

Making a difference

We create packaging and automation ecosystems that enhance manufacturing to help businesses adapt and grow

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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Year at a glance

- Further good progress on the Group's strategic initiatives
- 2022 order intake of £83.8m (2021: £117.9m)
- Group full year revenue £97.7m (2021: £94.3m)
- Underlying profit before tax of £3.5m (2021: £8.6m)
- Statutory profit before tax of £0.2m (2021: £8.2m)
- Underlying earnings per share of 13.3p (2021: 39.7p)
- Basic loss per share of 2.2p (2021: earnings of 39.1p)

ORDER INTAKE

£83.8m

(2021: £117.9m)

REVENUE

£97.7m

(2021: £94.3m)

UNDERLYING EARNINGS PER SHARE

13.3p

(2021: 39.7p per share)

BASIC LOSS PER SHARE

2.2p

(2021: Earnings of 39.1p)

PROFIT BEFORE TAX

£0.2m

(2021: £8.2m)

NET ASSETS

£62.2m

(2021: £65.4m)

Revenue by sector

Food and beverage

£45.7m

Clean Energy

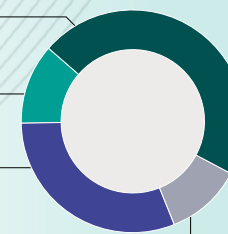
£11.1m

Healthcare

£30.1m

Other

£10.8m



Revenue by region

Americas

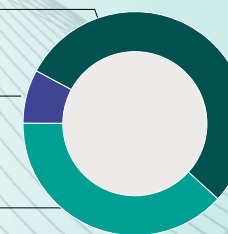
£52.8m

Asia

£7.4m

Europe, Middle East & Africa

£37.5m



Who we are and what we do

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We support all brands and all locations with our global operations

Mpac is a provider of full-line 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.

We are headquartered in the UK and have strategically located manufacturing and Service locations 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 full-line 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 whole-line 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 full-line automation ecosystems 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

We help achieve better patient outcomes through advanced products, processes and packaging formats. From contact lenses to wound care products, we've got it covered.



Food and beverage

With extensive experience in dealing with powders to liquids, cereals to confectionary, our packaging machinery covers a wide range of applications.



Clean energy

We are developing battery cell assembly processes based upon 24M technology to provide high speed at a lower unit cost to customers in the sector.



WHOLE LINE

Using limitless ingenuity to align global manufacturing

- › Global whole-line integration
- › Streamlining processes and identifying efficiencies
- › Creating opportunities for new products

WHOLE LIFE

Maintaining peak overall equipment effectiveness for the lifespan of machines

- › Hands-on global experts providing local support
- › Maintaining peak OEE over machine lifespan
- › Transformational digital services

WHOLE PLANET

Helping businesses grow globally while embracing sustainability

- › Next-generation manufacturing for the next generation
- › Building efficient machines to optimise businesses performance and in turn, reduce the impact on the environment
- › Reducing transportation footprints with remote service assistance and smaller carton sizes

WHOLE LINE, WHOLE LIFE, WHOLE PLANET

Mpac's offer to customers has been shaped by delivering against these three pillars. The result is Automation Ecosystems



ONE MPAC

All our products and services operating as 'One Mpac' to deliver Automation Ecosystems



Product line specialty

- › Focus on clean energy and healthcare sector device assembly and automation
- › Cutting-edge factory automation platforms and transformational technologies
- › Manufacturing site in EMEA, serving customers in EMEA, Americas and APAC
- › Exceptional customer service support



Product line specialty

- › Market leading secondary and end-of-line packaging solutions for food and beverage and healthcare sectors
- › Flexible engineered modular assemblies to support customers' requirements
- › Manufacturing sites in EMEA and Americas, serving customers in EMEA, Americas and APAC
- › Global Service support offering

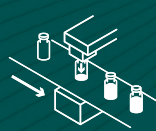


Product line specialty

- › Secondary and end-of-line packaging solutions for food and beverage and healthcare sectors
- › Cartoners, Trayformers, Carton Closers, Case Erectors and Case Packers, and Labelling machines
- › Manufacturing site in Americas, serving customers in EMEA and Americas
- › Integrated Group Service supporting customers globally



Assembly



Filling & Dosing



Primary packaging



Product handling and infeed



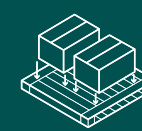
Cartoning



Tray forming



Case packing



Palletising

MPAC CUBE

We've folded the many sides of our automation service and support together to form the 'Mpac Cube' Propelling production goals through Connectivity, Productivity and Sustainability

Chairman's introduction

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ANDREW KITCHINGMAN
CHAIRMAN

"I am pleased to report that measures implemented to mitigate the impact of supply chain disruption resulted in an improved financial performance in the second half of the year and supported by the prior implementation of strategic initiatives, we anticipate that the Group is in a position to return to profitable growth and an improved financial performance in 2023."

Further good progress has been made against our long term strategic objectives of focusing upon the growth potential from the Food and Beverage and Healthcare sectors. Alongside these initiatives the Group has established the foundations to access the future potential from the emerging clean energy battery production sector by supporting the battery cell assembly development line for FREYR Battery. While the scale of the opportunity remains uncertain, the development work completed in 2022 provides the Group with the best possible access to the market for the cell assembly technology within our scope.

Considerable progress has also been made in developing our Service businesses alongside mitigation of operational challenges, underpinned by the prior roll out of common ERP and business systems across the Group. Our investment proposition remains one of organic growth, augmented by carefully selected acquisitions.

Our strategy remains to focus on the high growth Healthcare and Food & Beverage sectors, driven by innovation and a focus on software and platform developments to ensure operational leverage.

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

Summary of results

The impact of wider economic uncertainty and the disruption to supply chains in 2022 is reflected in the financial results for the year. Order intake for the Group of £83.8m (2021: £117.9m) and Group revenues of £97.7m (2021: £94.3m). Underlying operating profit before tax was above revised market expectations at £3.9m (2021: £8.8m) and underlying profit before tax was in line with revised market expectations at £3.5m (2021: £8.6m). Statutory profit before tax was £0.2m (2021: £8.2m). Group net debt ended the year at £4.7m (2021: net cash £13.6m).

Acquisitions

In September 2020, the Group acquired Switchback for £11.5m. During 2022, Switchback has been further integrated into the Americas region and the wider Group. The Group was pleased to settle the final tranche of deferred consideration of £0.8m, associated with the satisfaction of stretching performance targets in the year to 30 September 2022, which was paid in October 2022.

Board changes

I would like to welcome Adam Holland to the Board as Chief Operating Officer.

Adam joined the Board in November 2022 and brings with him extensive experience of senior executive and business leadership roles in the engineering and service sectors. These include General Manager at

JCB Service and Managing Director at JCB Power Products, having previously held senior leadership roles in the Energy, Oil and Gas and Aerospace sectors.

Dividend

Having considered the trading results for 2022 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 2022. Future dividend payments will be considered by the Board in the context of 2023 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 continued to demonstrate an ability to grow recurring Service revenue. The order book remains robust, providing good coverage over 2023 revenue, and I consider the prospects for the Group over the medium term remain strong, as the sales and profit growth initiatives established by the leadership team take hold. I look forward to reporting on the progress that will be made during 2023.

Andrew Kitchingman
Chairman

22 March 2023

Strategy: Our mission, sectors and values

Our mission

To be a global leader of high-speed packaging and automation solutions focused on attractive growth markets enhanced by a world-class service offer programme to ensure maximum return on customer investments.

Customer focused, responsive and flexible through operational excellence underpinned by a global competitive supply chain and internal activities optimised to maximise efficiency.

Address our customers' unmet needs by leveraging market leading technology, innovation and application know-how.

"To create automation ecosystems that enhance manufacturing to help businesses to adapt and grow. Advancing the world with manufacturing solutions which make a difference."

Mpac purpose statement

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.

Our values

Integrity

Deliver on our promise, respect and value others.

Excellence

Always striving to be better.

Passionate

Be energised to deliver.

Innovation

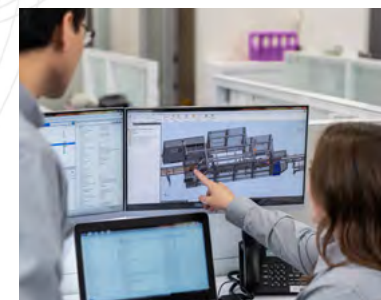
Identify a need, think outside of the box and deliver solutions.

Collaboration

Working together without boundaries for the collective goal.



Customer focused, responsive and flexible through operational excellence.



Address our customers' unmet needs by leveraging market leading technology and innovation.

Strategy: Business model

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The 'One Mpac' business model ensures we deliver consistent high-quality services to our customers globally and 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 ecosystems to develop and optimise manufacturing processes. Our end-to-end capabilities help our customers thrive in a changing world.

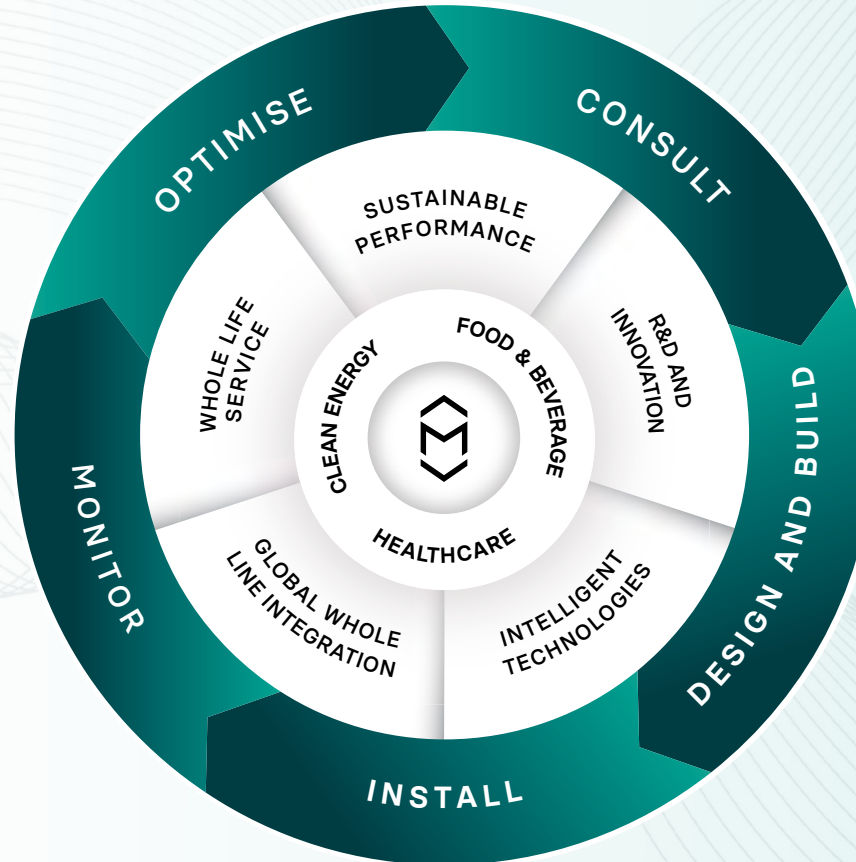
Optimise

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

Ecosystems live, breathe and evolve, and so should your automation ecosystem. 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

2022 progress			Future plans	
Going for growth	Products New customer relationships developed in EMEA and Americas	One Mpac Cross selling of Switchback and Langen product ranges	Global Key account management and product line development	Innovation Develop and augment clean energy proposition
	One Mpac Integration of regional Service teams to provide seamless support	Americas Expansion of Americas healthcare service team	Mpac Cube Subscription based revenue from Mpac Cube product offering	Systems Drive to enhanced customer responsiveness
Operational efficiency	One Mpac Progress standardised machine design and modular build programme	One Mpac Leverage common global supply chain	One Mpac Secure coverage of supply constrained key electrical components	Americas ERP and business systems blueprint deployment in Cleveland
Innovation	Products Cardboard tray erector to support drive for sustainability	Products Extension of additional features for case packing and cartoning product range	Technology Develop next generation cartoning capabilities	Americas Extend Switchback product line offering for Food and Beverage and Healthcare markets
People	Skills Graduation of first year Mpac Academy participants to develop future leaders	Knowledge Investment in employee development and training	Skills Focus on resourcing local site leadership team	Skills Continued investment in Mpac Academy

Achieving our ambitions

The market and our customer demands continue to evolve, with a clear need for full solutions to their packaging requirements supported by a comprehensive services proposition to ensure maximised return on their investments. Demand for data capture and traceability throughout the product life-cycle is also an increasing trend.

By utilising the impressive array of innovative engineering solutions throughout the Mpac sites, supported by a focused product development roadmap targeted on the attractive growth markets, we will be well

positioned to deliver growth beyond industry forecasts. The Group offers innovative solutions, working with the customers' product development engineers and marketing functions on the next generation of innovative products. By partnering with these key global customers, Mpac will be well positioned to support the customer from prototype to series production.

This capability should be leveraged across our global sales team and into our global key accounts and prospects. Service continued to represent a support to increase

productivity and to secure a return on the investment in equipment. Product innovation and development is key to sustained growth in the large and attractive markets we operate in. Our new product development roadmap is focused on the needs of the market and is orientated around digital led innovation.

'One Mpac' business model with a regionally focused, single business entity model has been implemented. Mpac provides local support on a global level, delivered via our region commercial teams, supported by a global service and operations functions.

Customer responsiveness and reduced lead times are key competitive advantages and as such we need to continuously improve. By working on a global basis, operations and shared services will be better able to increase operational efficiencies, whilst simultaneously creating a flexible and responsive manufacturing base and supply chain to quickly adapt to changes in customer demand and investment cycles.

We make a difference through...

Encouraging inspiration

"Our people are the heart of Mpac, and the Mpac Academy ensures the next generation of leaders have the skills to succeed."

TONY STEELS – CEO



The Mpac Academy programme was created with a focus on developing the future leaders of Mpac.

Each year, a select group of high-performing individuals across all of the Mpac global sites, who are operating in a managerial capacity and deemed to have the potential to progress to a senior level position within the company, will be nominated and invited to participate.

This important initiative was officially launched in early 2022 with the graduation week hosted at the Tadcaster, UK site in December.

As part of the programme, the participants collectively worked on a business case and presented to the Executive Leadership Team.

The inaugural class will now become coaches and mentors for the Class of 2023.

Programme Overview

- › Dedicated mentors for each participant
- › Inspirational speakers
- › Site visit to Mississauga and UK
- › Various group exercises
- › Coaching & Mentoring cohort for Class of 2023
- › Support training and development within the business

Workshops and Training Modules

- › Influential Leadership
- › Developing and delivering strategic objectives
- › Self-awareness and assessment of leadership style
- › Motivating your team to become a high-performing team
- › Finance for the non financial manager





TONY STEELS
CHIEF EXECUTIVE

“Mpac, as a team, once again demonstrated agility to implement mitigations to deliver a second half recovery, faced with increased macro-economic uncertainty and unprecedented volatility in the global supply chain which impacted both the lead time of customers’ order placement and caused operational challenges. The Group responded dynamically to continue to meet customer expectations again, increasing service revenue. The Group ended 2022 with a strong closing order book and a healthy prospect pipeline, providing an encouraging outlook for 2023.”

Introduction

In recent years the Group has made substantial progress in its strategic plans to deliver growth from the resilient food and beverage and healthcare markets, which have attractive long term growth drivers. However, well documented short-term operational challenges caused by macro-economic headwinds and volatile global supply chains resulted in lower order intake, reduced operational efficiency and extended project build time frames during 2022. Against this backdrop, the Group was successfully able to implement a range of pro-active mitigation measures which drove an improved financial performance in the second half of the year. These included securing stock, establishing alternative sources of electronic component supply; increased focus on reliable planning data from our ERP system, close management of our supply chain, negotiating price increases, and implementing cost saving initiatives. It is also thanks to the dedication and resourcefulness of our employees that our customers’ expectations have broadly continued to be met during this challenging period for Mpac.

In 2022 the Group continued to make progress in the development of casting and unit cell assembly equipment for the battery cell production line at the FREYR Battery (“FREYR”) Customer Qualification Plant in Norway. During H2, changes agreed with FREYR have resulted in a revised plan for delivery of the line in Q1 2023, and commissioning in Q2 2023. In September 2022, the Group announced a framework agreement for the supply of assembly equipment to the production lines intended by FREYR to follow-on from the initial Qualification Plant.

2022 was a milestone year for Mpac with the first graduates from our Mpac Academy, aimed at developing future leaders for the Group. Mpac was at the Pack Expo trade show in Chicago for the first time as a truly integrated business offering sales and service throughout the Americas through unified teams.

£83.8m

Overall Group order intake
(2021: £117.9m)

£67.2m

Order book for 2023
(2021: £78.4m)

£97.7m

Group revenue
(2021: £94.3m)

£74.6m

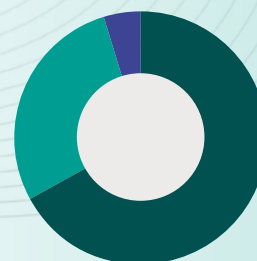
Original Equipment revenue
(2021: £74.1m)

£23.1m

Service revenue
(2021: £20.2m)

Revenue by geography

- Americas **£52.8m**
- Europe, Middle East & Africa **£37.5m**
- Asia **£7.4m**



We make a difference through...

Product innovation

"Mpac designs, manufactures and supports automation solutions needed to bring life-saving products to market."



Mpac was selected by a leading healthcare customer who simplifies and improves diabetes management around the world, as the preferred supplier for multiple packaging automation lines for their innovative medical device.

