarial valuation being carried out as at 30 June 2024.

During the year, the Company paid deficit recovery contributions of £2.0m (2022: £2.0m).

The Company accounts for pension costs under IAS 19 Employee benefits and the valuation used has been based on detailed actuarial valuation work carried out as at 30 June 2021, updated by the Company's actuary to assess the value of the liabilities of the scheme at 31 December 2023. Scheme assets are stated at their market value at 31 December 2023.

Notes to the accounts continued

24. Employee benefits continued

USA pension schemes

In the USA, the Group has three defined benefit pension schemes, all of which are closed to future accrual. Formal independent actuarial valuations of the USA pension schemes were carried out as at 1 January 2023 using the projected unit credit method. The valuations under IAS 19 at 31 December 2023 have been based on these actuarial valuations, updated for conditions existing at the year end.

Employer contributions of £0.2m (2022: £0.2m) were paid during the year.

Assumptions

The key financial assumptions used to calculate scheme liabilities and the financing expense on pension scheme balances are as follows:

	UK (Company)		USA	
	2023	2022	2023	2022
Discount rate	4.5%	4.8%	4.8%	5.0%
Inflation rate				
– CPI	2.6%	2.8%	n/a	n/a
– RPI	3.1%	3.3%	n/a	n/a
Increases to pensions in payment				
– final salary benefits	2.6%	2.8%	n/a	n/a
– career average benefits	2.1%	2.1%	n/a	n/a

The assumptions relating to longevity underlying the pension liabilities of the defined benefit pension schemes at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting an individual to live for a number of years as follows:

	UK scheme	USA schemes
Current pensioner aged 65 – male	21.5 years	21.1 years
Current pensioner aged 65 – female	24.1 years	23.1 years
Future retirees currently aged 45 upon reaching age 65 – male	22.7 years	19.8 years
Future retirees currently aged 45 upon reaching age 65 – female	25.5 years	22.6 years

At 31 December 2023, the weighted average duration of the defined benefit obligation in the UK scheme was 11 years (2022: 12 years) and in the USA schemes was 8 years (2022: 8 years).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate, inflation rate and mortality. The sensitivity analysis below has been determined assuming that all other assumptions are held constant.

Changes in values of pension schemes' liabilities before tax as at 31 December 2023	UK scheme	USA schemes
0.25% change in discount rate	£7.4m	£0.2m
0.25% change in inflation rate	£4.2m	n/a
Change in life expectancy by one year on average	£12.7m	£0.3m

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24. Employee benefits continued

Categories of assets and funded status

The fair values of scheme assets were as follows:

	UK (Company)		USA		Group	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
UK equities	–	–	–	–	–	–
Overseas equities	9.9	8.2	1.9	2.7	11.8	10.9
Bonds – index linked gilts	137.2	79.3	–	–	137.2	79.3
Bonds – other	116.1	106.3	5.8	5.4	121.9	111.7
Properties – funds	25.9	28.7	–	–	25.9	28.7
Properties – directly owned	2.0	2.3	–	–	2.0	2.3
Absolute return funds	12.7	12.6	–	–	12.7	12.6
Other	5.2	73.8	–	–	5.2	73.8
Total fair (bid) value of scheme assets	309.0	311.2	7.7	8.1	316.7	319.3
Present value of defined benefit obligations	276.8	279.7	9.5	10.2	286.3	289.9
Defined benefit asset/(liability)	32.2	31.5	(1.8)	(2.1)	30.4	29.4

All equities, bonds, property funds and absolute return funds have quoted prices in active markets. Directly owned properties are subject to an independent valuation.

Disclosed defined benefit pension income/expense for financial year

A) Components of defined benefit pension income/expense

Net defined benefit pension expense recognised in the consolidated income statement comprises:

	UK (Company)		USA		Group	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Past service costs/(gains)	–	–	–	–	–	–
Interest expense/(income)	(1.6)	(0.7)	0.1	0.1	(1.5)	(0.6)
Administration costs	0.9	1.1	0.2	0.3	1.1	1.4
(Income)/expense recognised in income statement	(0.7)	0.4	0.3	0.4	(0.4)	0.8

The net pension expense/(income) is included in non-underlying items.

B) Statements of comprehensive income ("SOCI")

The actuarial losses recognised in the SOCI in respect of pensions were £1.7m (2022: losses of £5.0m), comprising actuarial losses of £2.0m (2022: losses of £5.8m) for the UK defined benefit pension scheme and actuarial gains of £0.3m (2022: £0.8m) for the USA schemes, all figures before tax.

Actual return on scheme assets

The actual return on scheme assets were gains of £1.4m (2022: losses of £129.5m), comprising gains of £0.9m (2022: losses of £130.3m) for the UK defined benefit pension scheme and gains of £0.5m (2022: loses of £1.9m) for the USA schemes, all figures before tax.

Notes to the accounts continued

24. Employee benefits continued

Reconciliation of the present value of defined benefit obligations

	UK (Company)		USA		Group	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Present value of defined benefit obligations at 1 January	279.7	417.4	10.2	12.4	289.9	429.8
Past service cost/(gains)	–	–	–	–	–	–
Interest cost	13.0	7.4	0.4	0.3	13.4	7.7
Actuarial losses/(gains)						
– changes in demographic assumptions	(3.5)	1.1	–	–	(3.5)	1.1
– changes in financial assumptions	5.2	(131.1)	0.2	(3.0)	5.4	(134.1)
– experience	1.3	5.3	–	–	1.3	5.3
Benefit payments	(18.9)	(20.4)	(0.9)	(1.0)	(19.8)	(21.4)
Retranslation	–	–	(0.4)	1.5	(0.4)	1.5
Present value of defined benefit obligations at 31 December	276.8	279.7	9.5	10.2	286.3	289.9

