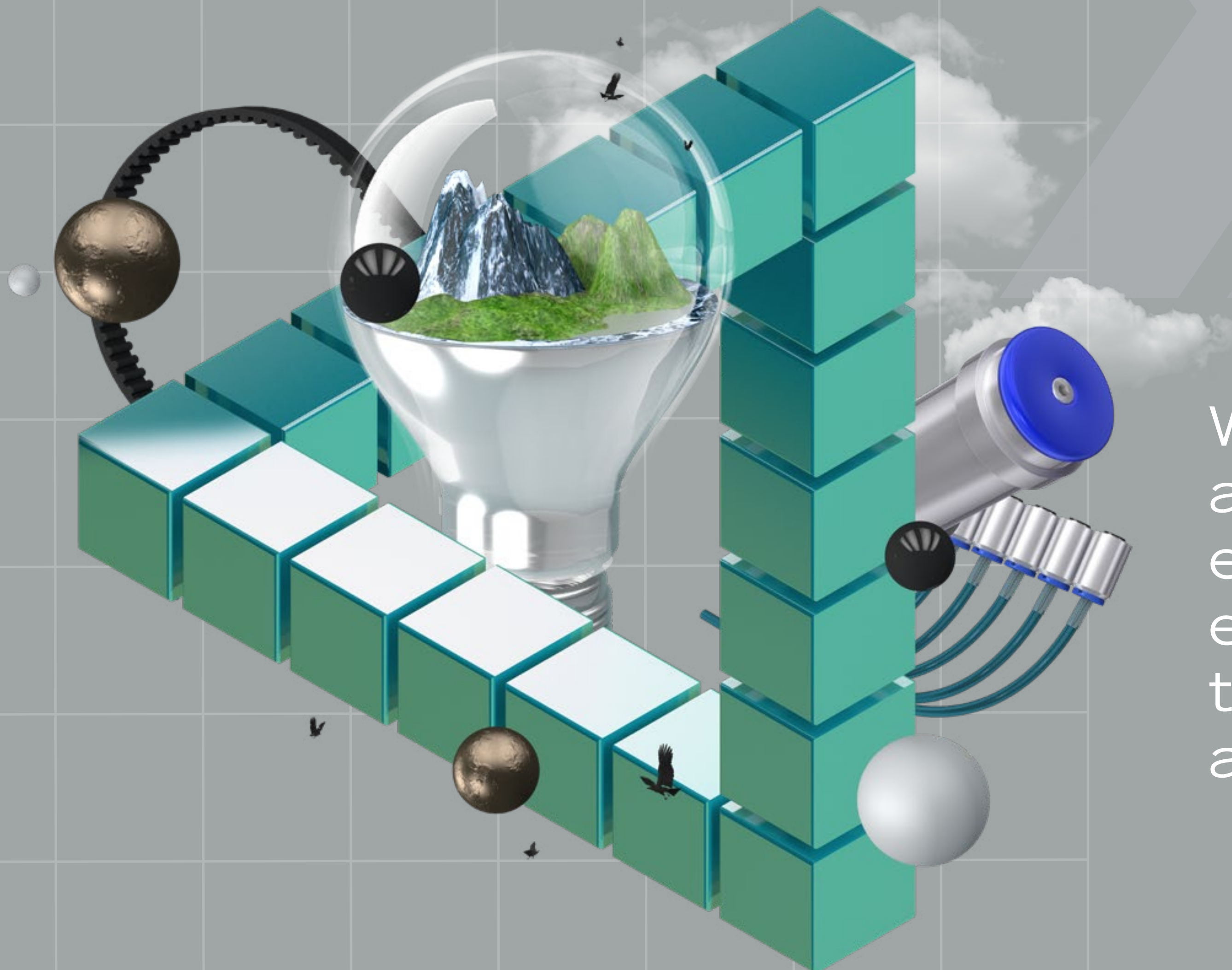

We create packaging and automation ecosystems that enhance manufacturing to help businesses adapt and grow