Customer requirement

- › To automatically package a medical device into vertical cartons.
- › Verify and track each individual device production data, including batch, lot and product information.
- › Verify and insert instructions for use into each carton, along with the device.
- › Laser print and verify the production data as noted.
- › Close and seal the cartons, then automatically package them into a shipper case, applying production data information on the exterior of the shipping case.
- › Support the solution across its global manufacturing base.

Mpac solution

- › A proven track record at providing robotic infeed and applications to handle incoming devices.
- › Developed a vertical continuous cartoner (VCC), capable of reliably forming, handling and sealing cartons.
- › Implemented multiple machine vision verification systems to validate device product data, including batch, lot and product information.
- › Developed line communication protocol software to handle the data exchange between the packaging equipment and customer database.
- › Global footprint providing local Service support aligned to the customer's manufacturing locations.



Our search for further complementary acquisition targets continues. However, the focus of management remains on delivering organic growth and extending our commercial reach to new customers with new products and services, supported by a comprehensive, market-led development roadmap.

The business fundamentals of Mpac remain strong and the business has again demonstrated resilience in managing short term operational challenges. The Board is excited about the next phase for the Group, given our strong position in the growing healthcare and food & beverage sectors, we remain on track to meet our long-term strategic objectives.

Supply chain

Disruption to the supply of critical, customer-specified chip based electronic components continues; however, the Group has been proactive in implementing mitigation measures described above. Parts delays extended project build times, resulting in increased levels of working capital, which was funded with a combination of free cash and borrowing against existing committed bank facilities. The increase in working capital is expected to unwind as the backlog of projects are largely cleared in H1 2023.

Strategic update

Our strategy focuses on three key initiatives to drive growth:

Going for Growth – Offering comprehensive “Automation Ecosystems” in our target sectors, driven by understanding customer needs and providing innovative solutions;

Make Service a Business – A comprehensive portfolio of service products to maximise customers’ return on investment; and

Operational Efficiency – Operational excellence and flexible supply chains, increasing responsiveness to our customers.

Going for Growth

Our goal remains to grow Group revenue at a double-digit rate year on year. The overall addressable end market is substantial and growing, though macro-economic uncertainty has impacted the timing of customer investment, extending decision-making cycles. However, the fundamentals of the markets in which we operate remain strong.

During 2022 we further consolidated and focused our regional sales structure through extensive training and sales tools, supporting cross selling and delivering a wider range of machines to new and existing customers. Our One Mpac model was reinforced with significant investment in trade shows, most notably the flagship Chicago packaging exhibition, Pack Expo, in September, resulting in a significant uptick in both followers and lead generation.

Innovation remains the key to long term sustainable growth. We have made significant progress in 2022 developing technologies to support our solutions for the clean energy sector in collaboration with 24M and FREYR. Furthermore, we have launched additional products marketed under the Mpac Cube brand, which incorporates innovations focused on improved machine performance and digital enhancements as well as further Industry 4.0 enabled technology. Our recently launched case packing solutions have now become a key product to offer our customers in combination with other Mpac solutions.

Make Service a Business

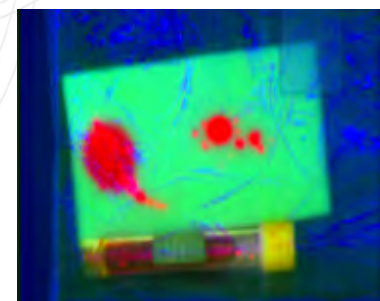
Service continues to grow year on year supported by investments in innovation and building resources located in the regions our customers operate. Mpac Cube was further developed during the year, incorporating our service installation and commissioning, spare parts, site service and training, together with retrofits and upgrades. In addition, a suite of digital products is now available to provide customers with advanced engineering, information management, connected services and machine insights, ensuring our customers can fully embrace Industry 4.0.

Our goal is to generate 30% of our revenue from these services and we are well on track to meet this target.

In 2022 we also enhanced our Service model in the Americas, developing the Americas healthcare service business unit, which provides proactive and responsive technical support specific to the installed machine base. This remains a key focus as we enter 2023.



We make sure your machine stays up to date with the latest modernisations.



Our bespoke whole life service options ensure unstoppable OEE and keeps your machines in prime condition.

We make a difference through...

Helping businesses adapt

"In our tireless search for a global automation partner that met our challenging requirements, no other premium manufacturer stood out as clearly as Mpac Group"

GASPARE GUARRASI – CHIEF OPERATING OFFICER



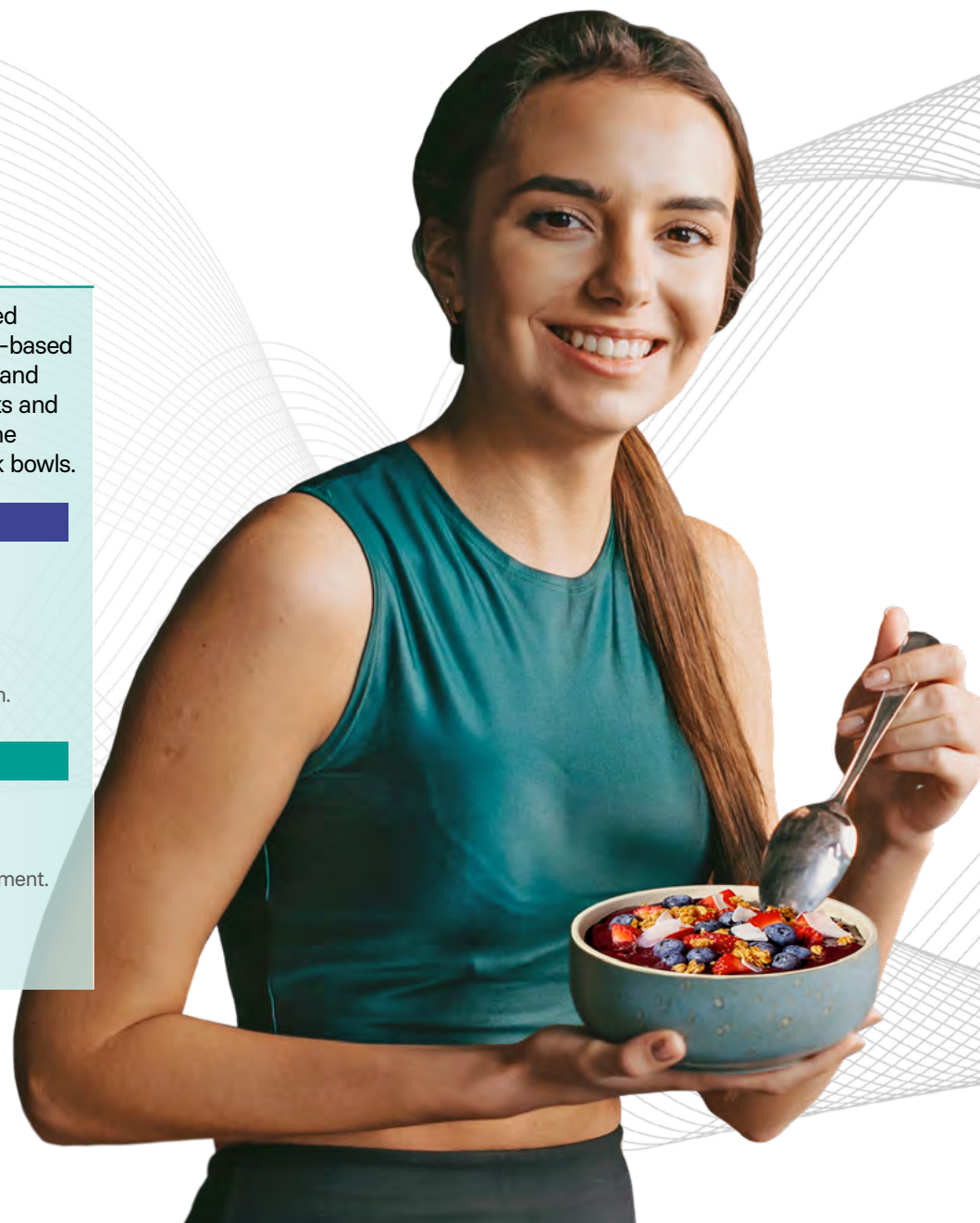
Mpac were selected by Tattooed Chef, a leading plant-based food company offering a broad portfolio of innovative plant-based food products that include ready-to-cook meal bowls, acai and smoothie bowls. The first Mpac solution cartons, case packs and palletizes Organic Acai Smoothie Bowls, with the second line dedicated to packaging their other signature ready-to-cook bowls.

Tattooed Chef requirement

- › Trusted supplier for a long-term partnership.
- › Holistic approach for a true automation solution for end of line.
- › Full automation within a smaller than desirable footprint.
- › Top load cartoning with challenging rate requirements and collation.

Mpac solution

- › 5-step approach commencing with consultation.
- › Turnkey solution within desired areas.
- › Strong collaboration with a strong focus on the customer's requirement.
- › Solution: LRC-400 top load cartoner, raised Solano top load case packer and an LRC-600 palletizing solution – accommodating a variety of carton and case sizes with load patterns.



Operational Efficiency

Our goal is to be a flexible organisation which can respond with agility to our customers' needs, leveraging our global internal resources as one. Short term operational challenges in 2022 highlighted the benefits of the prior investment in business systems which played a key part in mitigating the impact for the full year.

Our global ERP and business systems blueprint implemented in our facilities in the Netherlands, Canada and the UK, will be rolled out to our facility in the US during 2023.

We are proud to have completed the inaugural year of our Mpac Academy and will look to extend this in 2023 with a graduate development programme, to include recent graduates, aimed at enlarging our graduate intake across all disciplines in the Group and providing them with a broad base of training, to support their career and future development with Mpac.

Environmental, Social & Governance

We are fully committed to improving our Environmental, Social & Governance ("ESG") performance in all areas. Sustainability is at the core of the Mpac business model. Our engineered automation and packaging solutions provide customers with sustainable and environmentally sound equipment that support the global megatrends of reductions in packaging, particularly single-use plastics, reduced waste and increase overall equipment effectiveness. Our end-to-end capabilities help our customers to achieve their sustainability goals.

Acquisition strategy and update

The Board continues to seek and evaluate potential acquisition opportunities, the focus of which is to find 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. Several opportunities are currently under evaluation and further updates will be provided as appropriate.

Outlook

The Group has a strong order book and prospect pipeline and continues to focus on meeting customer commitments.

Economic conditions of rising energy costs, higher interest rates, skilled labour shortages and ongoing semi-conductor supply constraints are expected to continue from 2022 into 2023, setting the context for customer investments and decision-making.

The measures implemented to respond to the short-term operational challenges of increasing inflation and supply chain disruption in 2022 have placed the Group in a good position to successfully manage any ongoing disruption.

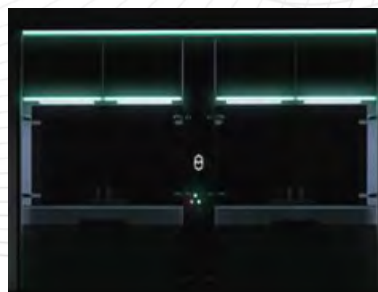
The Group remains focused on executing its long-term strategy of delivering OE and Service growth at improved margins, increasingly through our digital services customer offering, together with increased operational efficiencies.

We continue to work with our customer, FREYR, to develop and build a clean energy casting and unit cell assembly line and, while timelines have been extended, this project has the potential to open the clean energy sector to Mpac. Delivering the initial development line and establishing Mpac's position as a trusted partner to provide battery assembly automation in this exciting and rapidly developing market will be a focus for the Group in 2023.

The Board believes the Group's long term prospects are positive and the new financial year has started in line with its expectations. Whilst the macro-economic and geopolitical uncertainty looks likely to continue, Mpac is well positioned to meet its strategic objectives.

Tony Steels
Chief Executive

22 March 2023



With your current and future needs in mind, we develop fresh ideas and design innovative machines.



Mpac was selected by a leading healthcare customer who simplifies and improves diabetes management around the world.



WILL WILKINS
GROUP FINANCE DIRECTOR

“Investment in working capital to manage and mitigate the impact of the supply chain crisis on the Group was successful in securing revised project build timeframes and is expected to unwind in the first half of 2023.”

Revenue and operating results

Group revenues of £97.7m (2021: £94.3m) represent an increase of 4% compared to the previous year. OE revenue remained broadly level at £74.6m (2021: £74.1m), underpinned largely by growth in EMEA and from the clean energy sector. Services revenue grew by 14% to £23.1m (2021: £20.2m), driven predominantly by growth in the Americas and Asia Pacific. The rate of revenue growth in all regions was impacted by lengthening supply chain lead times and operational inefficiencies from erratic supplies of key electronic components.

Overall order intake for the Group fell by 29% to £83.8m (2021: £117.9m), due primarily to the impact of lengthening customer investment decision making in the light of a more challenging economic outlook.

The closing 2022 order book reduced to £67.2m (2021: £78.4m), albeit with increased customer diversification. The value of the closing order book, whilst below the prior year, continues to provide good coverage over the forecast 2023 revenue. We remain vigilant to project execution risk and the impact on operational efficiency of supply chain disruption.

The Group was significantly impacted by the supply chain crisis in 2022, which resulted in a reduction in market profit guidance, announced in July 2022. Pleasingly, the measures that we implemented have been successful and the Group reported a full year underlying operating profit of £3.9m, ahead of revised market guidance. Extended project build times led to an increase in the volume of partially complete projects at the year end and resulted in higher working capital. After the cost of debt to fund the increase in working capital, underlying profit before tax for the year of £3.5m was in line with revised market guidance.

We manage the business in two parts, OE and Service and across three regions, Americas, EMEA and Asia.

Revenue by region was Americas £52.8m (2021: £63.3m), EMEA £37.5m (2021: £26.7m) and Asia £7.4m (2021: £4.3m).

Revenue by sector was food & beverage £45.7m (2021: £45.3m), healthcare £30.1m (2021: £29.2m), clean energy £11.1m (2021: £2.6m) and other £10.8m (2021: £17.2m).

Individual OE contracts, and to a lesser extent 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.

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:

£83.8m

Overall Group order intake
(2021: £117.9m)

£97.7m

Revenue
(2021: £94.3m)

£3.5m

Underlying profit before tax
(2021: £8.6m)

3.6%

Underlying PBT return on sales
(2021: 9.3%)

13.3p

Underlying EPS
(2021: 39.7p)

Statutory Key Performance Indicators

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

£0.2m

Profit before tax
(2021: £8.2m)

0.2%

PBT return on sales
(2021: 8.7%)

-2.2p

Basic EPS
(2021: 39.1p)

Original Equipment

OE order intake of £57.2m (2021: £96.0m) was 40% below the prior year due to customer orders being brought forward to 2021. OE revenues of £74.6m (2021: £74.1m) were in line with the prior year.

OE revenue generated in the Americas region was 23% below the prior year at £40.9m (2021: £53.4m). The decrease in revenue was primarily driven by supply chain delays impacting project deliveries in the food & beverage sector.

In EMEA, OE revenue in the year was £27.8m (2021: £17.4m) with the increase due primarily to the growth within the clean energy sector in 2022. OE revenue in Asia was £5.9m (2021: £3.3m).

Service

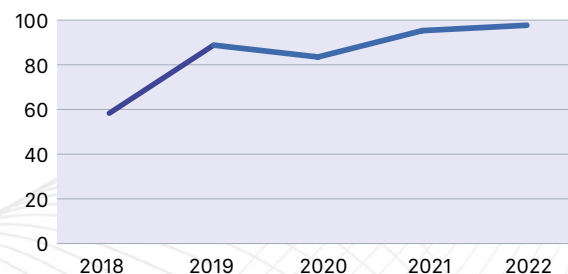
Order intake for the Service division was 21% above 2021 at £26.6m (2021: £21.9m). Service revenue of £23.1m (2021: £20.2m) was 14% above the prior year.

Service revenue in the Americas showed strong growth at £11.9m compared to £9.9m in 2021, with the increase being driven largely by the healthcare and food & beverage sectors. EMEA revenue in the year was £9.7m compared to £9.3m in 2021. Asia revenue in the year was £1.5m compared to £1.0m in 2021.

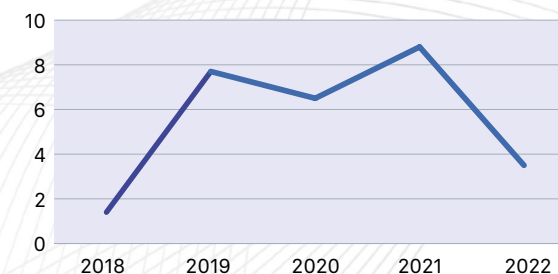
Reconciliation of underlying profit before tax to profit before tax

	2022 £m	2021 £m
Underlying profit before tax	3.5	8.6
Non-underlying items		
Defined benefit pension scheme – other costs and interest	(0.8)	(1.0)
Acquisition costs	(0.3)	(0.4)
Reorganisation costs	(0.6)	–
Release of deferred consideration	–	2.4
Acquired intangible asset amortisation	(1.6)	(1.6)
Deferred consideration interest	–	(0.1)
Profit on disposal of Coventry facility	–	0.3
Non-underlying items total	(3.3)	(0.4)
Profit before tax	0.2	8.2

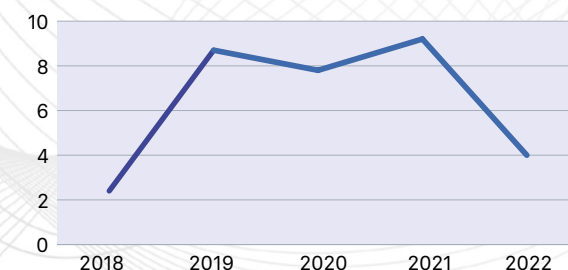
Revenue (£m)



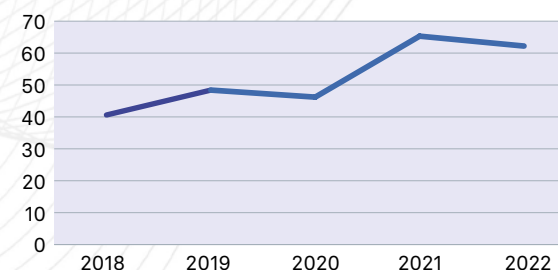
Underlying profit before tax (£m)



Underlying operating return on sales (%)



Net assets (£m)



Financial review continued

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Operating results

Gross profit was £24.4m (2021: £28.9m) and underlying selling, distribution and administration costs were £20.5m (2021: £20.1m).