Reconciliation of the fair value of scheme assets

	UK (Company)		USA		Group	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Fair value of scheme assets at 1 January	311.2	453.1	8.1	9.9	319.3	463.0
Interest income	14.7	8.0	0.4	0.2	15.1	8.2
Actuarial gains/(losses)						
– return on scheme assets	0.9	(130.4)	0.5	(2.2)	1.4	(132.6)
Company contributions	2.0	2.0	0.2	0.2	2.2	2.2
Administration expenses	(0.9)	(1.1)	(0.2)	(0.2)	(1.1)	(1.3)
Benefit payments	(18.9)	(20.4)	(0.9)	(1.0)	(19.8)	(21.4)
Retranslation	–	–	(0.4)	1.2	(0.4)	1.2
Fair value of scheme assets at 31 December	309.0	311.2	7.7	8.1	316.7	319.3

24. Employee benefits continued

Experience gains and losses for the year

	UK (Company)		USA		Group	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Fair value of scheme assets	309.0	311.2	7.7	8.1	316.7	319.3
Defined benefit obligations	(276.8)	(279.7)	(9.5)	(10.2)	(286.3)	(289.9)
Net asset/(liability)	32.2	31.5	(1.8)	(2.1)	30.4	29.4
Actuarial gains/(losses) on scheme assets	0.9	(130.4)	0.5	(2.2)	1.4	(132.6)
Actuarial (losses)/gains on defined benefit obligations	(2.9)	124.7	(0.2)	2.9	(3.1)	127.6
Net gain/(loss) recognised in the SOCI during the year	(2.0)	(5.7)	0.3	0.7	(1.7)	(5.0)

Movements in the net liability/asset of defined benefit pension schemes recognised in the Statements of financial position

	UK (Company)		USA		Group	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Net asset/(liability) for employee benefits at 1 January	31.5	35.7	(2.1)	(2.5)	29.4	33.2
(Income)/expense recognised in the income statement (see above)	0.7	(0.5)	(0.3)	(0.3)	0.4	(0.8)
Company contributions	2.0	2.0	0.2	0.2	2.2	2.2
Actuarial (losses)/gains recognised in the SOCI	(2.0)	(5.7)	0.3	0.7	(1.7)	(5.0)
Retranslation	–	–	0.1	(0.2)	0.1	(0.2)
Net asset/(liability) for employee benefits at 31 December	32.2	31.5	(1.8)	(2.1)	30.4	29.4

At the end of the life of the UK defined benefit pension scheme the Company has an unconditional right to a refund and any such refund would be paid out only on a net of tax basis.

Share-based payments

The Company currently operates a deferred share plan, though no options are currently outstanding under it. Own shares are held in trust and granted to plan participants when certain conditions are met. Further details of the deferred share plan, including the performance conditions and vesting periods, are in the Remuneration report on pages 37 to 39 and in this note.

The Company operates a Long Term Incentive Plan ("LTIP") for certain members of its senior management. Awards are anticipated to be made annually and were awarded in 2022 and 2023. The key terms of both plans are set out in the Remuneration report on page 38 and were unchanged since inception.

The total number of shares conditionally granted under the 2022 LTIP was 187,740, at a market value of £4.33 per share, at the date of grant on 10 June 2022 and remained outstanding at the year end. An expense of £nil has been recognised during the year (2022: £nil) within administration costs. No shares were forfeited, exercised, expired or exercisable during the period.

The total number of shares conditionally granted under the 2023 LTIP was 504,247, at a market value of £2.35 per share, at the date of grant on 2 May 2023 and remained outstanding at the year end. An expense of £nil has been recognised during the year within administration costs. No shares were forfeited, exercised, expired or exercisable during the period.

Notes to the accounts continued

25. Capital and reserves

Share capital

Allotted, called up and fully paid	2023 £m	2022 £m
Ordinary shares of 25p each	5.1	5.1

There were 20,474,424 (2022: 20,474,424) ordinary shares in issue at the year end. The holders of the ordinary shares are entitled to one vote per share at meetings of the Company and to receive dividends as declared from time to time. At the year end, an employee trust held none of the ordinary shares and it has agreed to waive all dividends and not to exercise voting rights in respect of any future shares it owns. The Company also has in issue 900,000 6% fixed cumulative preference shares of £1 each (see note 20); these are classified as borrowings.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital redemption reserve

The capital redemption reserve records the historical repurchase of the Company's own shares.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Investment in own shares

Included within retained earnings is the carrying value of own shares held in trust for the benefit of employees. These shares are used to service the obligations of the Company's Deferred share plan. Further details of the Deferred share plan can be found in the Remuneration report on page 38 and on page 87 in note 24.

At 31 December 2023, the employee trust held no ordinary shares of 25p each (2022: nil), representing 0.0% of the issued shares (2022: 0.0%). The shares held by the trust at 31 December 2023 were purchased at an aggregate cost of £nil (2022: £nil). The trust purchased no additional shares in the year at a cost of £nil (2022: £0.2m).

Included within retained earnings is the charge of £nil (2022: £0.1m) in respect of the share-based payments, as disclosed in the Remuneration report on page 38.

The market value of the shares held by the trust at 31 December 2023 was £nil (2022: £nil).

Dividends

	2023 £m	2022 £m
Dividends to shareholders paid in the period:	–	–

Having considered the trading results for 2023 and the opportunities for investment in the growth of the Group, the Board has decided that it is not appropriate to pay a final dividend. No interim dividend was paid in 2023. Future dividend payments will be considered by the Board in the context of 2024 trading performance and when the Board believes it is prudent to do so.

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26. Financial risk management

The Group has exposure to credit, liquidity and market risks from its use of financial instruments.

These risks are regularly considered and the impact of these risks on the Group, and how to mitigate them, assessed. The Board of Directors is responsible for the Group's system of internal controls and has established risk management policies to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit Committee assists the Board in the discharge of its duty in relation to the maintenance of proper internal controls. Further details regarding the Audit Committee can be found in its report on pages 32 to 35.