Annual Report and Accounts 2021

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

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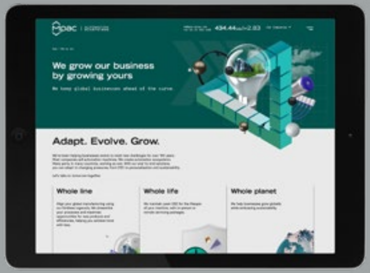
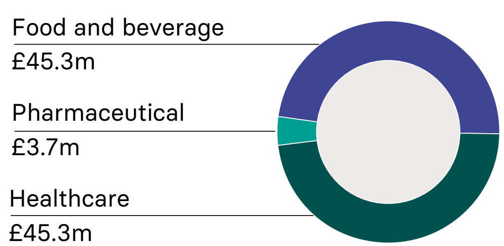


mpac-group.com

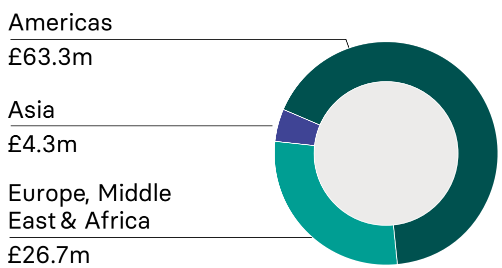
Year at a glance

- Further good progress on the Group's strategic initiatives
- Excellent 2021 order intake of £117.9m, 40% above prior year (2020: £83.9m)
- Group full year revenue £94.3m (2020: £83.7m)
- Underlying profit before tax of £8.6m (2020: £6.3m)
- Statutory profit before tax of £8.2m (2020: £2.9m)
- Underlying earnings per share of 39.7p (2020: 31.4p)
- Basic earnings per share of 39.1p (2020 restated: 20.8p)

Revenue by sector



Revenue by region



Order intake
£117.9m
(2020: £83.9m)

Revenue
£94.3m
(2020: £83.7m)

Underlying earnings per share
39.7p
(2020: 31.4p per share)

Basic earnings per share
39.1p
(2020 restated: 20.8p)

Cash
£14.5m
(2020: £15.5m)

Net assets
£65.4m
(2020 restated: £46.2m)

Who we are
What we do
Ingenuity without limits

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Who we are

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, pharmaceutical and 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 pharmaceutical and healthcare sectors. Langen and Switchback provide secondary and tertiary packaging solutions for all sectors in which we operate.

What we do

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.

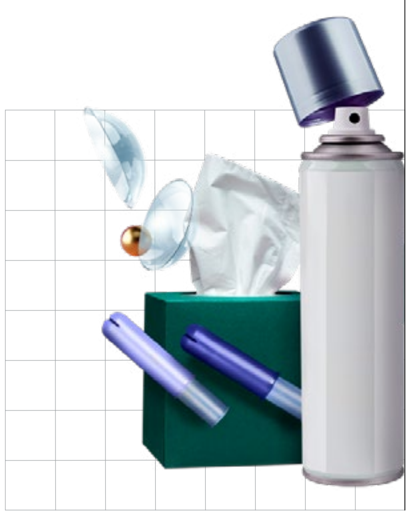
We don't just build machines however, we create full-line automation ecosystems to develop and optimise manufacturing processes. Our end-to-end capabilities help our customers thrive in a changing world.

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.

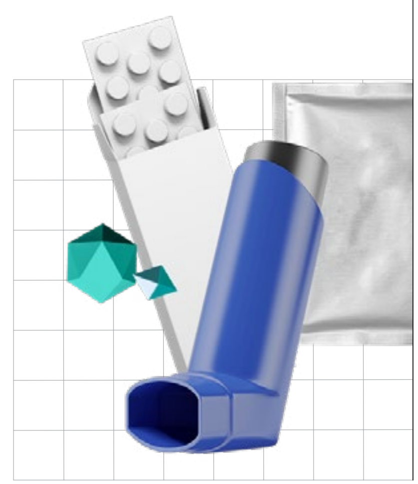


Food and beverage

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

Pharmaceutical

We support your pharmaceutical advances cost effectively, from inhaler assembly to transdermal patches.