Underlying operating profit was £3.9m (2021: £8.8m). Underlying profit after tax was £2.7m (2021: £7.9m) and statutory loss for the year was £0.4m (2021: profit of £7.8m).

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.

Net financing income was £0.2m (2021: expense of £0.1m). Tax on underlying profit before tax was £0.8m (2021: £0.7m). The tax charge on the Group's profit before tax was £0.6m (2021: £0.4m).

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 2022. 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 £4.2m (2021: £14.5m), after £8.0m of borrowings were drawn during the year. Net cash outflow before reorganisation was £12.8m (2021:

inflow of £0.8m), after an increase in working capital of £17.7m (2021: £8.2m) and defined benefit pension payments of £2.1m (2021: £2.6m). Reorganisation and acquisition costs of £0.8m (2021: £0.3m) were paid in the year. Net taxation payments were £0.4m (2021: £0.1m). Capital expenditure on property, plant and equipment was £1.0m (2021: £1.5m), and capitalised product development expenditure was £1.4m (2021: £0.2m). Net current assets at the end of the year were £12.2m (2021: £12.5m) and net assets at the year end were £62.2m (2021: £65.4m).

Deferred consideration of £0.8m in respect of the acquisition of Switchback in 2020, following the satisfaction of certain performance targets in the year to 30 September 2022, was paid in October 2022. The two-year performance criteria relating to the purchase of Switchback in 2020 has now concluded with the deferred consideration paid in full.

The Group entered into a three-year funding agreement with HSBC in 2022, which provides the Group with a £20.0m revolving credit facility to support future growth. This facility also provides a number of 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 this facility in the year.

There were no significant changes during 2022 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 crisis resulted in delays to project builds and more OE projects at the design and assembly stage of completion than at the start of the year. This change delayed the achievement of completion milestones, delaying invoicing to customers.

This build-up of contract assets peaked in the fourth quarter of 2022 following the supply of certain key electrical components. At the same time, order intake in the second half of 2022 was weighted towards the end of the year, which broadly did not allow for sufficient time for the collection of customer deposits before the year end. This combination of factors led to an increase in working capital which we expect to largely unwind in the first half of 2023.

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 2022 and was based on the information used for the funding valuation work as at 30 June 2021, updated to reflect both conditions at the 2022 year end and the specific requirements of IAS 19. The smaller US defined benefit schemes were valued as at 31 December 2022, using actuarial data as of 1 January 2022, 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 £31.5m (2021: £35.7m) which is included within the Group's assets. The value of the scheme's assets at 31 December 2022 was £311.2m (2021: £453.1m) and the value of the scheme's liabilities was

£279.7m (2021: £417.4m). Despite the unprecedented volatility in financial markets around the world in 2022, 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 £2.1m (2021: £2.5m) with total assets of £8.1m (2021: £9.9m).

During the year the Company made payments to the UK defined benefit scheme of £2.0m (2021: £2.3m).

The UK scheme's triennial valuation as at 30 June 2021 was completed in the year, with the reported deficit reducing to £28.4m (30 June 2018: £35.2m). The contributions remained at the same level, but the recovery period reduced to four years and six months (30 June 2018: 6 years 1 month).

Equity

Group equity at 31 December 2022 was £62.2m (2021: £65.4m). The movement arises mainly from the loss for the year of £0.4m, a net actuarial loss in respect of the Group's defined benefit pension schemes of £3.7m and changes in the fair value of cash flow hedges of £1.3m; all figures are stated net of tax where applicable.

Will Wilkins
Group Finance Director

22 March 2023

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	2022 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.	Increasing Extending lead times for the supply of customer specified electrical components resulted in reduced operational efficiency and delayed project execution. The impact was compounded by increases in the price of materials and components impacting overall project margins. Supply chain disruption is expected to continue into 2023. Alternative sources of supply, engineering rework and closer management of the supply chain, alongside increased stock holding, have partially mitigated the impact.
POLITICAL, ECONOMIC AND MARKET CYCLES		
The Group is potentially affected by global political and local 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 governmental activities, such as escalating political tensions, regulation and taxation or as a consequence of competitive developments within the packaging machinery market.	<p>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.</p> <p>The usual market cycles have been disrupted by the heightened global political volatility, with shifts in sector demand and new opportunities being accelerated. Mpac has benefited from new opportunities and sought to mitigate the impacts where possible, including those from energy insecurity.</p> <p>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.</p> <p>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.</p>	Increasing The ongoing events in Ukraine demonstrate that political tensions can have a direct impact on the security of supply chains and underlying rates of commodity, energy and material cost inflation and global interest rates, all of which impact customer investment decision making.

Principal risks and uncertainties continued

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Risk	Mitigation	2022 Movement
REGULATORY CHANGE		
<p>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.</p> <p>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.</p>	<p>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.</p> <p>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 minimise packaging material usage whilst maintaining the customer's product in perfect condition.</p> <p>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.</p>	<p>Unchanged</p> <p>The demand for new packaging and innovation in this area has continued unabated, to the benefit of the Group.</p> <p>No new regulatory challenges have emerged in 2022, though the expanding range of customers supplied has added to the site regulatory compliance requirements.</p>
LOSS OF TRADING PARTNERS		
<p>The Group faces the general risk of trading partners, including both customers and suppliers, ceasing to operate; 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.</p>	<p>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.</p> <p>The Group regularly reviews its trading relationships with suppliers with the aim of ensuring that alternative sources of supply are available.</p>	<p>Customers – Unchanged Suppliers – Increasing</p> <p>The group continues to have a diverse, blue chip customer base, so the impact of a loss of a single customer is limited. The strength of our customer base has both increased and diversified during the year, so this risk has decreased. Positive steps towards additional supplier diversification have been taken.</p>
LARGE ONE-OFF PROJECTS		
<p>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.</p>	<p>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.</p>	<p>Increasing</p> <p>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.</p>

Risk	Mitigation	2022 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.	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.	Unchanged Experience following the Covid pandemic has shown that, in the regions in which the Group's sites are based, considerable efforts have been made to rapidly respond without causing whole-site closures.
The Group, and the Group's customers and suppliers, may also be affected by sudden restrictions in global logistics.	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.	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 currencies other than the functional currencies of its operations.	Unchanged Volatility in the foreign exchange markets has been exceptionally high in 2022 but 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 interdependence across the Group. Cyber security user training is employed as a final line of defence.	Unchanged 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 recently 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 2023, of which £8.0m is currently drawn and the Group holds cash balances of £4.2m.	Unchanged 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.
	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.	

Principal risks and uncertainties continued

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Risk	Mitigation	2022 Movement
LIABILITIES OF THE GROUP SPONSORED DEFINED BENEFIT PENSION SCHEMES		
<p>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 £289.9m at 31 December 2022 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 £319.3m at 31 December 2022, 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 £2.0m 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.</p>	<p>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.</p>	<p>Decreasing</p> <p>The extreme market volatility seen during 2022 tested the strategies employed by the scheme and demonstrated the effectiveness of the liability and volatility mitigation measures, which have been further derisked to largely eliminate interest and inflation risk. The scheme did not seek additional short term funding at any time and was able to meet the funding requirements of its strategies throughout the year.</p> <p>The pension schemes remain at the risk of being affected by regulatory changes.</p>
LITIGATION		
<p>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.</p>	<p>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.</p>	<p>Unchanged</p> <p>No new material claims in the period.</p>
ETHICAL BREACHES		
<p>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.</p> <p>Ethics or compliance breaches could cause harm to the Group's reputation, financial performance, customer relationships and internal morale.</p>	<p>A Group-wide ethics policy, which is reviewed by the Board annually sets out the principles that the Board expects all businesses and employees within the Group to adhere to.</p>	<p>Unchanged</p> <p>No concerns raised in the year.</p>

Risk	Mitigation	2022 Movement
CONTRACTUAL OBLIGATIONS		
<p>The Group could fail to deliver contracted solutions and/or fail in our contractual execution due to delays 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.</p> <p>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.</p>	<p>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.</p> <p>Significant and higher-risk contracts are subject to an enhanced review and approval process throughout the Group, including appropriate contract risk management processes prior to acceptance.</p> <p>The diversified nature of the Group mitigates exposure to single contracts.</p>	<p>Increasing Stresses on global supply chains drives increased risk.</p> <p>Expanded range of products and applications increases the risk of product delays and/or quality issues.</p>
SUSTAINABILITY AND CLIMATE CHANGE		
<p>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.</p>	<p>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.</p>	<p>Increasing The global focus on Environmental, Social and Governance issues is increasing. The global focus on Environmental, Social and Governmental issues is increasing. 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.</p>
COVID-19		
<p>The Group has identified three categories of risk associated with the spread of COVID-19. Firstly, the risk associated with customer confidence and investment decision making which can directly result either in projects being cancelled or delayed. The second element is the risk of supply chain disruption with demand for key components exceeding supply coupled with disruption to transportation. Finally, the risk of an outbreak at a Group facility which would result in a production stoppage whilst the facility was deep cleaned, and employees were quarantined.</p>	<p>The Group implemented a series of measures to preserve cash, reduce discretionary spend and to focus on digital marketing and innovation to provide a shield from the worst commercial and financial impact of the pandemic. The geographic diversity of the customer base coupled with supplying the COVID-19 resilient markets of healthcare, food and beverage provide a mitigation to the impact from the pandemic.</p> <p>The Group's supply chain has been established to ensure there are several options for all critical parts. The global supply chain includes a blend of local suppliers alongside low-cost suppliers to provide flexibility.</p> <p>The Group continues to focus on protecting employee's health and wellbeing by implementing appropriate social distancing regimes and increased hygiene routines at our plants. This alongside an operational footprint established with common engineering and project management platforms allows for project execution to be relocated in the event of resource constraints or Group employees being unavailable to work due to the pandemic.</p>	<p>Decreasing All employees have returned to work and project execution activity has returned to pre-pandemic levels.</p> <p>Travel restrictions have eased, reducing the restrictions on completion of on-site service work and on installing and commissioning of equipment.</p> <p>Lengthening supply chain lead times due to increase in global demand as economies recover from the pandemic has become a significant headwind to the timing of revenue development and is captured as a separate risk.</p>

Section 172 statement

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Section 172 of the Companies Act 2006 ("S172") requires Mpac's 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 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 2022, we employed 458 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.	The Group is committed to developing its 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. Information is regularly provided on the progress of the Group through local review meetings, briefings and consultative bodies. Involvement in the achievements of the business is encouraged through other means appropriate to each location. The Board is updated at each Board meeting on health and safety matters. Recent years have seen few incidents, and those that have occurred have been relatively minor in nature. In order to ensure that complacency does not set in, the Board has taken steps to place increased focus on pro-active measures. Learnings from local incidents on one site are increasingly applied globally at all sites. Increased emphasis is placed on anticipation of risks and preventative measures. These include local procedural risk reviews, and full independent site health and safety audits undertaken by third parties at the request of the Board from time-to-time and where necessary.
SUPPLIERS	The Group recognises and actively develops its relationships with its suppliers and works closely with them to ensure that the relationships are productive for all parties. 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 69. During 2022 there have been supply chain issues which have led to delays in deliveries of raw materials and electronic chips which have had an effect on production schedules and have restricted output. This has been challenging to the Group and the procurement teams have worked closely with the Group's various suppliers to manage those delays and to expedite deliveries where possible. As 2023 progresses, we still see the supply chain as being an area of concern and the Board receives regular update from the Executive Directors on this.
CUSTOMERS	The Group has good relationships with its customers, some of whom are long-standing. The supply chain issues encountered by the businesses have had an effect on the delivery of projects to some of our customers. In those cases, we work closely with the customers to inform them of the delays and agree revised delivery timelines. Customers do change their specifications mid-project on occasions, which does result in the production timetable having to be amended to reflect the changes. We continue to keep our customers informed of the progress of their projects with regular meetings and discussions.
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, provided they do not interfere with the performance of the employee's duties.

Further details on the Company's strategy and long-term decisions are set out in the Chairman's introduction and Operating review. 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 45 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 22 March 2023.

Corporate governance

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Chairman's corporate governance statement

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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 2022.

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.

Because corporate governance is not a static process, 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 2022 it has complied with the 10 principles set out within the QCA Code as shown on the opposite page.

Andrew Kitchingman
Chairman

22 March 2023

Principles of the QCA Code

Deliver Growth

1. Establish a strategy and business model which promote long-term value for shareholders.
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.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Dynamic Management Framework

5. Maintain the Board as a well-functioning, balanced team led by the Chairman.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

Build Trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

How the Company has complied

The strategic aims and objectives of the Group are set by the Board. The strategy is set out on pages 5 to 7 and on the Group's website.

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.

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.

In my role as Chairman, I regularly consider the operation of the Board as a whole and the performance of the Directors individually.

Directors attend seminars from time to time as appropriate to assist with training.

The Board carries out a formal 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.

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.

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. With a relatively small employee base, such interactions mean it is relatively straightforward for the Board to promote and assess the desired corporate culture.

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.

Board of Directors

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Andrew Kitchingman FCA Independent Non-Executive Chairman

Appointment: Andrew Kitchingman 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

Other commitments: Non-Executive Director of Andrew Sykes Group plc, Trustee of Northern Aldborough Festival, Chairman of British Board of Agrément and a member of the northern fundraising Board of Marie Curie. He is a treasurer of Ripon Cathedral.

Dr Tony Steels Chief Executive

Appointment: Tony Steels joined the Company and was appointed to the Board as Chief Executive on 6 June 2016.

Skills and experience: Tony previously held a number of senior UK and international management positions in advanced technology and capital equipment industry, most recently at Cytec Industries, Umeco plc and Georg Fischer AG. He has degrees in both Engineering and Management, together with a PhD in business process modelling, augmented with over 30 years' industrial management experience.

Key strengths:

- › Capital Equipment Industry experience of more than 20 years
- › Delivery of strategic transformations and sustainable profitable growth
- › Extensive senior executive international business development
- › Selection and development of high-performance leadership teams

Adam Holland Chief Operating Officer

Appointment: Adam Holland joined the Mpac Group Board as Chief Operating Officer on 1 November 2022.

Skills and experience: Adam is a Chartered Engineer and Physicist and former senior executive at JCB. Adam joined JCB in 2016, initially as General Manager at JCB Service providing leadership and revenue growth for the multinational division before taking over as Managing Director at JCB Power Products Ltd, responsible for the production sites in the UK, India, and a global distribution network focused on sales growth in the US and Europe. Most recently Adam led a programme to drive a structural reduction in product cost across JCB Group in the role of Commercial Director, Group Purchasing. Prior to joining JCB, Adam held senior business leadership roles in the Energy, Oil & Gas, and Aerospace sectors as Vice President at Siemens and Rolls Royce, and in Space and Defence 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

Will Wilkins Group Finance Director

Appointment: Will Wilkins joined the Mpac Group Board as Group Finance Director on 28 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 and Group Operations Director. 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

Sara Fowler Independent Non-Executive Director

Appointment: Sara Fowler joined the Mpac Group 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

Other commitments: Chair of BHSF Group Limited, Non-Executive Director of St Basils and a Non-Executive Director of EY Foundation.

Matthew Taylor Independent Non-Executive Director

Appointment: Matthew Taylor joined the Mpac Group Board on 21 October 2021 as a 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, he held the role of CEO of Bekaert SA until 2020.

Key strengths:

- › Extensive senior executive experience
- › Steel and Manufacturing experience of over 20 years
- › Strong experience of good corporate governance

Other commitments: Non-Executive Director at both Surface Transforms plc and Strip Tinning Holdings plc.

Doug Robertson Independent Non-Executive Director

Appointment: Douglas Robertson joined the Mpac Group 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: Douglas 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

Other commitments: Non-Executive Director at both HSS Hire Group plc and Zotefoams plc.



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

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 2022:

Directors	Board
A J Kitchingman	9/9
Dr A Steels	9/9
W C Wilkins	9/9
A P Holland (joined the Board on 1 November 2022)	2/2
S A Fowler	9/9
D G Robertson	9/9
M G R Taylor*	8/9

*Mr Taylor was unable to attend one meeting due to illness.

Composition and independence of the Board

The Board currently consists of seven Directors: the Non-Executive Chairman, three Executive Directors and three Non-Executive Directors. However, for the majority of the year it was six Directors, only two of whom were 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 26. 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 and Nomination Committee. Further details on the role of the Remuneration and Nomination Committee, together with details of the recruitment process for Adam Holland, may be found on pages 36 to 44. 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.