Categories of financial instruments

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Financial assets:				
Derivative instruments in designated hedge accounting relationships	0.2	0.1	–	–
Derivative instruments measured at fair value through income statement	–	–	0.5	2.1
Financial assets measured at amortised cost	30.4	23.4	22.3	22.6
	30.6	23.5	22.8	24.7
Financial liabilities:				
Derivative instruments in designated hedge accounting relationships	0.1	0.6	–	–
Fair value through income statement	–	–	0.5	0.7
Amortised cost	40.9	38.1	50.9	43.9
	41.0	38.7	51.4	44.6

Financial assets measured at amortised cost comprises cash and cash equivalents and trade and other receivables, excluding foreign currency derivatives.

Financial liabilities at amortised cost comprises interest-bearing loans and borrowings, lease liabilities, trade payables, other payables and accruals.

IFRS 7 *Financial instruments*: disclosures for financial instruments that are measured in the Statements of financial position at fair value requires disclosure of fair value measurements in the form of a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 1 January 2023 and 31 December 2023, derivative instruments in designated hedge relationships have been identified as Level 2.

Derivative instruments in designated hedge relationships

The Group has relied on analysis from third party specialists for complex valuations of forward exchange contracts. Valuation techniques have utilised observable forward exchange rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant to this type of financial instrument.

Notes to the accounts continued

26. Financial risk management continued

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash held at financial institutions. In addition, for the Company, a credit risk exists in respect of amounts owed by Group undertakings.

Trade receivables and contract assets

The Group ensures that the provision of credit to customers is adequately managed by each individual business in order that the risk of non-payment or delayed payment is minimised. The Group's exposure to risk is influenced mainly by the individual characteristics of each customer, the industry and country in which customers operate. The Group has a diversified base of customers. In certain years, sales to a customer may be more than 5%, although the sales would typically be both original equipment and service, and to a number of different geographic regions.

The Group has written credit control policies which cover procedures for accepting new customers, setting credit limits, dealing with overdue amounts and delinquent payers.

An impairment loss provision against trade receivables is created where it is anticipated that the value of trade receivables is not fully recoverable. No impairments due to credit losses on contract assets have ever been experienced and none are predicted.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for the Group and the Company at 31 December was:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade receivables	18.0	17.7	–	–
Amounts owed by Group undertakings	–	–	22.3	22.6
Other receivables	1.4	1.5	–	–
Foreign currency derivatives	0.2	0.1	0.5	2.1
Cash and cash equivalents	11.0	4.2	–	–
	30.6	23.5	22.8	24.7

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on an individual basis as the risk depends upon the circumstances of the receivable, including the financial strength of the counterparty and the terms of the contract. They have been grouped based on the days past due.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements, amongst others, are considered indicators of no reasonable expectation of recovery.

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26. Financial risk management continued

Credit loss provisions

The ageing of trade receivables and the expected credit loss provisions for the Group at 31 December were:

Group	2023 Gross £m	2023 Credit loss provisions £m	2023 Total £m	2022 Gross £m	2022 Credit loss provisions £m	2022 Total £m
Not past due	10.5	–	10.5	10.5	–	10.5
Past due up to 30 days	4.2	–	4.2	3.7	–	3.7
Past due 31–60 days	1.1	–	1.1	1.6	–	1.6
Past due 61–90 days	1.7	–	1.7	0.6	–	0.6
Past due more than 91 days	0.5	–	0.5	1.3	–	1.3
	18.0	–	18.0	17.7	–	17.7

The only receivable balances held by the Company are amounts owed by Group undertakings and expected credit losses arising are not considered to be material.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to hold cash and cash equivalents and maintain undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its liabilities as they become due. Further details of the Group's treasury policies can be found in the Financial review on pages 14 to 16.

Contractual maturities of non-derivative financial liabilities

The non-derivative financial liabilities for the Group and the Company at 31 December were:

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current liabilities:				
Interest-bearing loans and borrowings	8.0	8.0	8.0	8.0
Trade and other payables (excluding derivatives)	25.6	23.9	42.0	35.0
Lease liabilities	1.3	1.4	–	–
Non-current liabilities:				
Interest-bearing loans and borrowings	0.9	0.9	0.9	0.9
Lease liabilities	5.1	3.9	–	–

Interest rates of 6% and 2% above the HSBC base rate are charged on the above interest-bearing loans, generating an expense of £0.5m (2022: £0.3m). The loans relate to preference shares and the revolving credit facility drawdown. The preference share loan has no fixed maturity, the revolving credit facility is due to be repaid in less than one year.

Trade and other payables shown as current liabilities are expected to mature within six months of the statement of financial position date.

The contractual maturities of forward foreign exchange contracts that the Group and Company had committed at 31 December are shown in the foreign currency risk section in this note. The contractual maturity of lease liabilities is disclosed in note 27.

Notes to the accounts continued

26. Financial risk management continued

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. Exposure to interest rate and currency risks arises in the normal course of the Group's business. The Group does not trade in financial instruments and enters into derivatives (principally forward foreign exchange contracts) solely for the purpose of minimising currency exposure on sales or purchases in other than the functional currencies of its various operations.

The Group's treasury policies are explained in the Financial review on pages 14 to 16.

Interest rate risk

Cash and cash equivalents

The cash profile at 31 December was:

Group	2023 Cash at floating rates £m	2023 Cash on which no interest received £m	2023 Total £m	2022 Cash at floating rates £m	2022 Cash on which no interest received £m	2022 Total £m
Currency:						
Sterling	2.8	–	2.8	0.1	–	0.1
Canadian dollar	1.5	–	1.5	1.6	–	1.6
US dollar	3.2	–	3.2	1.0	–	1.0
Euro	3.5	–	3.5	1.5	–	1.5
	11.0	–	11.0	4.2	–	4.2

Company	2023 Cash at floating rates £m	2023 Cash on which no interest received £m	2023 Total £m	2022 Cash at floating rates £m	2022 Cash on which no interest received £m	2022 Total £m
Currency:						
Sterling	0.4	–	0.4	(0.3)	–	(0.3)
Canadian dollar	–	–	–	–	–	–
US dollar	–	–	–	–	–	–
Euro	–	–	–	–	–	–
	0.4	–	0.4	(0.3)	–	(0.3)

All cash surplus to immediate operational requirements is placed on deposit at floating rates of interest.