Strategy: Automation Ecosystems

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 damaging effects 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

Mpac | AUTOMATION ECOSYSTEMS

One Mpac

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

Mpac Lambert
Ingenious Automation

Product line specialty

- Market leading secondary and end-of-line packaging solution 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

Mpac Langen
Limitless Packaging Automation

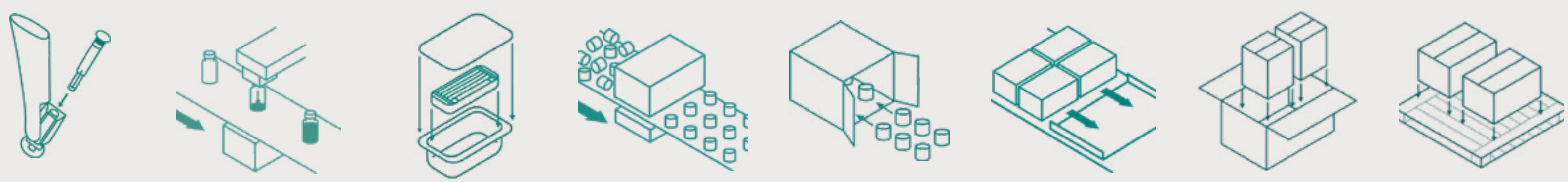
Product line specialty

- Focus on medical 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
- Exception customer service support

Mpac Switchback

Product line specialty

- Engineering machines for the canned beverage industry, specialising in design, build, integration of packaging systems
- 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**

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Chairman's introduction

"The Group made substantial progress in 2021 delivering our five-year strategic plan. The initiatives have been the driver of the strong and profitable growth we continue to report since the strategy was established. The 2020 Switchback acquisition has been integrated into the Group's management structures and continues to trade ahead of expectations. The Group has not been immune from the global supply chain and resource constraints arising from the pandemic, but has addressed them smoothly and successfully to deliver an improved financial performance."

Andrew Kitchingman
Chairman

Chairman's introduction

In 2017, the Group completed a strategic review, producing a set of long-term strategic objectives aimed at transforming the performance of the Group over a five-year period. As we approach the end of that five-year period, I am pleased to report that continued substantial progress has been made against these strategic objectives, continuing to deliver improvements in all areas of our financial performance. Our strategy to focus on the high growth Healthcare and Food and Beverage sectors has been enhanced with two strategically complimentary acquisitions and the successful completion of several technological and product developments to support growth in our Original Equipment and Service businesses. Considerable progress has been made in improving operational efficiency and productivity, underpinned by the roll out of common ERP and business systems across the Group. Our investment proposition remains one of sustained organic growth, augmented by carefully selected acquisitions.

2021 was the first full year of trading since the acquisition of Switchback Group Inc ("Switchback") in September 2020. Our strategy remains to focus on the high growth Healthcare and Food & Beverage sectors, underpinned by the deployment of a comprehensive product development roadmap and a focus on software and platform developments.

On pages 25 to 31 I discuss corporate governance and the Board's activities during the year.

Summary of results

The growing performance in the year is reflected in the order intake for the Group of £117.9m (2020: £83.9m) and Group revenues of £94.3m (2020: £83.7m). Revenue growth in 2021 was primarily due to the inclusion of a full year of revenue from Switchback. Underlying profit before tax was above market expectations at £8.6m (2020: £6.3m) and statutory profit before tax was £8.2m (2020: £2.9m). Group cash ended the year at £14.5m (2020: £15.5m).

Acquisitions

In September 2020, the Group acquired Switchback for £11.5m. During 2021, Switchback has been further integrated into the Group and continues to trade ahead of management expectations. The first of two tranches of deferred consideration of £0.6m, associated with the satisfaction of certain performance targets in the year to 30 September 2021, was paid in October 2021.

The three-year performance criteria associated with the 2018 acquisition of Lambert Engineering ("Lambert") were not satisfied and consequently the carrying value of the deferred consideration of £2.4m was released to the income statement as a credit to non-underlying administrative expenses.

Board changes

I would like to welcome Matthew Taylor to the Board.

Matthew joined the Board in October 2021 as Non-Executive Director with over 20 years of global Executive and Board experience within the automotive, steel and manufacturing sectors. Matthew has previously held several executive level roles, including CEO of J C Bamford Excavators, CEO of Edwards Vacuum and more recently CEO of Bekaert SA, a role he held until 2020. He is currently a Non-Executive Director of Surface Transforms plc.

Matthew will serve on Mpac's Audit Committee and Remuneration & Nomination Committee.