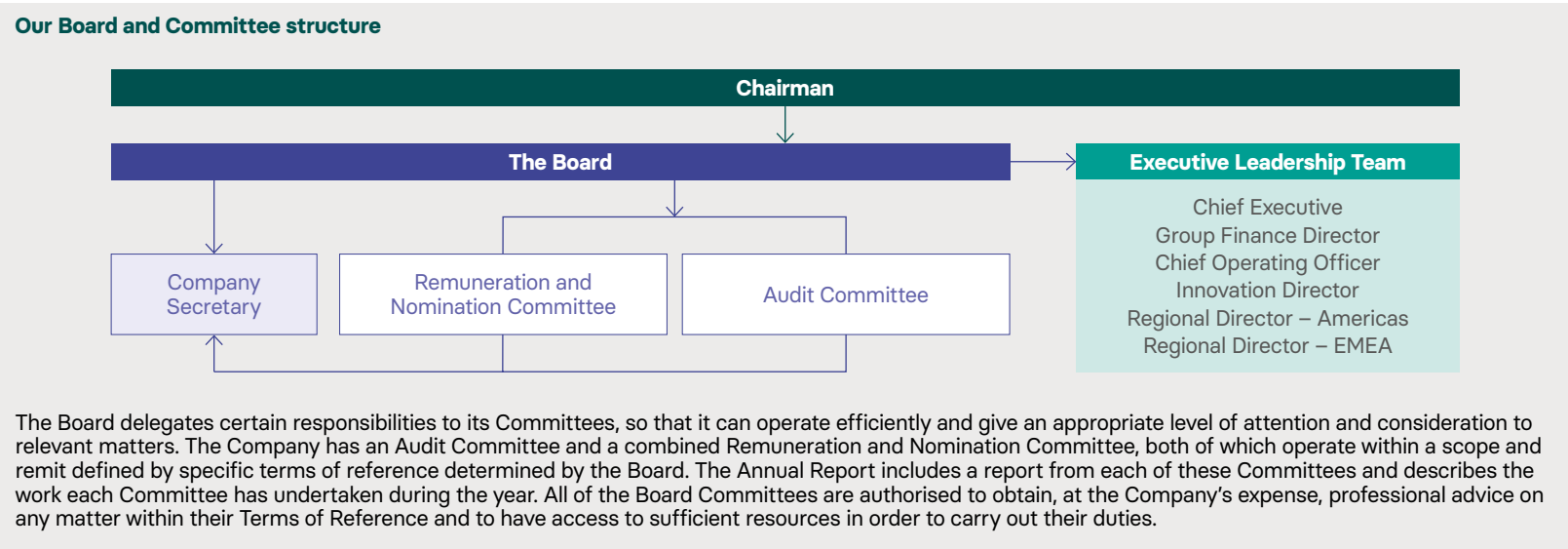
Executive Directors

The Executive Directors are full-time employees of the Company and have entered into service agreements with the Company.

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 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.



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. It has delegated other matters, responsibilities and authorities to each of the Audit and Remuneration and Nomination Committees and these are documented in the Terms of Reference of each of those Committees. Anything falling outside of the schedule of matters reserved 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 nine times during the year. Directors also have contact on a variety of issues between formal meetings and there is also regular contact with the Executive Leadership Team and the wider senior leadership of the Group. An agenda and accompanying detailed papers, covering key business and governance issues and including 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

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 included:

- › approval of annual and half-year report and financial statements;
- › dividend strategy;
- › review and approval of budget;
- › review against strategy;
- › implementation of strategy;
- › going concern and cash flow;
- › material customer proposals;
- › consideration of banking arrangements;
- › investor relations;
- › acquisitions and integration;
- › review of corporate governance and Group policies;
- › review of AGM business;
- › outcomes from the Board evaluation process; and
- › briefings and review of conflicts of interest.

During the year, the majority of the meetings were held virtually and in-person, with no Board meetings held overseas. This did not impact the Directors from undertaking their duties and all Directors participated fully in the meetings.

External advisers

The Board seeks advice on various matters from its nominated adviser Shore Capital and Corporate Limited and other advisers as appropriate. The Board also sought remuneration advice from KPMG LLP during the year.

Corporate governance report continued

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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 roles.

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 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 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 2022 and the results discussed by the Board. No substantive actions were taken 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, which was reviewed by the Board during the year, 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.

Shareholders

The Company welcomes contact with its shareholders and they can contact the Company via the Investors section of our website: www.mpac-group.com/contact-us/. 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. Investor relations activity and a review of the shareholder register are quarterly items on the Board's agenda. 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 broker, 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 17 May 2023. The Notice of Annual General Meeting is set out on pages 103 to 109 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

22 March 2023

Audit Committee report

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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 2022."

Chair's letter

Dear Shareholders,

I am pleased to present my report as Chair of the Audit Committee for the year ended 31 December 2022. 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 2022 Annual Report and Accounts. The Directors' responsibility statement 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 and 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 strive to ensure that the Committee's agenda is kept under review and aware of relevant developments. An evaluation of the Committee's performance has been undertaken in respect of 2022 and the results discussed by the Committee. No substantive actions were required as a result of the Committee evaluation.

Douglas Robertson
Chair of the Audit Committee

Audit committee report

The Committee met four times during 2022 and the following served as members during the year.

Committee member	Meeting attendance
D Robertson – Chair	4/4
A Kitchingman*	3/4
S Fowler	4/4
M Taylor	4/4

*Mr Kitchingman missed one meeting due to illness.

The following regularly attend meetings:

- › the Executive Directors
- › the Group Financial Controller
- › representatives from the external auditors, PKF Littlejohn LLP (PKF)
- › representatives from BDO, who provide independent support to the Internal Audit function on a co-sourced basis

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 26. The members of the Committee are all independent non-executive directors. The Board is satisfied that the Committee has competence relevant to the sectors in which the Group operates and its members have an appropriate level of experience in corporate and financial matters and are financially literate. The Chair is a Fellow of the Institute of Chartered Accountants of England and Wales. He previously served as Group Finance Director of SIG plc until he retired from the role. The Board is satisfied that he has recent and relevant financial experience as required by the Code.

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;
- › 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.

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 2022 is set out below:

- › Review the draft Annual Report and Accounts 2021 and draft preliminary results announcement
- › Undertaking an audit tender and the subsequent appointment of PKF Littlejohn LLP as external auditor
- › Review of results of internal control support procedures provided by BDO LLP
- › Review internal audit plan for the year
- › 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
- › Internal Control review and update
- › Consideration of and approval of external audit fee quotation for 2022
- › Review and approval of the external audit plan for 2022
- › Review and approval of the non-audit work policy
- › Review of internal controls and risk management systems
- › Review of whistleblowing arrangements
- › Review of anti-bribery and corruption policy and procedures
- › Review of Group principal risks and uncertainties

External auditor

The Committee undertook a full audit tender during 2022, led by the Audit Committee Chair and Group Finance Director. They met with a number of audit firms, including the auditor at that time, and recommended to the Committee as a whole that PKF be appointed as the new auditor to the Group. The Committee, in turn, proposed that PKF be appointed and this was approved by the Board. The Committee monitors the relationship with PKF to ensure that auditor independence and objectivity are maintained.

The Committee assesses auditor independence by obtaining assurances from PKF that all partners and staff involved are independent of any links to Mpac 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

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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 2022 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.
Impairment of goodwill	The Group conducts extensive forecasting and stress testing exercises to review the carrying value of goodwill 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 scheme in line with IAS19 and ensure a consistent and appropriate level of disclosure.
Capitalisation 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.
Going concern and business disruption	The Group conducts extensive forecasting and stress testing exercises for multiple scenarios, including the global supply chain crisis, 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.

The Committee reviewed the need for effectiveness and independence of the internal audit functions, and, during the year, BDO LLP was engaged to provide independent support to the internal audit function on a co-sourced basis.

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.

Risk management and internal controls

The Group has established a system of 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.

Group IT systems and controls review

The Board commissioned an independent review by specialist consultants of the Group's IT systems and controls to:

- › Assess the resilience and security of the systems and control environment; and
- › Assess the capability of the IT infrastructure to meet the strategic growth ambitions of the Board.

The Committee considered the findings of the review. No significant issues emerged from the exercise and the Committee monitored the implementation of the minor improvements recommended.

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 2022, there were no reported incidents.

The Audit Committee Report was approved by the Committee at its meeting held on 16 March 2023.

Douglas Robertson

Chair of the Audit Committee

22 March 2023

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 four sections: the Committee Report, the Nomination Report, the Remuneration Report and the Remuneration Policy.

The Nomination report below details the appointment of Adam Holland as a new Executive Director in November 2022.

The Remuneration report, on pages 36 to 44, details the amounts earned by the Directors in respect of the period to 31 December 2022 and is subject to an advisory shareholder vote. The Remuneration policy, on pages 37 to 39, was approved by shareholders at the Annual General Meeting on 6 May 2020 and is effective for a period of three years from that date.

Committee report Committee Composition and Meetings

Sara Fowler – Chair
Andrew Kitchingman
Douglas Robertson
Matthew Taylor

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 2022, the Committee met three times and the table below sets out the attendance record of each member of the Committee:

Member	Meeting attendance
Sara Fowler	3/3
Andrew Kitchingman	3/3
Douglas Robertson	3/3
Matthew Taylor	2/3*

* Matthew Taylor missed one meeting due to illness.

Additionally the Chief Executive, a representative of Prism Cosec Limited, our Company Secretary, and KPMG LLP, as the Company's remuneration adviser, are invited to attend meetings as necessary. Each of them has confidential access to me at other times as required.

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:

- › appointed a new Executive Director and determined their remuneration;
- › reviewed the structure of the Long-Term Incentive Plan for 2023 awards onwards;
- › reviewed the performance of the executive management incentive scheme against their 2021 objectives and approved bonus payments;
- › approved executive management pay increases;
- › set 2022 objectives and performance metrics for the executive management incentive scheme;
- › reviewed the 2021 performance against the Long-Term Incentive Plan performance target;
- › succession planning; and
- › reviewed the Committee's Performance Evaluation.

Committee Evaluation

An evaluation of the Committee's performance has been undertaken in respect of 2022 and the results discussed by the Committee. No substantive actions were taken as a result of the Committee evaluation.

Nomination report

Appointment of Adam Holland

As part of the Committee's discussion on Board succession planning, it was agreed that an additional executive Director be appointed to the newly created role of Chief Operating Officer. The role would be to assist Dr Steels in the day-to-day management of the Company and to manage specific projects.

Odgers Berndtson was appointed as the external recruitment agency to assist the Committee in identifying a suitable candidate. The process included the following considerations:

- › identifying key attributes and skills of the desired candidate, taking into account relevant commercial and operational experience gained while working in the engineering sector;
- › reviewing the shortlist and arranging interviews; and
- › providing the Board with a recommendation of the preferred candidate.

The preferred candidates met with each member of the Board and after due consideration and discussion, the Committee unanimously recommended the appointment of Adam Holland as Chief Operating Officer and as an executive Director to the Board. The appointment was approved with effect from 1 November 2022.

Adam has extensive commercial and operational experience gained from roles based in both the UK and internationally and has a proven track record in business development. He joins from JCB where he has held various senior executive positions. Joining in 2016, initially as General Manager at JCB Service providing leadership and revenue growth for the multinational division before taking over as Managing Director at JCB Power Products Ltd, responsible for

the production sites in the UK, India, and a global distribution network focused on sales growth in the US and Europe. Most recently Adam led a programme to drive a structural reduction in product cost across JCB Group in the role of Commercial Director, Group Purchasing.

Prior to joining JCB, Adam held senior business leadership roles in the Energy, Oil & Gas, and Aerospace sectors as Vice President at Siemens and Rolls Royce, and in Space and Defence at AEA Technology plc.

Adam is a Chartered Engineer and Physicist, and the appointment will provide bandwidth, additional skills and experience to the executive leadership of the Group.

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.

2022 Remuneration report Directors' total remuneration

The remuneration of the Executive Directors for the years 2022 and 2021 is made up as follows:

Executive Directors' remuneration as a single figure (audited)

	Salary £000	All benefits ^a £000	Short- term incentive scheme ^b £000	Gains on share options ^c £000	Pension ^d £000	Total £000
2022						
T Steels	287	18	30	924	69	1,328
W C Wilkins	199	19	21	590	48	877
A P Holland ^e	42	3	–	–	2	47
	Salary £000	All benefits ^a £000	Short- term incentive scheme ^b £000	Gains on share options ^c £000	Pension ^d £000	Total £000
2021						
T Steels	248	20	140	322	63	793
W C Wilkins	182	19	99	42	18	360

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 43.

c The amounts represent the gains on the awards exercised during 2022 for the performance period 2019 to 2021.

d The values are the amounts contributed by the Company into the Company's Personal Pension Plans for the Executive Directors.

e Appointed to the Board on 1 November 2022.

Upon a review of base salaries for Dr Steels and Mr Wilkins, it was noted that neither Director had received a pay increase for a number of years and they took a pay cut during 2020 for a period of time due to the pandemic. On comparison to their peers, both salaries were below the median level. Accordingly, Dr Steels' base salary was increased to £300,000 and Mr Wilkins' base salary was increased to £205,000, both with effect from 1 April 2022. These levels are still below the median level when compared to their peers.

The 2022 bonus payments were at the discretion of the Committee. Accordingly, a 10% discretionary bonus was awarded to Dr Steels and Mr Wilkins.

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

The remuneration of the Non-Executive Directors for the years 2022 and 2021 is made up as follows:

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

	2022			2021		
	Fees £000	All taxable benefits £000	Total £000	Fees £000	All taxable benefits £000	Total £000
A J Kitchingman	81	–	81	78	–	78
D G Robertson	54	–	54	52	–	52
S A Fowler	54	–	54	52	–	52
M G R Taylor	53	–	53	8	–	8

Following a review of fees for the Chairman and the Non-Executive Directors, the fees were increased by 5% with effect from 1 April 2022. Thereafter, the fees would increase annually at the same level as the average employee increase.

Directors' interests in shares (unaudited)

The beneficial interests of Directors holding office at 31 December 2022 and persons connected with them in the ordinary shares of the Company (excluding share options) were as follows:

	Held at 1 January 2022	Acquired in the year	Held at 31 December 2022
T Steels	110,134	117,839	227,973
W C Wilkins	7,227	74,154	81,381
M G R Taylor	–	18,000	18,000
A J Kitchingman	13,133	–	13,133

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 2022 and 16 March 2023.

Remuneration and Nomination Committee report continued

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Incentive scheme – Deferred share plan (audited)

Details of conditional grants of Mpac Group plc ordinary shares under the Company's Deferred share plan yet to vest for each Director who held office during the year and who is eligible to participate in the plan are as follows:

	Date of award	Exercise date	Number of shares exercised	Face value at exercise (£)
T Steels	1 May 2019	11 May 2022	35,409	166,422
W C Wilkins	1 May 2019	11 May 2022	33,407	157,012

Awards are made following the achievement of personal objectives linked to long-term strategic initiatives. The awards vested three years after the date of grant and the price of the Company's shares on the day of exercise was 470 pence per ordinary share.

No award under the Deferred share plan was made in 2022.

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
T Steels	12 June 2019	31 Dec 2021	210,000	349	143%	17,248	192,752	–
	10 June 2022	31 Dec 2024	96,552	418	139%	–	–	96,552
W C Wilkins	12 June 2019	31 Dec 2021	120,000	199	111%	9,856	110,144	–
	10 June 2022	31 Dec 2024	37,548	162	79%	–	–	37,548

Face value of awards at the 2019 and 2022 dates of grant are calculated based on the closing share price of 166p and 432.5p per ordinary share respectively.

For the 2019 award, which vested in 2022, the performance conditions are shown in the table below and resulted in 91.8% of the award vesting.

Metric	Weighting	Performance condition	Threshold target	Stretch target	Actual	% Vesting
ESP	70%	Cumulative Underlying EPS to exceed 115p over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if cumulative Underlying EPS is 85p over the three-year period and is reduced to nil if it fails to reach 85p	85p	115p	110.6p	61.8%
ROCE	30%	Average ROCE to exceed 30% over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if average ROCE is 20% over the three-year period and is reduced to nil if it fails to reach 20%	20%	30%	34.15%	30.0%
Total	100%					91.8%

For the 2022 award, the performance metrics selected reflect underlying business performance. 70% of the award of shares is based on cumulative EPS performance over a three-year period. 30% of the award of shares is based on average 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.

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%			

On 16 March 2023, the share price was £2.90 and this has been used to estimate the value of shares vesting.

	Grant date	Vest date	Number of shares at grant	Estimated number of shares to vest	Estimated value £
T Steels	10 June 2022	31 December 2024	96,552	–	–
W C Wilkins	10 June 2022	31 December 2024	37,548	–	–

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

22 March 2023

Remuneration and Nomination Committee report continued

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Remuneration Policy

This part of the Remuneration and Nomination Committee's report sets out the Remuneration policy, which was approved by shareholders at the Annual General Meeting on 6 May 2020 and will be effective until no later than 6 May 2023.

The Remuneration policy is designed to ensure that the remuneration packages offered, and the terms of the contracts of service, are competitive and are 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. 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.

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. The current service contracts were concluded with Dr Steels on 6 June 2016, with Mr Wilkins on 22 June 2018 and with Mr Holland 17 July 2022. 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.

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.

Remuneration and Nomination Committee report continued

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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: <ul style="list-style-type: none"> › 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: <ul style="list-style-type: none"> › 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.

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.

Remuneration and Nomination Committee report continued

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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.