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26. Financial risk management continued

Interest-bearing loans and borrowings

The profile of interest-bearing loans and borrowings at 31 December was:

Group and Company	2023 Borrowings at floating rates £m	2023 Borrowings at fixed rates £m	2023 Total £m	2022 Borrowings at floating rates £m	2022 Borrowings at fixed rates £m	2022 Total £m
Currency:						
Sterling	8.0	0.9	8.9	8.0	0.9	8.9
	8.0	0.9	8.9	8.0	0.9	8.9

The borrowings at fixed rates in sterling are the fixed cumulative preference shares which are explained in more detail in note 20.

The average rate of interest on the Group's operating lease liabilities is 3.3%, details of the contractual maturity of the leases can be found in note 27.

Sensitivity to interest rate risk

If interest rates had been 100 basis points higher/lower throughout the period, net financial income (excluding on pension scheme balances) for the Group would have decreased/increased by £0.1m (2022: decreased/increased by £0.1m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis as for the year ended 31 December 2022.

Foreign currency risk

The majority of the Group's operations are outside of the UK, and therefore a significant portion of its business is conducted overseas in currencies other than sterling. As explained on page 19, foreign currency risk is one of the principal risks and uncertainties to which the Group is exposed. The Group is exposed to both transaction and translation risk.

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The revenues and expenses of foreign operations are translated at an average rate for the period.

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the statement of financial position date and foreign exchange differences are taken directly to the translation reserve.

The following exchange rates (relative to sterling), which are significant to the Group, applied during the period:

	Average rate 2023	Average rate 2022	Closing rate 2023	Closing rate 2022
US dollar	1.24	1.24	1.27	1.21
Canadian dollar	1.68	1.62	1.68	1.64
Euro	1.15	1.17	1.15	1.13

Notes to the accounts continued

26. Financial risk management continued

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts solely for the purpose of minimising currency exposures on sale and purchase transactions. The Group classifies its forward foreign exchange contracts used for hedging as cash flow hedges and states them at fair value.

Fair values

The fair value of forward foreign exchange contracts at 31 December was:

	Group		Company	
Cash flow hedges	2023 £m	2022 £m	2023 £m	2022 £m
Gain	–	–	–	–
Loss	(0.1)	(1.8)	–	–
	(0.1)	(1.8)	–	–

The fair value is the gain/loss on all open forward foreign exchange contracts at the period end. These amounts are based on the market values of equivalent instruments at the period end date and all relate to those forward foreign exchange contracts that have been designated as effective cash flow hedges under IFRS 9 Financial instruments: recognition and measurement.

There were no open forward foreign exchange contracts, as at either 31 December 2023 or 2022, that had been designated as fair value hedges under IFRS 9 Financial instruments: recognition and measurement.

During the period, a credit of £1.7m for the Group (2022: £1.3m debit) and £nil for the Company (2022: £nil) was recognised in the statements of comprehensive income in respect of cash flow hedges.

Contractual maturity date and future cash flows

The contractual maturity date and period when cash flows are expected to occur in relation to open forward foreign exchange contracts at 31 December were:

	2023				2022			
Group	Less than 6 months £m	Between 6 and 12 months £m	Between 12 and 24 months £m	Total £m	Less than 6 months £m	Between 6 and 12 months £m	Between 12 and 24 months £m	Total £m
Outflow	–	–	–	–	–	–	–	–
Inflow	16.4	6.0	1.4	23.8	11.0	2.9	–	13.9
	16.4	6.0	1.4	23.8	11.0	2.9	–	13.9

	2023				2022			
Company	Less than 6 months £m	Between 6 and 12 months £m	Between 12 and 24 months £m	Total £m	Less than 6 months £m	Between 6 and 12 months £m	Between 12 and 24 months £m	Total £m
Outflow	–	–	–	–	–	–	–	–
Inflow	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

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26. Financial risk management continued

The following movements in the cash flow hedge reserve relate to the hedges relating to cash flows from foreign currency trade receivables.

Group	2023 £m
Opening balance 1 January 2023	(1.8)
Change in fair value of hedging instrument recognised in other comprehensive income ("OCI")	0.4
Reclassified from OCI to profit or loss	1.3
Closing balance at 31 December 2023	(0.1)

The effect of hedge accounting on the Group's financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

Group	2023
Carrying amount	GBP£0.3m
Notional amount	
US dollar to Canadian dollar	CA$28.9m
Canadian dollar to euro	€7.2m
GBP to euro	–
GBP to US dollar	$0.4m
Hedge ratio	1:1
Average forward rates	
US dollar to Canadian dollar	1US$:1.3436CA$
Canadian dollar to euro	1CA$:0.6787€
Change in the fair value of the currency forward (excluding amounts reclassified)	£1.7m
Change in the fair value of the hedged item used to determine hedge effectiveness	£1.7m
Amounts in the cash flow hedge reserve	(£0.1m)

No other currency pairs at 31 December 2023 or during the year had a material value to the Group.

Notes to the accounts continued

26. Financial risk management continued

Currency profile

The currency profiles at 31 December of cash and cash equivalents and interest-bearing loans and borrowings are shown within the interest rate risk section in this note.

The following analysis of financial assets and liabilities (excluding net funds/debt) shows the Group and Company exposure after the effects of forward foreign exchange contracts used to manage currency exposure.

The amounts shown represent the transactional exposures that give rise to net currency gains and losses which are recognised in the consolidated income statement. Such exposures represent the financial assets and liabilities of the Group and the Company that are not denominated in the functional currency of the business involved.