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 4 to 21.
Directors' Remuneration Report	Pages 37 to 39.
Future development and events occurring after the balance sheet date	Details can be found in the Strategic Report on pages 9 to 13.

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 4 to 21 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 2024, 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 due 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.

The Directors who served during the year are as follows:

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

¹ Appointed to the Board on 1 November 2022.

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 2022. 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 2022 are shown on page 37. There are no shareholding requirements for Directors.

Substantial shareholdings

At 16 March 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	4,368,152	21.33%
Mr G V L Oury	1,095,000	5.35%

Results and dividends

The Group's loss for the year was £0.4m (31 December 2021: £7.8m profit). The Board has decided to not pay a final dividend. An interim dividend was not paid during 2022 (2021: none).

Dividends on the 6% preference shares are due for payment on 30 June and 31 December in each year and in 2022 amounted to £0.1m (2021: £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 2022, net of third-party income, amounted to £1.7m (2021: £1.1m), of which £0.5m (2021: £0.9m) was charged to the consolidated income statement and £1.2m (2021: £0.2m) was capitalised and included in development costs.

Share capital

At 31 December 2022, the Company's issued share capital was £5,118,606 divided into 20,474,424 ordinary shares of £0.25 each and 900,000 preference shares of £1.00 each. Details of movements in issued share capital in the year are set out in note 25 to the financial statements. Authority for the purchase of up to 2,017,154 ordinary shares for cancellation was granted at the 2022 Annual General Meeting and this authority expires at the end of the 2023 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 2,047,422 ordinary shares representing approximately 10% of the issued ordinary share capital at the date of the notice convening the Annual General Meeting.

Directors' report continued

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EES Trustees International Limited holds shares as trustee in connection with the Company's long-term incentive arrangements for the benefit of the Group's employees; at 16 March 2023 it held no shares. The trustee has agreed to waive all dividends and not to exercise voting rights in respect of shares representing 0% of the issued share capital.

Information about the Company's share capital is given in note 25 to the accounts on page 89.

Disclosure of information to the auditor

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

Grant Thornton UK LLP resigned as statutory auditor with effect from 23 June 2022. Following a competitive tender process, the Company appointed PKF Littlejohn LLP as its new statutory auditor and a resolution to approve their appointment will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will take place on 17 May 2023. Notice of the meeting can be found on pages 103 to 109.

Political donations

The Company made no political donations during the year 31 December 2022.

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 90 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.

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 CO₂ 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 CO₂ 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	1,543	3,333	360	778
Combustion of fuel	1,634	3,529	300	648
Travel			531	1,147

UK only

	MWH	KWH intensity (per employee) ^a	CO ₂ (tonnes)	CO ₂ intensity (kg per employee) ^a
Purchased electricity	441	2,791	103	652
Combustion of fuel	488	3,089	90	570
Travel			113	715

2021 comparative

Globally

	MWH	KWH intensity (per employee) ^a	CO ₂ (tonnes)	CO ₂ intensity (kg per employee) ^a
Purchased electricity	1,389	2,955	324	689
Combustion of fuel	2,129	4,513	390	830
Travel			261	555

UK only

	MWH	KWH intensity (per employee) ^a	CO ₂ (tonnes)	CO ₂ intensity (kg per employee) ^a
Purchased electricity	327	1,994	76	463
Combustion of fuel	1,030	6,280	189	1,152
Travel			33	140

^a Calculated using average number of employees in the year.

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.

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 Cossec Limited
Company Secretary

22 March 2023

Statement of Directors' responsibilities

in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements 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 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 22 March 2023 and is signed on its behalf by:

Tony Steels
Chief Executive

Will Wilkins
Group Finance Director

22 March 2023

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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 2022 which comprise the Consolidated Income Statement, the Consolidated 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 2022 and of the group's loss 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 and parent company's ability to continue to adopt the going concern basis of accounting included the procedures as noted in the Key Audit Matters section of our report.

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 £'000	Triviality threshold £'000
Group	950	570 (60%)	47 (5%)
Parent company	625	375 (60%)	31 (5%)

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 and expansion is a key performance indicator. Revenue was considered to be more appropriate than the profit/loss in the year due to the fluctuation in this metric from previous years.

The benchmark selected for the parent company materiality was 1% of the net asset value, as the parent company is not revenue generating, the significant balances in the financial statements are the investments in 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. Given 2022 was our first year as auditors and the trading difficulties encountered by the group in the year, we have concluded that 60% of materiality is appropriate to set performance materiality for both the group and parent company.

While materiality for the group financial statements as a whole was set at £950,000, each significant component of the group was audited to an overall materiality ranging between £440,000 and £560,000, with performance materiality set at 60%.

We applied the concept of materiality in planning and performing our audit and in evaluating the effects of misstatement.

Independent Auditor's report continued

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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, aspects 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 estimate and judgement included:

- › Revenue recognition over time on long term contracts;
- › Carrying value and impairment assessment of intangible assets, including goodwill and acquired intangibles;
- › Capitalisation of internally generated research and development intangibles;
- › Pension asset/liability calculation and assumptions used thereon; and
- › Recognition of deferred tax assets based on historic losses within the group.

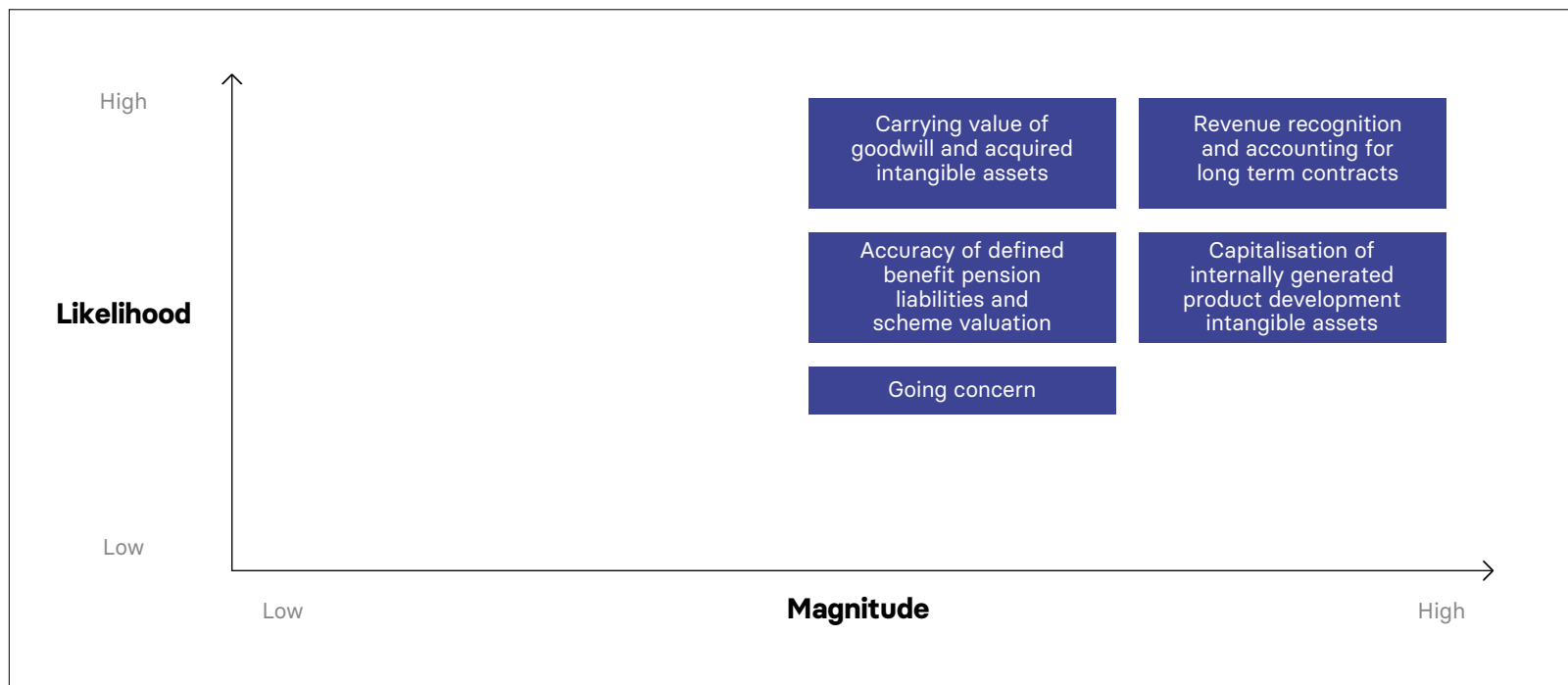
We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Going Concern (Accounting policies section of the annual report)

The group has recorded a loss for the period and has £8m of borrowings repayable within one year.

The results for the year could be an early indicator of adverse future trading performance of the group resulting in, but not limited to, the following factors:

- › Decline in future orders;
- › Issues with supply chain causing delay in completing customer orders and increases in working capital tied up in customer contract assets; and
- › Inflationary costs.

These factors could have an adverse impact on the group's revenues and profit, which increases the extent of judgement and estimation uncertainty associated with the directors' decision to adopt the going concern basis of accounting in the preparation of the financial statements and as a result, going concern has been assessed as a key audit matter.

How our scope addressed the matter

Our work in this area included:

- › Obtaining management's base case forecasts and calculations covering the period to December 2024, and documenting our understanding of the process to prepare the forecasts;
- › Testing the mathematical accuracy of the model and challenging management on the accuracy of calculations, cash inflows and outflows as well as any anticipated effect of further macro-economic disruptions;
- › Assessing the reasonableness of the cash flow forecast by analysing management's historical forecasting accuracy;
- › Evaluating the reasonableness of the forecast with reference to the post year end financial performance and orderbook;
- › Testing the accuracy of the orderbook used in management's base case forecast and corroborating a sample of orders to supporting contracts or other proof of order;
- › Re-performing management's sensitivity analysis to determine the impact of changes in assumptions and reviewing reasonableness of the scenarios, including the available headroom under each;
- › Assessing the continued availability of debt facilities through the going concern period and reviewing the underlying terms including covenants and examination of executed agreements;
- › Recalculating covenants during the going concern period to ensure ongoing compliance; and
- › Assessing management's going concern disclosures and whether these are in line with UK-adopted international accounting standards.

Independent Auditor's report continued

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Key audit 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.

How our scope addressed the matter

Our audit work in this area included the following:

- › Obtaining an 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;
- › 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 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 as per IAS 37.
- › Testing year-end adjustments to revenue as well as the associated contract assets & contract liabilities recognised and to ensure these are 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 and customer payments.

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 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 cash generating unit;
- › 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, expected revenue (based on orderbook) as well as capital expenditure planned. Specialists within the audit team were used to assess for reasonableness the assumptions which significantly influence the value in use;
- › Reviewing management's identification of each CGU to ensure that it is consistent with the associated goodwill and 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 cash flows;
- › 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 range of plausible sensitivities 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.

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 2022 the group's net defined benefit asset was £29.4m on an IAS 19 basis (2021: £33.2m). The total fair value of scheme assets and present value of defined benefit obligations which form the net defined benefit asset amounted to £311.2m (£453.1m) and £279.7m (£417.4m), 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:

- › Documenting 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 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;
- › 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'.

Capitalisation of internally generated product development intangible assets (Note 12)

During the prior year, the group signed a framework agreement for a three-year period exclusive supply of casting and unit cell assembly equipment for a battery production line.

In relation to the agreement and under IAS 38 *Intangible Assets*, the group has capitalised the engineering time in development of the new product, which gave rise to an intangible asset.

Management have assessed that the development has future economic benefit, outside of the existing contract, deriving from the sale of battery production equipment to a wider energy storage and electric vehicle client base.

Due to the degree of judgment inherent in capitalising the costs resulting from the uncertainty of the project's technical success, as well as the economic and commercial feasibility, we have considered this area as a key audit matter.

Our audit work in this area included:

- › Obtaining an understanding of the group's policy of capitalising development costs and ensuring eligibility with the requirements of IAS 38;
- › Obtaining management's assessment on development costs capitalised and challenging management on the suitability with reference to the criteria set out in IAS 38;
- › Reviewing the signed framework agreement and reviewing the terms of the contract to ensure the ownership of the design rights to the assembly line are held by the group;
- › Discussions with the clean energy sales team and innovations team to understand and evaluate the projects economic and technical feasibility;
- › Challenging management as to the timing of the capitalisation commencement and finishing dates, agreeing their assertions to supporting documentation;
- › Substantively testing a sample of costs capitalised to supporting documents such as invoices and timesheets; and
- › Reviewing the appropriateness of the useful life of the internally generated intangible assets and reviewing the group's disclosures in the financial statements and ensure its in line with the requirements of IAS 38.

Independent Auditor's report continued

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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 regarding potential instances of non-compliance;
 - reviewing RNS announcements;
 - reviewing legal and professional fees ledger accounts;
 - using local experts in the USA and the Netherlands to report on 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 share-based payments recognised in the year and audit procedures were performed in this regard to recalculate the balances with reference to the underlying agreements.

- › As in all of our audits, 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

22 March 2023

Consolidated income statement

for the year ended 31 December 2022

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	Note	2022			2021		
		Underlying £m	Non-underlying £m	Total £m	Underlying £m	Non-underlying £m	Total £m
Revenue	1	97.7	–	97.7	94.3	–	94.3
Cost of sales		(73.3)	–	(73.3)	(65.4)	–	(65.4)
Gross profit		24.4	–	24.4	28.9	–	28.9
Distribution expenses		(8.1)	–	(8.1)	(6.8)	–	(6.8)
Administrative expenses	4,5	(11.9)	(3.9)	(15.8)	(12.4)	(0.5)	(12.9)
Other operating expenses	3	(0.5)	–	(0.5)	(0.9)	–	(0.9)
Operating profit/(loss)	1,4	3.9	(3.9)	–	8.8	(0.5)	8.3
Financial income	8	–	0.6	0.6	–	0.2	0.2
Financial expenses	8	(0.4)	–	(0.4)	(0.2)	(0.1)	(0.3)
Net financing income/(expense)		(0.4)	0.6	0.2	(0.2)	0.1	(0.1)
Profit/(loss) before tax		3.5	(3.3)	0.2	8.6	(0.4)	8.2
Taxation	9	(0.8)	0.2	(0.6)	(0.7)	0.3	(0.4)
Profit/(loss) for the period		2.7	(3.1)	(0.4)	7.9	(0.1)	7.8
(Loss)/earnings per ordinary share							
Basic	11			(2.2)p			39.1p
Diluted	11			(2.2)p			38.1p

Statement of comprehensive income

for the year ended 31 December 2022

	Note	Group	
		2022 £m	2021 £m
Profit/(loss) for the period		(0.4)	7.8
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains	24	(5.0)	20.7
Tax on items that will not be reclassified to profit or loss	9	1.3	(7.9)
		(3.7)	12.8
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments		2.1	(0.2)
Effective portion of changes in fair value of cash flow hedges	26	(1.3)	(1.0)
Reclassified to income statement from hedge reserve	26	–	(0.3)
		0.8	(1.5)
Other comprehensive (expense)/income for the period		(2.9)	11.3
Total comprehensive (expense)/income for the period		(3.3)	19.1

Statements of changes in equity

for the year ended 31 December 2022

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	Note	Group					
		Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m
Balance at 1 January 2021		5.0	26.0	0.5	3.9	0.8	10.0
Profit for the period		–	–	–	–	–	7.8
Other comprehensive (expense)/income for the period		–	–	(0.2)	–	(1.3)	12.8
Total comprehensive (expense)/income for the period		–	–	(0.2)	–	(1.3)	20.6
Equity-settled share-based transactions	24	–	–	–	–	–	0.3
Purchase of own shares		–	–	–	–	–	(0.2)
Total transactions with owners, recorded directly in equity		–	–	–	–	–	0.1
Balance at 31 December 2021		5.0	26.0	0.3	3.9	(0.5)	30.7
Profit for the period		–	–	–	–	–	(0.4)
Other comprehensive (expense)/income for the period		–	–	2.1	–	(1.3)	(3.7)
Total comprehensive (expense)/income for the period		–	–	2.1	–	(1.3)	(4.1)
Equity-settled share-based transactions	24	–	–	–	–	–	0.1
Purchase of own shares	25	0.1	–	–	–	–	(0.1)
Total transactions with owners, recorded directly in equity		0.1	–	–	–	–	–
Balance at 31 December 2022		5.1	26.0	2.4	3.9	(1.8)	26.6

	Note	Company					
		Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m
Balance at 1 January 2021		5.0	26.0	–	3.9	–	19.7
Profit for the period		–	–	–	–	–	2.4
Other comprehensive (expense)/income for the period		–	–	–	–	–	12.3
Total comprehensive (expense)/income for the period		–	–	–	–	–	14.7
Equity-settled share-based transactions	24	–	–	–	–	–	0.3
Purchase of own shares		–	–	–	–	–	(0.2)
Total transactions with owners, recorded directly in equity		–	–	–	–	–	0.1
Balance at 31 December 2021		5.0	26.0	–	3.9	–	34.5
Profit for the period		–	–	–	–	–	0.6
Other comprehensive (expense)/income for the period		–	–	–	–	–	(3.3)
Total comprehensive (expense)/income for the period		–	–	–	–	–	(2.7)
Equity-settled share-based transactions	24	–	–	–	–	–	0.1
Purchase of own shares	25	0.1	–	–	–	–	(0.1)
Total transactions with owners, recorded directly in equity		0.1	–	–	–	–	–
Balance at 31 December 2022		5.1	26.0	–	3.9	–	31.8

Statements of financial position

as at 31 December 2022

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		Group		Company	
	Note	2022 £m	2021 £m	2022 £m	2021 £m
Non-current assets					
Intangible assets	12	25.4	25.3	1.1	1.3
Property, plant and equipment	13	4.0	4.0	0.1	0.2
Investment property	14	0.8	0.8	0.8	0.8
Right-of-use assets	27	5.0	5.8	–	–
Investments	15	–	–	63.8	63.8
Amounts owed by group undertakings	15	–	–	25.6	14.2
Employee benefits	24	31.5	35.7	31.5	35.7
Deferred tax assets	16	1.3	1.4	–	–
		68.0	73.0	122.9	116.0
Current assets					
Inventories	17	9.6	5.5	–	–
Trade and other receivables	19	47.3	34.5	8.0	4.7
Current tax assets	10	0.6	0.6	–	–
Cash and cash equivalents	21	4.2	14.5	(0.3)	4.0
		61.7	55.1	7.7	8.7
Current liabilities					
Lease liabilities	27	(1.4)	(1.8)	–	–
Interest-bearing loans and borrowings	20	(8.0)	–	(8.0)	–
Trade and other payables	22	(39.0)	(39.5)	(43.9)	(41.9)
Current tax liabilities	10	(0.1)	(0.7)	–	–
Provisions	23	(1.0)	(0.6)	–	–
		(49.5)	(42.6)	(51.9)	(41.9)
Net current assets/(liabilities)		12.2	12.5	(44.2)	(33.2)
Total assets less current liabilities		80.2	85.5	78.7	82.8
Non-current liabilities					
Interest-bearing loans and borrowings	20	(0.9)	(0.9)	(0.9)	(0.9)
Employee benefits	24	(2.1)	(2.5)	–	–
Deferred tax liabilities	16	(11.1)	(12.5)	(11.0)	(12.5)
Lease liabilities	27	(3.9)	(4.2)	–	–
		(18.0)	(20.1)	(11.9)	(13.4)
Net assets	1	62.2	65.4	66.8	69.4
Equity					
Issued capital	25	5.1	5.0	5.1	5.0
Share premium		26.0	26.0	26.0	26.0
Reserves		2.1	3.7	3.9	3.9
Retained earnings		29.0	30.7	31.8	34.5
Total equity		62.2	65.4	66.8	69.4

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 £0.6m (2021: £2.4m loss). These financial statements were approved by the Directors on 22 March 2023 and signed on their behalf by:

Tony Steels
Director

Will Wilkins
Director

Registered number: 124855

Statements of cash flow

for the year ended 31 December 2022

		Group		Company	
	Note	2022 £m	2021 £m	2022 £m	2021 £m
Operating activities					
Operating profit/(loss)		–	8.3	(0.3)	1.6
Non-underlying items included in operating profit	5	3.9	0.5	1.4	(1.5)
Amortisation of internally developed intangible assets	12	0.9	0.6	0.3	0.4
Depreciation	13,27	2.0	1.8	0.1	0.1
Profit on sale of property, plant and equipment	13	–	0.1	–	–
Other non-cash items		0.2	0.3	0.1	0.3
Pension payments	24	(2.1)	(2.6)	(2.0)	(2.3)
Working capital movements:					
– increase in inventories		(3.7)	(2.2)	–	–
– increase in contract assets		(5.9)	(4.4)	–	–
– (increase)/decrease in trade and other receivables		(6.3)	1.0	(2.7)	–
– increase/(decrease) in trade and other payables		1.7	(1.1)	0.9	3.7
– increase/(decrease) in provisions		0.5	(0.8)	–	–
– decrease in contract liabilities		(4.0)	(0.7)	–	–
Cash flows from continuing operations before reorganisation		(12.8)	0.8	(2.2)	2.3
Acquisition and reorganisation costs paid		(0.8)	(0.3)	(0.3)	(0.2)
Cash flows from operations		(13.6)	0.5	(2.5)	2.1
Taxation (paid)/received		(0.4)	(0.1)	–	–
Cash flows from/(used in) operating activities		(14.0)	0.4	(2.5)	2.1
Investing activities					
Proceeds from sale of property, plant and equipment		–	2.0	–	1.8
Capitalised development expenditure	12	(1.4)	(0.2)	–	–
Acquisition of property, plant and equipment	13	(1.0)	(1.5)	–	(0.1)
Loans to subsidiaries		–	–	(10.6)	(3.0)
Payment of deferred consideration		(0.8)	(0.6)	–	–
Cash flows used in investing activities		(3.2)	(0.3)	(10.6)	(1.3)
Financing activities					
Interest paid		(0.3)	(0.3)	(0.3)	–
Purchase of own shares		–	(0.2)	–	(0.2)
Proceeds from borrowings		8.0	–	8.0	–
Principal elements of lease payments		(1.1)	(0.9)	–	–
Cash flows used in financing activities		6.6	(1.4)	7.7	(0.2)
Net (decrease)/increase in cash and cash equivalents	21	(10.6)	(1.3)	(5.4)	0.6
Cash and cash equivalents at 1 January		14.5	15.5	4.0	3.4
Effect of exchange rate fluctuations on cash held		0.3	0.3	1.1	–
Cash and cash equivalents at 31 December		4.2	14.5	(0.3)	4.0
		Group		Company	
		2022 £m	2021 £m	2022 £m	2021 £m
Cash and cash equivalents as at 31 December comprise:					
Cash at bank and in hand		4.5	14.5	–	4.0
Bank overdrafts		(0.3)	–	(0.3)	–
		4.2	14.5	(0.3)	4.0

Accounting policies

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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 Parent 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 2021 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.

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 9 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 2024, 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

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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 12.7% to 13.9%, dependent on the CGU being assessed (2021: 12.4% to 16.4%).

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

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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 good 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

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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. The Group benefited from a number of Covid-related grants in the course of 2021 including the 'Coronavirus Job Retention Scheme' in the UK and the equivalent schemes in the countries in which it operates. No deferred amounts remain.

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.

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 36 months. The contracts are accounted for over time unless the installation and commissioning consideration of the contract 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 9 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

	2022 £m	2021 £m
Sector		
Clean Energy	11.1	2.6
Healthcare	30.1	29.2
Food and beverage	45.7	45.3
Other	10.8	17.2
Total	97.7	94.3
Timing of revenue recognition		
Products and services transferred at a point in time	24.3	19.3
Products and services transferred over time	73.4	75.0
Total	97.7	94.3

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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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

	2022			2021		
	OE £m	Service £m	Total £m	OE £m	Service £m	Total £m
Revenue						
Americas	40.9	11.9	52.8	53.4	9.9	63.3
EMEA	27.8	9.7	37.5	17.4	9.3	26.7
Asia Pacific	5.9	1.5	7.4	3.3	1.0	4.3
Total	74.6	23.1	97.7	74.1	20.2	94.3
Gross profit	14.5	9.9	24.4	20.3	8.6	28.9
Selling, distribution and administration			(20.5)			(20.1)
Underlying operating profit			3.9			8.8
Unallocated non-underlying items included in operating profit			(3.9)			(0.5)
Operating profit/(loss)			–			8.3
Net financing income/(expense)			0.2			(0.1)
Profit/(loss) before tax			0.2			8.2

	2022			2021		
	Segment assets	Segment liabilities	Segment net assets	Segment assets	Segment liabilities	Segment net assets
Americas	28.4	(18.0)	10.4	35.1	(20.4)	14.7
EMEA	46.3	(46.1)	0.2	28.7	(25.2)	3.5
Asia	0.6	(0.2)	0.4	0.5	(0.3)	0.2
Total	75.3	(64.3)	11.0	64.3	(45.9)	18.4
Unallocated net assets			51.2			47.0
Total net assets			62.2			65.4

1. Revenue and operating segments continued

Geographical information

	By location of customer			
	2022 £m	2022 %	2021 £m	2021 %
Revenue				
UK	9.2	9	7.7	8
Europe (excl. UK)	26.7	27	17.2	18
Africa and Middle East	1.6	2	0.7	1
USA	45.8	47	56.9	61
Americas (excl. USA)	7.0	7	7.2	7
Asia Pacific	7.4	8	4.6	5
	97.7	100	94.3	100

	By location of assets	
	2022 £m	2021 £m
Non-current assets (excluding taxation balances)		
UK	53.2	50.1
Canada and USA	6.7	15.7
Rest of the world	8.1	5.8
	68.0	71.6

2. Major customers

In 2022, the Group generated 22.9% (2021: 16.7%) of revenue from two customers. The most significant customer accounted for 11.4% (2021: 10.0%) of Group revenue. The sales constituted both equipment and service, and were spread across a number of different geographic regions.

3. Other operating expenses

	2022 £m	2021 £m
Research and development costs (expensed as incurred)	0.5	0.9

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4. Operating profit

	2022 £m	2021 £m
Operating profit is arrived at after charging/(crediting):		
Amortisation of software and product development (Note 12)	0.9	0.6
Depreciation of owned assets (Note 13)	0.9	0.9
Depreciation of right of use assets (Note 27)	1.1	0.9
Employee benefits (Company £1.9m; 2021: £2.1m) (Note 6)	30.1	29.0
Cost of inventories recognised as an expense	40.1	32.0
Government grants	–	(0.4)
(Profit)/loss on sale of fixed assets (Note 13)	–	0.1
Distribution and transport costs	1.7	1.3
Operating lease charges	1.2	1.0
Sales, marketing and office expenses	6.4	5.5
Product development expensed	0.5	0.9
Administrative expenses	11.9	13.3
Non-underlying release of deferred contingent consideration (Note 5)	–	(2.4)
Non-underlying amortisation of acquired intangible assets (Note 12)	1.6	1.6
Non-underlying profit on sales of fixed assets (Note 5)	–	(0.3)
Other non-underlying items (Note 5)	2.3	1.6
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 services**	–	–

* Audit related assurance services include £30,000 (2021: £31,000) for the review of the half-year report.

** Taxation compliance services were performed by the previous auditor at a cost of £22,000 in 2021. The current auditor does not provide non-audit services to the Group.

5. Non-underlying items

	2022 £m	2021 £m
Non-underlying items		
Acquisition costs	(0.3)	(0.4)
Reorganisation costs	(0.6)	–
Amortisation of acquired intangible assets	(1.6)	(1.6)
Profit on disposal of Coventry facility	–	0.3
Defined benefit pension schemes administration costs	(1.4)	(1.2)
Release of deferred contingent consideration	–	2.4
Total non-underlying operating expenditure	(3.9)	(0.5)
Interest on deferred and contingent acquisition consideration	–	(0.1)
Net financing income on pension scheme balances	0.6	0.2
Total non-underlying expense before tax	(3.3)	(0.4)
Deferred tax on pension scheme costs	0.2	0.3
Total non-underlying expense after tax	(3.1)	(0.1)

5. Non-underlying items continued

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. No Covid-related items are considered non-underlying.

6. Employee information

	Period end		Average	
	2022	2021	2022	2021
The number of people employed by the Group was:				
Americas	131	147	142	139
EMEA	297	302	292	302
Asia Pacific	13	13	13	13
Head Office	17	14	17	12
Total	458	476	464	466

	Period end		Average	
	2022	2021	2022	2021
The number of people employed by the Company in EMEA was:	17	14	17	12

	Group		Company	
	2022	2021	2022	2021
Employment costs were:				
Wages and salaries	24.7	23.8	1.4	1.4
Social security costs	3.4	3.2	0.3	0.2
Employee benefits				
– defined contribution schemes	1.9	1.7	0.2	0.2
– equity-settled share-based transactions	0.1	0.3	0.1	0.3
	30.1	29.0	2.0	2.1

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

£1.1m 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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8. Net financing income

	2022 £m	2021 £m
Financial income:		
Amounts receivable on cash and cash equivalents	–	–
Net interest received on pension scheme balances	0.6	0.2
	0.6	0.2
Financial expenses:		
Preference dividends paid	(0.1)	(0.1)
Interest on deferred contingent consideration	–	(0.1)
Interest on borrowings	(0.2)	–
Lease interest (IFRS 16)	(0.1)	(0.1)
	(0.4)	(0.3)
Net financing income	0.2	(0.1)

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

9. Taxation

	2022 £m	2021 £m
Tax charge/(credit):		
Current tax	0.3	0.4
Deferred tax	0.3	–
Total	0.6	0.4

Included within the total taxation is a tax credit of £0.2m (2021: £0.2m) attributable to the non-underlying items set out in note 5.

Reconciliation of effective tax rate

	2022 £m	2021 £m
Profit before tax	0.2	8.2
Income tax using the UK corporation tax rate of 25.00% (2021: 19.00%)	–	1.5
Research & development tax credits	–	(0.5)
Deferred tax movements on acquired intangible asset amortisation from increased future tax rate	–	0.4
Non-taxable release of deferred contingent consideration	–	(0.4)
Deferred tax movements on pension payments	(0.2)	(0.3)
Change in recognised deferred tax assets	–	(0.4)
Change in unrecognised deferred tax assets	–	(0.3)
Foreign tax charged at higher rates than UK corporation tax rate	0.8	0.4
Total charge/(credit)	0.6	0.4

The main rate of UK corporation tax is 25% (2021: 19%) 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.

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% (2021: 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

	2022 £m	2021 £m
Arising from actuarial gains/(losses)	(1.3)	7.9

10. Current tax assets and liabilities

Current tax assets of £0.6m (2021: £0.6m) and current tax liabilities of £0.1m (2021: £0.7m) for the Group, and current tax assets of £nil (2021: £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 is based upon the loss for the year of £0.4m (2021: profit of £7.8m) 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 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 loss for the year of £0.4m (2021: profit of £7.8m) 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 loss for the period from continuing activities of £0.4m (2021: profit of £7.8m). 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.

	2022	2021
Weighted average number of ordinary shares (non-diluted) at 31 December	20,261,505	19,920,895
Effect of own shares and shares conditionally granted under the LTIP	41,304	531,118
Weighted average number of ordinary shares (diluted) at 31 December	20,302,809	20,452,013

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 13.3p (2021: 39.7p) in respect of underlying earnings per share and 13.3p (2021: 38.6p) 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 £2.7m (2021: £7.9m) which is calculated as follows:

	2022 £m	2021 £m
(Loss) / Profit for the period	(0.4)	7.8
Non-underlying items (net of tax)	3.1	0.1
Underlying profit for the period	2.7	7.9

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12. Intangible assets

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 2021	13.2	13.1	4.8	2.8	–	33.9	1.8	–	1.8
Additions	–	–	0.2	–	–	0.2	–	–	–
Disposals	–	–	(1.2)	–	–	(1.2)	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–
Retranslation	–	–	–	–	–	–	–	–	–
Balance at 31 December 2021	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
Amortisation and impairment losses:									
Balance at 1 January 2021	–	2.5	3.4	0.6	–	6.5	0.1	–	0.1
Amortisation for the period	–	1.6	0.2	0.4	–	2.2	0.4	–	0.4
Disposals	–	–	(1.2)	–	–	(1.2)	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–
Retranslation	–	–	0.1	–	–	0.1	–	–	–
Balance at 31 December 2021	–	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
Carrying amounts:									
At 31 December 2021	13.2	9.0	1.3	1.8	–	25.3	1.3	–	1.3
At 31 December 2022	13.2	8.5	2.0	1.7	–	25.4	1.1	–	1.1

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

The carrying amounts of goodwill are £5.7m (2021: £5.7m) in respect of Mpac Lambert (acquired in 2019) and £7.5m (2021: £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.

12. Intangible assets continued

The calculation uses pre-tax cash flow projections from the 3 year mid-range plan for the period ending 31st 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 15.4% & 2.0% for the UK and 15.2% & 2.0% for the Americas, respectively.

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 2021	4.2	3.1	5.2	12.5	2.6	0.2	2.8
Additions	0.5	0.1	0.9	1.5	–	0.2	0.2
Disposals	(2.8)	(0.3)	(1.4)	(4.5)	(2.6)	–	(2.6)
Retranslation	–	–	(0.1)	(0.1)	–	–	–
Balance at 31 December 2021	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
Depreciation:							
Balance at 1 January 2021	1.5	1.6	4.3	7.4	1.1	0.1	1.2
Charge for the period	0.1	0.2	0.6	0.9	–	0.1	0.1
Reclassification	(1.4)	(0.3)	(1.2)	(2.9)	(1.1)	–	(1.1)
Balance at 31 December 2021	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
Carrying amounts:							
At 31 December 2021	1.7	1.4	0.9	4.0	–	0.2	0.2
At 31 December 2022	1.8	1.7	0.5	4.0	–	0.1	0.1

14. Investment property

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Balance at 1 January 2021 and 31 December 2021	0.8	0.8	0.8	0.8
Balance at 31 December 2022	0.8	0.8	0.8	0.8

Investment property is shown at cost. The fair value of the investment property at 31 December 2021 is £1.2m (2021: £1.0m) 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.

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15. Investments

Cost of shares in subsidiaries

	2022 £m	2021 £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 32.

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 2025. 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 15.4% & 2.0% for the UK and 15.2% & 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 3.75% 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	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Group						
Employee benefits	–	–	(11.1)	(12.5)	(11.1)	(12.5)
Tax losses	3.1	3.4	–	–	1.3	1.4
Acquired intangible assets	–	–	(1.8)	(2.0)	–	–
Deferred tax assets/(liabilities)	3.1	3.4	(12.9)	(14.5)	(9.8)	(11.1)
Net deferred tax assets/(liabilities)	3.1	3.4	(12.9)	(14.5)	(9.8)	(11.1)
	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Company						
Employee benefits	–	–	(11.1)	(12.5)	(11.1)	(12.5)
Deferred tax liabilities	–	–	(11.1)	(12.5)	(11.1)	(12.5)
Net deferred tax liabilities	–	–	(11.1)	(12.5)	(11.1)	(12.5)

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.