	2023			2022		
Group	US dollar £m	Euro £m	Total £m	US dollar £m	Euro £m	Total £m
Functional currency:						
Sterling	–	–	–	–	–	–
Canadian dollar	5.1	0.3	5.4	3.3	1.9	5.2
Euro	–	–	–	–	–	–
	5.1	0.3	5.4	3.3	1.9	5.2

	2023			2022		
Company	US dollar £m	Euro £m	Total £m	US dollar £m	Euro £m	Total £m
Functional currency:						
Sterling	12.5	–	12.5	11.2	1.0	12.2

Sensitivity to foreign currency risk

Average exchange rates are used to translate the profits of foreign operations in the consolidated income statement. If sterling had been 10% stronger against all foreign currencies during the year, the effect of this on the average exchange rates used to translate profits would have decreased Group profit for the year by £0.3m (2022: £0.1m). If sterling had been 10% weaker against all foreign currencies during the year, the effect of this on the average exchange rates used to translate profits would have increased Group profit for the year by £0.3m (2022: £0.1m).

If sterling had been 10% stronger against all foreign currencies at 31 December 2023, Group equity would have decreased by £3.4m (2022: £3.2m decrease). Conversely, if sterling had been 10% weaker against all foreign currencies at 31 December 2023, Group equity would have increased by £3.7m (2022: £3.5m increase). This analysis assumes that all other variables remain constant.

Fair values

The fair value of borrowings at fixed rates for both the Group and the Company at 31 December 2023 is £8.8m (2022: £8.8m) and has been calculated by discounting the expected future cash flows at prevailing interest rates.

There are no other significant differences between book and fair values for any of the other financial assets or liabilities included in either the Group or Company statement of financial position.

Capital management

Capital comprises total equity as shown in the statements of financial position. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group manages its capital structure and makes adjustments to it in light of the economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital through measures of earnings per share (see note 11), return on capital employed (profit for the period divided by average equity) and tangible net worth (total equity before intangible assets and employee benefits, net of tax). There were no changes to the Group's approach to capital management during the year and neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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27. Leases

The right-of-use assets held at the balance sheet date relates to the following asset types:

	Group				Company
	Land & buildings £m	Plant & machinery £m	Motor vehicles £m	Total £m	Land & buildings £m
Cost					
Balance at 1 January 2022	7.4	0.1	0.9	8.4	–
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Transfers	–	–	–	–	–
FX Translation	0.4	–	–	0.4	–
Balance at 31 December 2022	7.8	0.1	0.9	8.8	–
Additions	2.1	–	–	2.1	0.3
Disposals	–	–	(0.1)	(0.1)	–
Transfers	–	–	–	–	–
FX Translation	(0.1)	–	–	(0.1)	–
Balance at 31 December 2023	9.8	0.1	0.8	10.7	0.3
Depreciation					
Balance at 1 January 2022	2.1	–	0.5	2.6	–
Charge for the period	1.0	–	0.1	1.1	–
Disposals	–	–	–	–	–
Transfers	–	–	–	–	–
FX Translation	0.1	–	–	0.1	–
Balance at 31 December 2022	3.2	–	0.6	3.8	–
Charge for the period	1.0	0.1	0.1	1.2	–
Disposals	–	–	(0.1)	(0.1)	–
Transfers	–	–	–	–	–
FX Translation	(0.1)	–	–	(0.1)	–
Balance at 31 December 2023	4.1	0.1	0.6	4.8	–
NBV of ROU assets 2022	4.6	0.1	0.3	5.0	–
NBV of ROU assets 2023	5.7	–	0.2	5.9	0.3

	Group		Company	
Lease liabilities	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
Opening liability	(5.3)	(6.0)	–	–
Additions	(2.1)	–	(0.3)	–
Disposals	–	–	–	–
Payments made	1.1	1.2	–	–
Interest charge	(0.1)	(0.1)	–	–
Effect of movements in foreign exchange rates	0.2	(0.4)	–	–
Closing liability	(6.2)	(5.3)	(0.3)	–
Amounts falling due after more than one year	(4.9)	(3.9)	(0.3)	–
Amounts falling due in less than one year	(1.3)	(1.4)	–	–

The Group took advantage of the exemptions available not to capitalise short-term leases with a duration of less than 12 months or leases of low-value assets. These leases have been treated as off-balance-sheet operating leases. There was no expense relating to either of these types of lease in the year (2022: £nil).

Notes to the accounts continued

27. Leases continued

The undiscounted payments under the leases fall due as follows:

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
Up to one year	1.5	0.9	–	–
One to five years	4.2	3.4	0.3	–
Over five years	1.0	1.5	–	–
Total undiscounted payments due under leases	6.7	5.8	0.3	–

28. Capital commitments

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Capital investment contracted but not provided for	0.1	–	0.1	–

29. Contingent liabilities

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Contingent liabilities in respect of guarantees and indemnities related to sales and other contracts	4.8	5.3	4.8	5.3

30. Related parties

Transactions with key management personnel

The compensation of key management personnel is disclosed in the Remuneration report on pages 37 to 39. Key management personnel comprise the Executive Directors only:

	31 December 2023 £m	31 December 2022 £m
Short-term employment benefits	0.1	0.1
Share based payments	–	0.1
Total key management personnel compensation	0.1	0.2

Identity of related parties

The Company has a related party relationship with its subsidiaries (see note 31), Directors and the UK and USA defined benefit pension schemes. In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's-length basis.

Details regarding transactions involving the Directors and their remuneration can be found in the Remuneration report on pages 37 to 38.

The Group recharges the UK defined benefit pension scheme with the costs of administration incurred by the Group. The total amount recharged in the year to 31 December 2023 was £0.1m (2022: £0.1m).

31. Group entities

All intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group and therefore in accordance with IAS 24 Related party disclosures are not disclosed.

Subsidiary undertakings

Details of all subsidiary undertakings are shown below. Subsidiary undertakings are, unless otherwise shown in brackets below, registered in England and Wales. Unless otherwise specified below, all subsidiaries are 100% owned by the Company.

Principal subsidiary undertakings		
Registered office	**Subsidiary undertakings**	
6500 Kitimat Road, Unit 1, Mississauga, Ontario LN5 2B8, Canada	Mpac Langen, Inc. (Canada)	
Edisonstraat 14, 6604 BV Wijchen, The Netherlands	Mpac Langen B.V. (Netherlands)	
8 Burn Road, #09-01 Trivex, Singapore 369977	Mpac Langen Pte. Ltd (Singapore)	
Station Estate, Tadcaster, North Yorkshire, LS24 9SG	Mpac Lambert Limited (UK)	
5638 Transportation Blvd., Garfield Heights, OH 44125, USA	Mpac Switchback Inc. (USA)	
	Mpac USA Inc. (USA)	
Subsidiary undertakings registered at Mpac Group plc registered office		
Arista Laboratories Europe Limited	Mpac Machine Company Limited	Molmac Engineering Limited
Hartsvale Limited	Mpac Machinery Limited	Thrissell Limited
Mpac Corporate Services Limited	Mpac Overseas Holdings Limited	Mpac Group Holdings Limited
Mpac ITCM Limited	Mpac Tobacco Machinery Limited	
Overseas subsidiary undertakings		
Registered office	**Subsidiary undertakings**	
6500 Kitimat Road, Unit 1, Mississauga, Ontario LN5 2B8, Canada	1456074 Ontario, Inc. (Canada)	
	928142 Ontario, Inc. (Canada)	
	Mpac Corporation (USA)	
	ITCM North America, Inc. (USA)	
	Mpac Delaware, Inc. (USA)	
	Mpac Laboratories, Inc. (USA)	
	SASIB Corporation of America (USA)	
	Mpac Richmond, Inc. (USA)	

During the year ended 31 December 2023, the Company received interest income from subsidiary undertakings of £0.4m (2022: £0.4m), management fees of £2.7m (2022: £2.1m) and brand fees of £4.0m (2022: £3.4m).

At 31 December 2023, amounts owed by subsidiary undertakings to the Company were £21.9m (2022: £25.3m) and amounts owed by the Company to subsidiary undertakings were £41.6m (2022: £39.2m) and are unsecured. The amounts owed by subsidiary undertakings to the Company are stated after a provision of £13.6m (2022: £13.9m) representing amounts owed to the Company which are no longer considered recoverable.

At 31 December 2023, investments in subsidiaries by the Company were £63.8m (2022: £63.8m).

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32. Accounting estimates and judgements

The development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates, are considered as part of the remit of the Audit Committee.

Estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Significant judgements

Revenue recognition

The Group recognises revenue and gross margin on long-term contracts over time, in accordance with IFRS 15, based upon the total number of hours expected to be used on the contract and the number of hours required to complete the contract. Labour hours have been selected as the most faithful depiction of progress (and hence the transfer of goods and services) as this most accurately reflects how Mpac provides value to the customer. Mpac delivers innovative, efficient, and technically robust solutions, with the time allocated to projects of Mpac engineers and technicians being the main driver to bring projects to fruition. Total expected revenue, the number of hours and cost of materials to complete the contract reflect management's best estimate of the probable future benefits and obligations associated with the contract. Obligations on contracts may result in penalties due to late completion of contractual milestones or unanticipated costs due to project modifications, unexpected conditions or events. Further detail in respect of revenue recognition is shown in the accounting policies note and note 1.

Labour hours have been selected as the most faithful depiction of progress (and hence the transfer of goods and services) as this most accurately reflects how Mpac provides value to the customer. Material costs incurred are not considered to be proportionate to the Group's progress in satisfying progress on contracts for which revenue is recognised over time and therefore revenue in respect of materials is recognised at an amount equal to the cost of good used to satisfy the performance obligation.

Capitalisation of development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model, and all other recognition criteria within IAS 38 can be demonstrated. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The net book value of capitalised development costs was £0.9m (2022: £2.0m).

Areas of significant estimation

Pension accounting

Changes to key assumptions used for calculating the net pension asset/liability of the Group can have a significant impact on the accounting valuation of the Group's defined benefit pension schemes. The key assumptions used in calculating the net pension asset/liability for the Group are disclosed in note 24. The value of the schemes' liabilities is particularly sensitive to the discount, inflation and mortality rates used, along with the evolving regulation of pension schemes. The Group is aware of a case involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes. This case is subject to appeal and the impact (if any) is not known and will be assessed as relevant in future. An analysis of the impact on the net pension asset/liability to changes in these assumptions is also disclosed in note 24.

Deferred tax

Management have recognised a deferred tax asset of £2.2m (2022: £3.1m) based on historic losses and investment tax credits. The assessment of this utilisation is based on the Group's latest budget, which is adjusted for significant non-taxable income and expenses, along with specific limits to the utilisation of the tax credits. Further details of the asset is in note 16.

Impairment of goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires assessment of the recoverable value of the cash generating units ("CGUs"). Determining whether goodwill balances are impaired requires an estimation of the value in use of the CGUs to which the value has been allocated. The value in use calculation requires the Group to estimate the future cash flows anticipated to arise from the CGUs and to apply a reasonable discount rate in order to calculate present value. The Group is required to perform an impairment review to determine whether the carrying value of goodwill balances are less than the recoverable amount annually. The recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in the review of goodwill balances are detailed in note 12.