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 £9.5m of unrecognised deferred tax assets (2021: £3.1m) and the Company had £3.7m of unrecognised deferred tax assets (2021: £2.1m) 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	
	2022 £m	2021 £m
Expiry		
10 to 20 years	–	–
No expiry date	9.5	3.1
	9.5	3.1

Movement in temporary differences during the year

Group	Balance at 1 January 2022 £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 2022 £m
Employee benefits	(12.5)	0.2	–	1.2	–	(11.1)
Corporation 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)

Group	Balance at 1 January 2021 £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 2021 £m
Employee benefits	(4.9)	0.3	–	(7.9)	–	(12.5)
Tax losses	2.9	–	–	–	–	2.9
Investment tax credits	0.7	–	(0.2)	–	–	0.5
Acquired intangible assets	(1.9)	(0.1)	–	–	–	(2.0)
	(3.2)	0.2	(0.2)	(7.9)	–	(11.1)

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	(11.1)
	(12.5)	0.2	1.3	(11.1)

Company	Balance at 1 January 2021 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/(expense) £m	Balance at 31 December 2021 £m
Employee benefits	(4.9)	0.3	(7.9)	(12.5)
	(4.9)	0.3	(7.9)	(12.5)

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17. Inventories

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Work in progress and raw materials	2.9	0.6	–	–
Finished goods	6.7	4.9	–	–
	9.6	5.5	–	–

An amount of £nil (2021: £0.5m) has been charged in the year in respect of inventory write-downs.

18. Contract assets & liabilities; contract fulfilment assets

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

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Receivables, which are included in 'Trade and other receivables'	12.9	11.4	–	–
Contract assets	18.2	12.7	–	–
Contract liabilities	(14.5)	(17.5)	–	–

	Group		Company	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised which is included in the contract liability balance at the beginning of the period	–	17.5	–	–
Increases due to cash received, excluding amounts recognised as revenue during the period	–	(14.5)	–	–
Transfers from contract assets recognised at the beginning of the period to receivables	(12.7)	–	–	–
Increases as a result of changes recognised in the measure of progress	18.2	–	–	–

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		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Contract fulfilment assets	2.0	0.8	–	–

19. Trade and other receivables

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Current assets:				
Contract assets – see note 18	18.2	12.7	–	–
Contract fulfilment assets – see note 18	2.0	0.8	–	–
Trade receivables	17.7	15.1	–	–
Amounts owed by Group undertakings	–	–	3.7	3.0
Other receivables	1.6	1.2	0.1	–
Prepayments and accrued income	7.7	4.5	2.1	0.7
Foreign currency derivatives	0.1	0.2	2.1	1.0
	47.3	34.5	8.0	4.7

20. Interest-bearing loans and borrowings

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Current liabilities:				
Repayable in less than one year	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	0.9	8.9	0.9

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 £0.2m (2021: £nil) 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 (2021: £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 (2021: £0.1m).

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

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Net decrease in cash and cash equivalents	(10.6)	(1.3)	(5.4)	0.6
Change in net funds resulting from cash flows	(10.6)	(1.3)	(5.4)	0.6
Translation movements	0.3	0.3	1.1	–
Movement in net funds in the period	(10.3)	(1.0)	(4.3)	0.6
Opening net funds	7.6	10.4	3.1	2.5
Movement in interest-bearing loans and borrowings:				
Revolving credit facility	(8.0)	–	(8.0)	–
Movement in lease liabilities under IFRS 16:				
Non-cash movement	(0.5)	(2.8)	–	–
Cash movement	1.2	1.0	–	–
Closing net funds	(10.0)	7.6	(9.2)	3.1
Analysis of net funds:				
Cash and cash equivalents – Current assets	4.2	14.5	(0.3)	4.0
Interest-bearing loans and borrowings – Current liabilities	(8.0)	–	(8.0)	–
Interest-bearing loans and borrowings – Non current liabilities	(0.9)	(0.9)	(0.9)	(0.9)
Lease liabilities	(5.3)	(6.0)	–	–
Closing net (debt)/funds	(10.0)	7.6	(9.2)	3.1

22. Trade and other payables

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Current liabilities:				
Contract liabilities – see note 18	14.5	17.5	–	–
Trade payables	15.3	12.8	0.6	0.8
Amounts owed to Group undertakings	–	–	39.3	37.8
Other taxes and social security	1.2	0.7	–	–
Other payables	3.8	2.6	2.0	0.6
Accruals and deferred income	3.6	5.1	1.3	1.7
Foreign currency derivatives	0.6	0.8	0.7	1.0
	39.0	39.5	43.9	41.9

23. Provisions

Group	2022 £m	2021 £m
Balance at 1 January	0.6	1.4
Provisions created in the year	0.5	0.3
Utilised during the year	(0.1)	(0.4)
Unused amounts reversed	–	(0.7)
Balance at 31 December	1.0	0.6

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.

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 (2021: £1.9m). A contribution of £nil (2021: £0.4m), in accordance with the profit sharing arrangement in the schedule of contributions, was also paid.

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 2022. Scheme assets are stated at their market value at 31 December 2022.

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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 2022 using the projected unit credit method. The valuations under IAS 19 at 31 December 2022 have been based on these actuarial valuations, updated for conditions existing at the year end.

Employer contributions of £0.2m (2021: £0.3m) 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	
	2022	2021	2022	2021
Discount rate	4.8%	1.8%	5.0%	2.5%
Inflation rate				
– CPI	2.8%	2.9%	n/a	n/a
– RPI	3.3%	3.4%	n/a	n/a
Increases to pensions in payment				
– final salary benefits	2.8%	2.9%	n/a	n/a
– career average benefits	2.1%	2.2%	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	21.8 years	20.5 years
Current pensioner aged 65 – female	24.4 years	22.5 years
Future retirees currently aged 45 upon reaching age 65 – male	23.0 years	20.7 years
Future retirees currently aged 45 upon reaching age 65 – female	25.8 years	23.1 years

At 31 December 2022, the weighted average duration of the defined benefit obligation in the UK scheme was 12 years (2021: 14 years) and in the USA schemes was 8 years (2021: 9 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 2022	UK scheme	USA schemes
0.25% change in discount rate	£7.9m	£0.2m
0.1% change in inflation rate	£6.7m	n/a
Change in life expectancy by one year on average	£12.2m	£0.3m

24. Employee benefits continued

Categories of assets and funded status

The fair values of scheme assets were as follows:

	UK (Company)		USA		Group	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
UK equities	–	1.5	–	–	–	1.5
Overseas equities	8.2	56.5	2.7	3.1	10.9	59.6
Bonds – index linked gilts	79.3	153.3	–	–	79.3	153.3
Bonds – other	106.3	37.8	5.4	6.8	111.7	44.6
Properties – funds	28.7	35.0	–	–	28.7	35.0
Properties – directly owned	2.3	2.2	–	–	2.3	2.2
Absolute return funds	12.6	122.7	–	–	12.6	122.7
Other	73.8	44.1	–	–	73.8	44.1
Total fair (bid) value of scheme assets	311.2	453.1	8.1	9.9	319.3	463.0
Present value of defined benefit obligations	279.7	417.4	10.2	12.4	289.9	429.8
Defined benefit asset/(liability)	31.5	35.7	(2.1)	(2.5)	29.4	33.2

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	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Past service costs/(gains)	–	–	–	–	–	–
Interest expense/(income)	(0.7)	(0.2)	0.1	0.1	(0.6)	(0.1)
Administration costs	1.1	1.0	0.3	0.2	1.4	1.2
(Income)/expense recognised in income statement	0.4	0.8	0.4	0.3	0.8	1.1

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

B) Statements of comprehensive income ("SOC")

The actuarial losses recognised in the SOC in respect of pensions were £5.3m (2021: gains of £20.7m), comprising actuarial losses of £5.8m (2021: gain of £20.2m) for the UK defined benefit pension scheme and actuarial gains of £0.8m (2021: £0.5m) for the USA schemes, all figures before tax.

Actual return on scheme assets

The actual return on scheme assets were losses of £129.5m (2021: gain of £30.2m), comprising losses of £130.3m (2021: gains of £29.7m) for the UK defined benefit pension scheme and losses of £1.9m (2021: gains of £0.5m) for the USA schemes, all figures before tax.

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24. Employee benefits continued

Reconciliation of the present value of defined benefit obligations

	UK (Company)		USA		Group	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Present value of defined benefit obligations at 1 January	417.4	426.9	12.4	13.1	429.8	440.0
Past service cost/(gains)	–	–	–	–	–	–
Interest cost	7.4	5.8	0.3	0.3	7.7	6.1
Actuarial losses/(gains)						
– changes in demographic assumptions	1.1	7.7	–	–	1.1	7.7
– changes in financial assumptions	(131.1)	(1.7)	(3.0)	(0.2)	(135.2)	(1.9)
– experience	5.3	(2.6)	–	–	5.3	(2.6)
Benefit payments	(20.4)	(18.7)	(1.0)	(1.0)	(21.4)	(19.7)
Retranslation	–	–	1.5	0.2	1.5	0.2
Present value of defined benefit obligations at 31 December	279.7	417.4	10.2	12.4	288.8	429.8

Reconciliation of the fair value of scheme assets

	UK (Company)		USA		Group	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Fair value of scheme assets at 1 January	453.1	440.9	9.9	10.1	463.0	451.0
Interest income	8.0	6.1	0.2	0.2	8.2	6.3
Actuarial gains/(losses)						
– return on scheme assets	(130.4)	23.6	(2.2)	0.3	(132.6)	23.9
Company contributions	2.0	2.3	0.2	0.3	2.2	2.6
Administration expenses	(1.1)	(1.0)	(0.2)	(0.2)	(1.3)	(1.2)
Benefit payments	(20.4)	(18.8)	(1.0)	(0.9)	(21.4)	(19.7)
Retranslation	–	–	1.2	0.1	1.2	0.1
Fair value of scheme assets at 31 December	311.2	453.1	8.1	9.9	319.3	463.0

24. Employee benefits continued

Experience gains and losses for the year

	UK (Company)		USA		Group	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Fair value of scheme assets	311.2	453.1	8.1	9.9	319.3	463.0
Defined benefit obligations	(279.7)	(417.4)	(10.2)	(12.4)	(289.9)	(429.8)
Net asset/(liability)	31.5	35.7	(2.1)	(2.5)	29.4	33.2
Actuarial gains/(losses) on scheme assets	(130.4)	23.6	(2.2)	0.3	(132.6)	23.9
Actuarial (losses)/gains on defined benefit obligations	124.7	(3.4)	2.9	0.2	127.6	(3.2)
Net gain/(loss) recognised in the SOCI during the year	(5.7)	20.2	0.7	0.5	(5.0)	20.7

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

	UK (Company)		USA		Group	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Net asset/(liability) for employee benefits at 1 January	35.7	14.0	(2.5)	(3.0)	33.2	11.0
Expense recognised in the income statement (see above)	(0.5)	(0.8)	(0.3)	(0.3)	(0.8)	(1.1)
Company contributions	2.0	2.3	0.2	0.3	2.2	2.6
Actuarial (losses)/gains recognised in the SOCI	(5.7)	20.2	0.7	0.5	(5.0)	20.7
Retranslation	–	–	(0.2)	–	(0.2)	–
Net asset/(liability) for employee benefits at 31 December	31.5	35.7	(2.1)	(2.5)	29.4	33.2

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.

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24. Employee benefits continued

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 and Nomination Committee report on page 38 and in this note.

The share awards that were subject to conditional grants during the year were:

	At 1 January 2022	Granted	Lapsed	Exercised	At 31 December 2022
13 March 2018	–	–	–	–	–
1 May 2019	68,816	–	–	68,816	–
	68,816	–	–	68,816	–

Granting of all conditional awards and the exercise of such awards are at nil cost to the participant. The share-based compensation charge for the year amounted to £nil (2021: £0.1m).

The fair value of the conditional awards made under the Deferred share plan has been based on the market price of the Company's shares at the date of grant, reduced by the assumptions made (for the purposes of this exercise) in respect of the present value of dividends expected to be paid (at the time of grant) during the vesting period. The fair value of each conditional award is as follows:

Date of award	Fair value per share
1 May 2019	134.7p

The company introduced a Long Term Incentive Plan ("LTIP") for certain members of its senior management during 2019, which vested in 2022. In 2022, a revised LTIP arrangement commenced, based upon updated targets but retaining the same structure. Awards are anticipated to be made annually. The key terms of both plans are set out in the Remuneration and Nomination Committee report on pages 38 to 39 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 (2021: £0.2m) within administration costs. No shares were forfeited, exercised, expired or exercisable during the period.

25. Capital and reserves

Share capital

	2022 £m	2021 £m
Allotted, called up and fully paid		
Ordinary shares of 25p each	5.1	5.0

There were 20,474,424 (2021: 20,171,540) 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.

The 302,884 newly issued shares in the year were issued at nil value to enable the settlement of the LTIP awards.

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 and Nomination Committee report on page 38 and on page 88 in note 24.

At 31 December 2022, the employee trust held no (2021: 242,144) ordinary shares of 25p each, representing 0.0% of the issued shares (2021: 1.2%), as all shares were used to settle the vesting awards under the LTIP. The shares held by the trust at 31 December 2022 were purchased at an aggregate cost of £nil (2021: £0.5m). The trust purchased 38,176 additional shares in the year at a cost of £0.2m (2021: £0.2m).

Included within retained earnings is the charge of £0.1m (2021: £0.3m) 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 2022 was £nil (2021: £1.2m).

Dividends

	2022 £m	2021 £m
Dividends to shareholders paid in the period:	–	–

Having considered the trading results for 2022 and the opportunities for investment in the growth of the Group, together with the continued uncertainty surrounding the impact of the pandemic, the Board has decided that it is not appropriate to pay a final dividend. No interim dividend was paid in 2022. Future dividend payments will be considered by the Board in the context of 2023 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	
	2022 £m	2021 £m	2022 £m	2021 £m
Financial assets:				
Derivative instruments in designated hedge accounting relationships	0.1	0.2	–	–
Derivative instruments measured at fair value through income statement	–	–	2.1	1.0
Financial assets measured at amortised cost	23.4	30.8	22.6	21.2
	23.5	31.0	24.7	22.2
Financial liabilities:				
Derivative instruments in designated hedge accounting relationships	0.6	0.8	–	–
Fair value through income statement	–	0.6	0.7	1.0
Amortised cost	38.1	27.4	43.9	41.9
	38.7	28.8	44.6	42.9

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 2022 and 31 December 2022, 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.

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade receivables	17.7	15.1	–	–
Amounts owed by Group undertakings	–	–	22.6	17.2
Other receivables	1.5	1.2	–	–
Foreign currency derivatives	0.1	0.2	2.1	1.0
Cash and cash equivalents	4.2	14.5	–	4.0
	23.5	31.0	24.7	22.2

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	2022			2021		
	Gross £m	Credit loss provisions £m	Total £m	Gross £m	Credit loss provisions £m	Total £m
Not past due	10.5	–	10.5	9.8	–	9.8
Past due up to 30 days	3.7	–	3.7	4.5	–	4.5
Past due 31–60 days	1.6	–	1.6	0.5	–	0.5
Past due 61–90 days	0.6	–	0.6	0.1	–	0.1
Past due more than 91 days	1.3	–	1.3	0.2	–	0.2
	17.7	–	17.7	15.1	–	15.1

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		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Current liabilities:				
Interest-bearing loans and borrowings	8.0	–	8.0	–
Trade and other payables (excluding derivatives)	23.9	20.5	35.0	41.0
Lease liabilities	1.4	1.8	–	–
Non-current liabilities:				
Interest-bearing loans and borrowings	0.9	0.9	0.9	0.9
Lease liabilities	3.9	4.2	–	–

Interest rates of 6% and 2% above the HSBC base rate are charged on the above interest-bearing loans, generating an expense of £0.3m (2021: £0.1m). 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.

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.

26. Financial risk management continued

Interest rate risk

Cash and cash equivalents

The cash profile at 31 December was:

Group	2022			2021		
	Cash at floating rates £m	Cash on which no interest received £m	Total £m	Cash at floating rates £m	Cash on which no interest received £m	Total £m
Currency:						
Sterling	0.1	–	0.1	6.0	–	6.0
Canadian dollar	1.6	–	1.6	4.1	–	4.1
US dollar	1.0	–	1.0	1.3	–	1.3
Euro	1.5	–	1.5	3.1	–	3.1
	4.2	–	4.2	14.5	–	14.5

Company	2022			2021		
	Cash at floating rates £m	Cash on which no interest received £m	Total £m	Cash at floating rates £m	Cash on which no interest received £m	Total £m
Currency:						
Sterling	(0.3)	–	(0.3)	3.9	–	3.9
Canadian dollar	–	–	–	0.1	–	0.1
US dollar	–	–	–	–	–	–
Euro	–	–	–	–	–	–
	(0.3)	–	(0.3)	4.0	–	4.0

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

Interest-bearing loans and borrowings

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

Group and Company	2022			2021		
	Borrowings at floating rates £m	Borrowings at fixed rates £m	Total £m	Borrowings at floating rates £m	Borrowings at fixed rates £m	Total £m
Currency:						
Sterling	8.0	0.9	8.9	–	0.9	0.9
	8.0	0.9	8.9	–	0.9	0.9

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 (2021: increased/decreased 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 2021.