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Five-year record

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	114.2	97.7	94.3	83.7	88.8
Underlying operating profit[1]	7.8	3.9	8.8	6.5	7.7
Non-underlying items	(3.9)	(3.9)	(0.5)	(3.6)	(2.4)
Operating profit	3.9	–	8.3	2.9	5.3
Net financing income/(expense)	0.8	0.2	(0.1)	–	0.1
Profit before tax	4.7	0.2	8.2	2.9	5.4
Taxation	(2.0)	(0.6)	(0.4)	1.3	1.4
Profit/(Loss) for the period from continuing operations	2.7	(0.4)	7.8	4.2	6.8
Profit for the period from discontinued operations	–	–	–	–	–
Profit/(Loss) for the period	2.7	(0.4)	7.8	4.2	6.8
Underlying operating return on sales[1]	6.8%	4.0%	9.3%	7.8%	8.7%
Underlying earnings per share[1]	26.2p	13.3p	39.7p	31.4p	39.5p
Basic earnings/(loss) per share	13.1p	(2.2)p	39.1p	20.8p	29.7p
Dividends per ordinary share in respect of the year	–	–	–	–	–
Intangible assets	24.0	25.4	25.3	27.4	16.3
Property, plant and equipment and investment property	10.8	9.8	10.6	9.9	11.7
Inventories	11.1	9.6	5.5	3.5	3.2
Trade and other receivables (including taxation)	48.8	49.2	36.5	36.6	31.1
Employee benefits	30.4	29.4	33.2	11.0	17.3
Trade and other payables (including taxation and provisions)	(72.1)	(65.4)	(60.2)	(57.7)	(50.1)
	53.0	58.0	50.9	30.7	29.5
Cash	11.0	4.2	14.5	15.5	18.9
Net assets	64.0	62.2	65.4	46.2	48.4

1. Before non-underlying items

Principal divisions and subsidiaries

The divisions and subsidiary undertakings shown include those which principally affect the profits and net assets of the Group as at the date of this report. Overseas companies operate and are incorporated in the countries in which they are based. In all cases, the class of shares held is ordinary equity shares (or equivalent) and the proportion held is 100% unless otherwise indicated. Shares in the UK companies are held directly by Mpac Group plc and those in the other overseas subsidiaries by intermediate holding companies.

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E-mail: info.asia@mpac-group.com

Notice of Annual General Meeting

Notice is hereby given that the 112th Annual General Meeting (the "Meeting") of Mpac Group plc (the Company) will be held at the offices of Hudson Sandler LLP, 25 Charterhouse Square, Barbican, London, EC1M 6AE on Wednesday 15 May 2024 at 12 noon, to consider and, if thought appropriate, to pass the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 to 14 will be proposed as special resolutions:

Ordinary resolutions

Report and Accounts

1. To receive the audited annual accounts of the Company for the year ended 31 December 2023 together with the Directors' report and the auditors' report on those annual accounts.
2. To approve the Remuneration report, excluding the Remuneration Policy, set out on pages 37 to 39 of the Annual Report and Accounts 2023.

Directors

3. To re-elect Mr. A J Kitchingman as a Director.
4. To re-elect Mr. A P Holland as a Director.
5. To re-elect Mr. W C Wilkins as a Director.
6. To re-elect Mr. D G Robertson as a Director.
7. To re-elect Mrs. S A Fowler as a Director.
8. To re-elect Mr. M G R Taylor as a Director

Auditors

9. To appoint PKF Littlejohn LLP as auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
10. To authorise the Audit Committee to determine the remuneration of the auditors.

Directors' authority to allot shares.

11. To generally and unconditionally authorise the Directors pursuant to and in accordance with Section 551 of the Companies Act 2006 (the Act), in substitution for all previous authorities to the extent unused, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:
    a) up to an aggregate nominal amount of £1,706,031 (representing approximately one third of the total ordinary share capital in issue at 18 March 2024, being the latest date prior to publication of this notice of meeting); and
    b) comprising equity securities (as defined in Section 560 (1) of the Act) up to a further aggregate nominal value of £1,706,031 in connection with an offer by way of a rights issue, such authorities to expire at the conclusion of the 2024 AGM or if earlier, at close of business on 15August 2025, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted
    or rights to subscribe for or convert any security into shares to be granted after the authority ends.

    For the purposes of this Resolution, 'rights issue' means an offer to:

    a) shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    b) holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;

    to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors consider necessary or appropriate in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

Special resolutions

Disapplication of pre-emption rights

12. That if resolution 11 is passed, the Board be authorised to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited:
    a) to allotments for rights issues and other pre-emptive issues; and
    b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £511,860;

    such authority to expire at the conclusion of the 2025 Annual General Meeting of the Company (or, if earlier, at close of business on 15 August 2025) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Notice of Annual General Meeting continued

13. That if resolution 11 is passed, the Board be authorised in addition to any authority granted under resolution 12 to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £511,860 such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Board of the Company determines to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;

    such authority to expire at the end of the 2025 Annual General Meeting of the Company (or, if earlier, at close of business on 15 August 2025) save that, in each case, the Company may before such expiry make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Authority to purchase of own shares.

14. That the Company be generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 25 pence each in the capital of the Company ('ordinary shares') provided that:
    a) the maximum number of ordinary shares hereby authorised to be purchased is 2,047,422;
    b) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 25 pence per share, being the nominal amount thereof;
    c) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of: (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System ("SETS"); and
    d) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the 2025 AGM, save that the Company may before such expiry make a contract or agreement to make a market purchase of its own ordinary shares which will or may be executed wholly or partly after the expiry of such authority and the Company may purchase such shares as if the authority conferred hereby had not expired.

By order of the Board

PRISM COSEC LIMITED
Company Secretary

18 March 2024

Registered in England and Wales No. 124855

Registered office:
Station Estate
Station Road
Tadcaster
North Yorkshire
LS24 9SG

Explanatory notes relating to the resolutions

Resolutions 1 to 11 are ordinary resolutions; resolutions 12 to 14 are special resolutions. To be passed, ordinary resolutions require more than 50% of votes cast to be in favour of the resolution whilst special resolutions require at least 75% of the votes cast to be in favour of the resolution.

Ordinary resolutions

To receive the Annual Report and Accounts 2023

Resolution 1 is a standard resolution. The Companies Act 2006 requires the Directors to lay before the Company in a general meeting copies of the Company's annual accounts, and the Directors' report and auditor's report on those accounts. The Annual Report and Accounts 2023, which includes this Notice of Annual General Meeting, will be available online at www.mpac-group.com.

Remuneration Report

Resolution 2 seeks shareholders' approval for the Directors' Remuneration report which is set out on pages 37 to 38 of the Annual Report and Accounts 2023, for the year ended 31 December 2023. The vote is advisory only.

Re-election of Directors

In accordance with best practice in corporate governance, resolutions 3 to 8 seek approval for the re-election of all Directors who served during the year.

Biographical information for each of the Directors is provided on page 26 of the Annual Report and Accounts 2023.

The Board has no hesitation in recommending the re-election of the Directors to shareholders. In making these recommendations, the Board confirms that it has given careful consideration to the Board's balance of skills, knowledge and experience and is satisfied that each of the Directors putting themselves forward for re-election has sufficient time to discharge their duties effectively, taking into account their other commitments.

Auditors

The auditors of a company must be appointed or re-appointed at each general meeting at which the accounts are laid.

Resolution 9 seeks approval to re-appoint PKF Littlejohn LLP as the Company's auditors until the conclusion of the next general meeting of the Company at which accounts are laid.

Resolution 10 seeks consent for the Audit Committee to determine the remuneration of the auditors.

Directors' authority to allot shares.

Resolution 11 seeks consent for shareholders to grant the Directors authority to allot shares or grant rights to subscribe for or convert securities into shares, up to a maximum aggregate nominal value of £3,412,062, which is approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at 18 March 2024, being the latest practicable date prior to the publication of this notice.

£1,706,031 of this authority is reserved for a fully pre-emptive rights issue only which is the maximum permitted amount under best practice corporate governance guidelines.

The authority will expire at the next Annual General Meeting of the Company or if earlier, at close of business on 15 August 2025. The Directors have no current intention of exercising such authority and will exercise this power only when they believe that such exercise is in the best interests of the shareholders.

Special resolutions

Disapplication of pre-emption rights

Resolutions 12 and 13 will be proposed as special resolutions, each requiring a majority of 75% of those voting to be in favour. If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

Resolution 12 deals with the authority of the Directors to allot new shares or other equity securities pursuant to the authority given by resolution 11, or sell treasury shares, for cash without the shares or other equity securities first being offered to shareholders in proportion to their existing holdings. Such authority shall only be used in connection with a pre-emptive offer, or otherwise, up to an aggregate nominal amount of £511,860, being approximately 10% of the total issued ordinary share capital of the Company as at 18 March 2024.

The Pre-Emption Group Statement of Principles 2022 issued on 4 November 2022 supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities (and sales of treasury shares for cash) representing no more than an additional 10% of issued ordinary share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines 'specified capital investment' as meaning one or more specific capital investment related uses for the proceeds of an issuance of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets that are the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, and in line with the template resolutions published by the Pre-Emption Group, resolution 13 seeks to authorise the Directors to allot new shares and other equity securities pursuant to the authority given by resolution 11, or sell treasury shares, for cash up to a further nominal amount of £511,860, being approximately 10% of the total issued ordinary share capital of the Company as at 18 March 2024, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in resolution 13 is used, the Company will publish details of the placing in its next Annual Report. If these resolutions are passed, the authorities will expire at the end of the 2025 Annual General Meeting or at close of business on 15 August 2025, whichever is the earlier.

The Board considers the authorities in resolutions 12 and 13 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a rights issue or other pre-emptive offer without the need to comply with the strict requirements of the statutory pre-emption provisions.

Notice of Annual General Meeting continued

Authority to purchase own shares.
Resolution 14 seeks authority for the Company to make market purchases of its own ordinary shares up to a maximum number of 2,047,442 ordinary shares, representing approximately 10% of the issued ordinary share capital at 18 March 2024. The authority requested would replace a similar authority granted last year and would expire at the end of the 2025 AGM, or if earlier, at close of business on 15 August 2025.

In reaching a decision to purchase ordinary shares, the Directors will take account of the Company's cash resources and capital and the general effect of such purchase on the Company's business. The authority would only be exercised by the Directors if they considered it to be in the best interests of the shareholders generally and if the purchase could be expected to result in an increase in earnings per ordinary share.

Notes relating to the Notice

The following notes explain your general rights as a shareholder and your right to vote at this Meeting or to appoint someone else to vote on your behalf.

Entitlement to attend and vote

1. To be entitled to vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on Monday 13 May 2024, or if the meeting is adjourned, close of business on the day which is two days' prior to the adjourned meeting. In each case, changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

Voting at the Meeting

2. Voting at the Meeting will be by way of poll rather than on a show of hands. This is a more transparent method of voting as shareholder votes are counted according to the number of shares held and will help to ensure an exact and definitive result. If you will not be participating in the meeting in person and wish to vote in advance, you may appoint a proxy as further detailed in notes 3 to 11 below.

Appointment of proxies

3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. In order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. You are therefore asked to vote in one of the following ways:
   - Register your vote online through our registrar's portal – www.signalshares.com. You will need your investor code which is printed on your share certificate or may be obtained by calling the Company's registrar, Link Group ('Link') on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
   - Link has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play.
   - CREST members may use the CREST electronic proxy appointment service as detailed in note 9 below.
   - Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar.
   - For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12noon on Monday 13 May 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
   - If you prefer, you may request a hard copy form from Link using the numbers shown above and return it to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL

   All proxy appointments, whether electronic or hard copy, must be received by the Company's registrar no later than 12 noon. on Monday 13 May 2024 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting).

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message.

    Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

11. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

Issued shares and total voting rights

12. As 18 March 2024 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 20,474,424 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 March 2024 are 20,474,424.

Questions

13. We always welcome questions from our shareholders and we request that shareholders submit their questions to the Board before the Meeting. We will ensure that answers to questions are placed on the Company's website.

    You can submit questions up until 11 a.m. on 13 May 2024 by emailing them to cosec@mpac-group.com

Communication

14. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Website giving information regarding the meeting.

15. A copy of this Notice can be found on the Company's website at www.mpac-group.com.

Corporate information

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Share price
Available from:
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Certain national newspapers

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Website
Further information is available at www.mpac-group.com

Timetable
Annual General Meeting
15 May 2024

Payment dates for preference dividend
30 June 2024 and 31 December 2024

Half-year announcement
September 2024

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Mpac | AUTOMATION

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