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26. Financial risk management continued

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		Closing rate	
	2022	2021	2022	2021
US dollar	1.24	1.37	1.21	1.35
Canadian dollar	1.62	1.72	1.64	1.72
Euro	1.17	1.16	1.13	1.19

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash flow hedges				
Gain	–	–	–	–
Loss	(1.8)	(0.5)	–	–
	(1.8)	(0.5)	–	–

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 2022 or 2021, that had been designated as fair value hedges under IFRS 9 Financial instruments: recognition and measurement.

During the period, a debit of £1.3m for the Group (2021: £1.3m debit) and £nil for the Company (2021: £nil) was recognised in the statements of comprehensive income in respect of cash flow hedges.

26. Financial risk management continued

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:

Group	2022				2021			
	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	–	–	–	–	(4.7)	(0.7)	–	(5.4)
Inflow	11.0	2.9	–	13.9	24.5	8.3	–	32.8
	11.0	2.9	–	13.9	19.8	7.6	–	27.4

Company	2022				2021			
	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	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

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

Group	2022 £m
Opening balance 1 January 2022	(0.5)
Change in fair value of hedging instrument recognised in other comprehensive income ("OCI")	(1.4)
Reclassified from OCI to profit or loss	0.1
Closing balance at 31 December 2022	(1.8)

Ineffectiveness arose during 2022 on forward contracts where the hedging instrument, in this case the sales order, was cancelled by the customer. The ineffectiveness amounted to a gain of less than £0.1m and has been recognised in the Income Statement.

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	2022
Carrying amount	GBP£1.4m
Notional amount	
US dollar to Canadian dollar	CA\$70.9m
Canadian dollar to euro	€9.0m
GBP to euro	€0.7m
GBP to US dollar	\$18.8m
Hedge ratio	1:1
Average forward rates	
US dollar to Canadian dollar	1US\$:1.2879CA\$
Canadian dollar to euro	1CA\$:0.7148€
Change in the fair value of the currency forward (excluding amounts reclassified)	(£1.3m)
Change in the fair value of the hedged item used to determine hedge effectiveness	(£1.3m)
Amounts in the cash flow hedge reserve	(£1.8m)

No other currency pairs at 31 December 2022 or during the year had a material value to the Group.

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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.

	2022			2021		
	US dollar £m	Euro £m	Total £m	US dollar £m	Euro £m	Total £m
Group						
Functional currency:						
Sterling	–	–	–	–	–	–
Canadian dollar	3.3	1.9	5.2	1.5	–	1.5
Euro	–	–	–	–	–	–
	3.3	1.9	5.2	1.5	–	1.5

	2022			2021		
	US dollar £m	Euro £m	Total £m	US dollar £m	Euro £m	Total £m
Company						
Functional currency:						
Sterling	11.2	1.0	12.2	12.7	–	12.7

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 increased Group loss for the year by £0.1m (2021: £0.4m). 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 decreased Group loss for the year by £0.1m (2021: £0.5m).

If sterling had been 10% stronger against all foreign currencies at 31 December 2022, Group equity would have decreased by £3.2m (2021: £0.6m increase). Conversely, if sterling had been 10% weaker against all foreign currencies at 31 December 2022, Group equity would have increased by £3.5m (2021: £0.7m decrease). 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 2022 is £8.8m (2021: £0.8m) 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.

27. Leases

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

	Group			
	Land & buildings £m	Plant & machinery £m	Motor vehicles £m	Total £m
Cost				
Balance at 1 January 2021	5.0	0.1	0.6	5.7
Additions	2.4	–	0.3	2.7
Disposals	–	–	–	–
Transfers	–	–	–	–
Balance at 31 December 2021	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
Depreciation				
Balance at 1 January 2021	1.3	–	0.4	1.7
Charge for the period	0.8	–	0.1	0.9
Disposals	–	–	–	–
Transfers	–	–	–	–
Balance at 31 December 2021	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
NBV of ROU assets 2021	5.3	0.1	0.4	5.8
NBV of ROU assets 2022	4.6	0.1	0.3	5.0
			31 December 2022 £m	31 December 2021 £m
Lease liabilities				
Opening liability			(6.0)	(4.2)
Additions			–	(2.7)
Disposals			–	–
Payments made			1.2	0.9
Interest charge			(0.1)	(0.1)
Effect of movements in foreign exchange rates			(0.4)	0.1
Closing liability			(5.3)	(6.0)
Amounts falling due after more than one year			(3.9)	(4.2)
Amounts falling due in less than one year			(1.4)	(1.8)

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 (2021: £nil).

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27. Leases continued

The undiscounted payments under the leases fall due as follows:

	31 December 2022 £m	31 December 2021 £m
Up to one year	0.9	1.2
One to five years	3.4	3.6
Over five years	1.5	1.8
Total undiscounted payments due under leases	5.8	6.6

28. Capital commitments

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Capital investment contracted but not provided for	–	–	–	–

29. Contingent liabilities

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Contingent liabilities in respect of guarantees and indemnities related to sales and other contracts	5.3	3.7	5.3	3.7

30. Deferred contingent consideration

Switchback Group Inc

Deferred consideration in respect of the acquisition of Switchback of £0.8m, following the satisfaction of certain performance targets in the year to 30 September 2022, was paid in October 2022. The two-year performance criteria relating to the purchase of Switchback in 2020 has now concluded with the deferred consideration paid in full. The deferred consideration paid to ongoing employees of Switchback is £0.2m, which has been treated as additional remuneration and not included in the valuation of deferred consideration under IFRS3.

Reconciliation of movement in contingent earn-out consideration

	Group £m	Company £m
Contingent earn-out liabilities as at 31 December 2020	3.5	2.4
Payments made during period	(0.6)	–
Unwinding of present value	0.1	–
Other fair value adjustments	–	–
Business acquisitions	–	–
Released to income statement	(2.4)	(2.4)
Contingent earn-out liabilities as at 31 December 2021	0.6	–
Payments made during period	(0.6)	–
Unwinding of present value	–	–
Other fair value adjustments	–	–
Business acquisitions	–	–
Released to income statement	–	–
Contingent earn-out liabilities as at 31 December 2022	–	–

31. 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 2022 £m	31 December 2021 £m
Short-term employment benefits	0.1	0.8
Share based payments	0.1	0.2
Total key management personnel compensation	0.2	1.0

Identity of related parties

The Company has a related party relationship with its subsidiaries (see note 33), 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 39.

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 2022 was £0.1m (2021: £0.1m).

32. 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)

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 USA, Inc. (USA)
	Mpac Richmond, Inc. (USA)

Notes to the accounts continued

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32. Group entities continued

During the year ended 31 December 2022, the Company received interest income from subsidiary undertakings of £0.4m (2021: £0.5m), management fees of £2.1m (2021: £2.3m) and brand fees of £3.4m (2021: £3.0m).

At 31 December 2022, amounts owed by subsidiary undertakings to the Company were £25.3m (2021: £17.2m) and amounts owed by the Company to subsidiary undertakings were £39.2m (2021: £37.8m) and are unsecured. The amounts owed by subsidiary undertakings to the Company are stated after a provision of £13.9m (2021: £12.5m) representing amounts owed to the Company which are no longer considered recoverable.

At 31 December 2022, investments in subsidiaries by the Company were £63.8m (2021: £63.8m).

33. 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. During the year, the Group capitalised the development costs of a novel battery cell assembly line of £1.0m in addition to a number of smaller projects. The net book value of capitalised development costs was £2.0m (2021: £1.3m).

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. 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 £3.1m (2021: £3.4m) 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.

Five-year record

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	97.7	94.3	83.7	88.8	58.3
Underlying operating profit/(loss) ¹	3.9	8.8	6.5	7.7	1.4
Non-underlying items	(3.9)	(0.5)	(3.6)	(2.4)	(9.0)
Operating profit/(loss)	–	8.3	2.9	5.3	(7.6)
Net financing expense	0.2	(0.1)	–	0.1	0.2
Profit/(Loss) before tax	0.2	8.2	2.9	5.4	(7.4)
Taxation	(0.6)	(0.4)	1.3	1.4	1.4
Profit/(Loss) for the period from continuing operations	(0.4)	7.8	4.2	6.8	(6.0)
(Loss)/profit for the period from discontinued operations	–	–	–	–	–
Profit/(Loss) for the period	(0.4)	7.8	4.2	6.8	(6.0)
Underlying operating return on sales ¹	4.0%	9.3%	7.8%	8.7%	2.4%
Underlying earnings/(loss) per share ¹	13.3p	39.7p	31.4p	39.5p	4.5p
Basic earnings/(loss) per share	(2.2)p	39.1p	20.8p	29.7p	(30.1)p
Dividends per ordinary share in respect of the year	–	–	–	–	–
Intangible assets	25.4	25.3	27.4	16.3	1.0
Property, plant and equipment and investment property	9.8	10.6	9.9	11.7	5.2
Inventories	9.6	5.5	3.5	3.2	2.4
Trade and other receivables (including taxation)	49.2	36.5	36.6	31.1	26.5
Employee benefits	29.4	33.2	11.0	17.3	14.3
Trade and other payables (including taxation and provisions)	(65.4)	(60.2)	(57.7)	(50.1)	(36.7)
Cash	4.2	14.5	15.5	18.9	27.9
Net assets	62.2	65.4	46.2	48.4	40.6

1. Before non-underlying items

Principal divisions and subsidiaries

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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.

Americas

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

Mpac Switchback Group

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Garfield Heights
OH 44125
USA

Tel: +1 216 290 6040

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

Europe, Middle East & Africa

Mpac Langen B.V.

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The Netherlands

Tel: +31 24 648 6655

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

Mpac Lambert Limited

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United Kingdom

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E-mail: sales.emea@mpac-group.com

Asia Pacific

Mpac Langen Pte. Ltd

8 Burn Road,
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Singapore 369977

Tel: +65 63 39 96 66

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

Notice of Annual General Meeting

Notice is hereby given that the 111th 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 17 May 2023 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 15 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 2022 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 2022.

Directors

3. To re-elect Mrs S A Fowler as a Director.
4. To re-elect Mr A J Kitchingman as a Director.
5. To re-elect Mr D G Robertson as a Director.
6. To re-elect Mr M G R Taylor as a Director.
7. To re-elect Mr W C Wilkins as a Director.
8. To elect Mr A P Holland 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 16 March 2023, 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 17 August 2024, 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 2024 AGM of the Company (or, if earlier, at close of business on 17 August 2024) 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 13 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 1 month 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 2024 AGM of the Company (or, if earlier, at close of business on 17 August 2024) 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 2024 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.

Adoption of new Articles of Association

15. That:
- a) the Articles of Association of the company be amended by deleting all the provisions of the company's Memorandum of Association which, by virtue of section 28 of the Act, are to be treated as provisions of the company's Articles of Association; and
 - b) the Articles of Association produced to the meeting, and initialled by the Chairman for the purpose of identification, be adopted as the Articles of Association of the company in substitution for, and to the exclusion of, all existing Articles of Association of the Company.

By order of the Board

PRISM COSEC LIMITED
Company Secretary

22 March 2023

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 15 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 2022

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 2022, 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 39 of the Annual Report and Accounts 2022, for the year ended 31 December 2022. The vote is advisory only.

Election and re-election of Directors

In accordance with best practice in corporate governance, all Directors are standing for re-election. Resolutions 3 to 7 seek approval for the re-election of the Directors who served during the year. Resolution 8 concerns the election of Mr Holland as he was appointed a Director of the Company since the 2022 AGM. Dr Steels will be standing down as a Director of the Company with effect from 17 May 2023 and will therefore not be standing for re-election at the AGM.

Biographical information for each of the Directors is provided on page 26 of the Annual Report and Accounts 2022.

The Board has no hesitation in recommending the election or 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 election or 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 appoint PKF Littlejohn LLP, who were appointed as auditors to the Company following the resignation of Grant Thornton UK LLP from this office on 23 June 2022, 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 16 March 2023, 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 17 August 2024. 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 16 March 2023.

Notice of Annual General Meeting continued

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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 16 March 2023, 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 2024 AGM or at close of business on 17 August 2024, 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.

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 16 March 2023. The authority requested would replace a similar authority granted last year and would expire at the end of the 2024 AGM, or if earlier, at close of business on 17 August 2024.

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.

Adoption of new Articles of Association: Resolution 15

The current Memorandum of Association and Articles of Association (the "Current Articles") of Mpac Group plc (the "Company") were adopted at the annual general meeting held on 24 April 2009 and contain references to legislation that no longer apply. Accordingly, the Directors are recommending that new Articles of Association are adopted at the 2023 Annual General Meeting ("AGM") to remove those provisions which no longer apply and to update certain other provisions to reflect current best practice (the "New Articles").

A copy of the New Articles and a marked up copy of the New Articles compared to the Current Articles will be available for inspection during normal working hours at the Company's registered office at Station Estate, Station Road, Tadcaster, North Yorkshire LS24 9SG and on the Company's website at www.mpac-group.com from the date of this notice up until the AGM. A copy will also be available 15 minutes prior to, and during, the AGM.

This note explains the major changes which are being proposed in the New Articles.

To reflect current legislation

By virtue of section 28 of the Companies Act 2006, all provisions in the Memorandum of Association are being deleted and treated as being provisions of the Articles of Association.

References to the Companies Act 1985 have been either removed or replaced with the equivalent reference in the Companies Act 2006.

The provision allowing the Company to increase its share capital by way of ordinary resolution has been removed as the company is no longer required to have an authorised share capital in accordance with the Companies Act 2006.

The Current Articles provide that there is no requirement for special notice to be given of any resolution to re-appoint a director who has attained the age of 70. As the upper age limit for directors no longer applies, this requirement has been deleted from the Current Articles.

Preference shares

The Company currently has ordinary shares of 25p each and 6 per cent. cumulative preference shares of £1 each (the "Preference Shares") in issue. The rights attaching to the Preference Shares have been inadvertently omitted from the Current Articles. The New Articles therefore contain the relevant rights in relation to the Preference Shares as last noted in the articles of association of the Company approved in 1994.

Authority to allot securities and dis-application of pre-emption rights

The provisions relating to the authority to allot relevant securities and to dis-apply pre-emption rights have been removed as these are no longer required to be in the Articles to be effective.

Registration of the transfer of shares

The provision relating to the right of the Board to refuse the registration of certificated shares has been amended to reflect current legislation and the provision allowing the Company to suspend the registration of the transfer of shares has been deleted as companies are no longer permitted to suspend such transfers.

Proceedings at general meetings

The New Articles permit the Company to convene and hold hybrid shareholder meetings, whereby facilities are provided for attendance both in person and electronically. The New Articles do not provide for purely electronic meetings to be convened. The provisions relating to meetings in multiple physical locations or 'satellite meetings' have also been included to reflect current practice and technology, in particular that such attendees count towards the quorum and may exercise voting rights and include the ability for the chairman to adjourn the meeting if the facilities provided become inadequate. The new Articles also provide that at a hybrid meeting all business of the meeting will be conducted by means of a poll. The directors' powers relating to health and safety and security at general meetings have also been incorporated in the New Articles, in particular to ensure the directors have the power to take measures they deem necessary to secure the health and safety of persons physically present at a meeting.

Methods of voting at general meetings

The New Articles require votes put to general meetings held partly by means of an electronic facility to be decided on a poll.

Retirement of directors

In accordance with the Company's current practice, the New Articles now require all directors in office at the date of the notice of AGM to retire from office and offer themselves for re-election by members.

Directors' interests and voting

The provision relating to whether a director can vote and be counted in the quorum in relation to a transaction or arrangement with another company in which that director holds one per cent or more of the voting rights in such company has been updated to clarify when a director is deemed to hold one per cent or more of the voting rights.

Notice of Board meetings

The New Articles allow for directors who are absent or intending to be absent from the United Kingdom to request that notices of Board meetings be sent to the director at an alternative address, including an electronic address, given by the director.

Secretary

The New Articles allow for the Board to appoint a deputy or assistant secretary who, during such time there may be no secretary, may act as secretary and do any act authorised or required to be done by the secretary.

Communications during suspension or curtailment of postal services

The provisions relating to communicating with shareholders if the postal services within the United Kingdom are suspended or curtailed have been amended to reflect best practice.

Untraced members

The provisions relating to the sale of shares for those members who are untraced have been updated to reflect the requirements under the Uncertificated Securities Regulations 2001.

Notices and other communications

The New Articles provide that the Company may cease to send communications to a shareholder when communications have been returned on two consecutive occasions. The provisions regarding service of notices where the Company is unable effectively to give notice of a general meeting (for example because of a postal strike) require the Company to advertise the general meeting in at least two UK national daily newspapers rather than one, as well as giving notice to those members where notice can validly be given by electronic means.

Notice of Annual General Meeting continued

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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 15 May 2023, 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 11:00 a.m on Monday 24 April 2023 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 15 May 2022 (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 & Ireland 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 & Ireland 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 16 March 2023 (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 16 March 2023 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 15 May 2023 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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LS24 9SG

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Email: ho@mpac-group.com

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Auditors

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Nominated Advisor & Broker

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Financial PR

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Registrars

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www.signalshares.com

Share price

Available from:
FT Cityline – tel: +44 (0)905 817 1690
Certain national newspapers

Website

Further information is available at www.mpac-group.com

Timetable

Annual General Meeting
17 May 2023

Payment dates for preference dividend
30 June 2023 and 31 December 2023

Half-year announcement
September 2023

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