Dividend

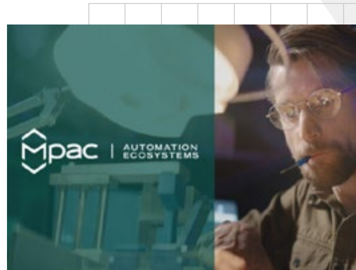
Having considered the trading results for 2021 and the opportunities for investment in the growth of the Group, together with the continued uncertainty surrounding the impact of the pandemic, the Board has decided that it is not appropriate to pay a final dividend. No interim dividend was paid in 2021. Future dividend payments will be considered by the Board in the context of 2022 trading performance and when the Board believes it is prudent to do so.

Outlook

The Group operates in a range of attractive growth sectors and geographic market and has demonstrated the ability to navigate the current supply chain and resource constraint challenges with minimal impact. The opening order book provides good coverage over 2022 revenue forecasts, and I consider the prospects for the Group over all time horizons to be positive. The delivery of our long-term strategic plans is generating orders, revenue and margin growth and an improving financial performance. I look forward to reporting on the progress that will be made during 2022.

Andrew Kitchingman
Chairman

16 March 2022



"Mpac's brand film "My Daddy's Job" won two trophies at the 2021 Cannes Corporate Media & TV Awards in the Corporate Video and Best Music categories. Narrated by the daughter of an Mpac engineer, whose job it is to "build the smartest robots", the film showcases our people's limitless ingenuity, and the innovations that evolve from it."

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.

Pharmaceutical
To meet our customers' diverse and specialised demands, Mpac offers a first-of-a-kind service for novel dosing and packaging. Process assurance via standard and custom test equipment is available.

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.

Our values

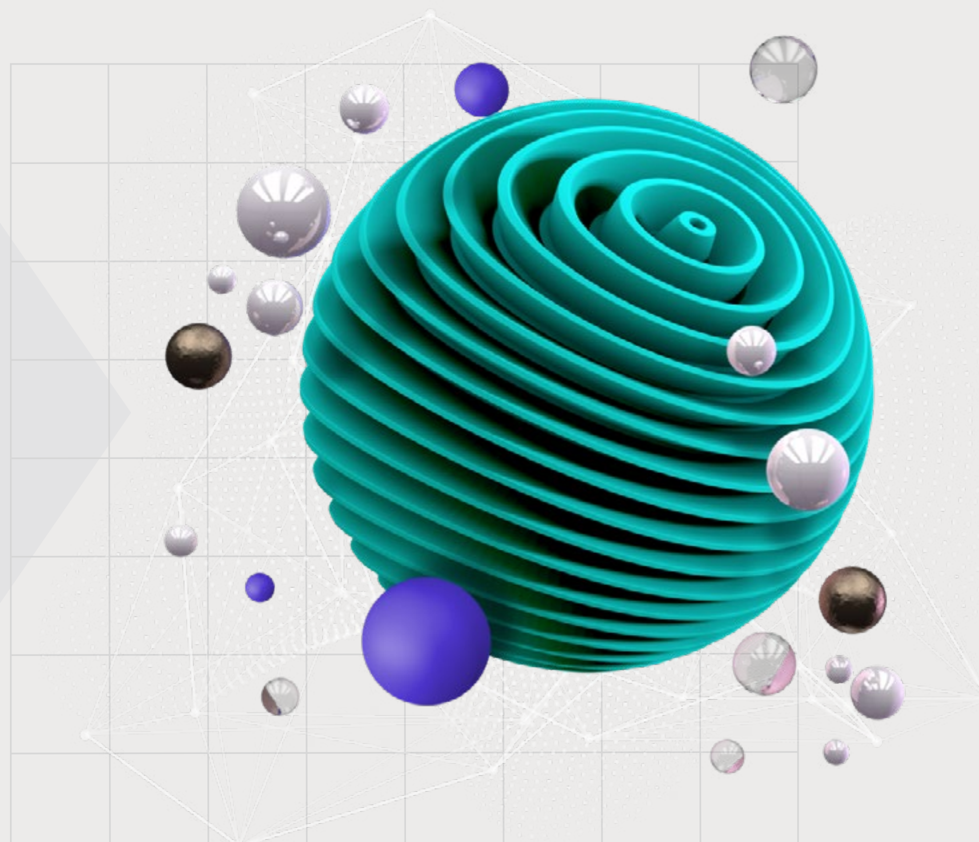
Integrity
Deliver on our promise, respect and value others.

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.



Strategy: Business model

Business model

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.

Business model

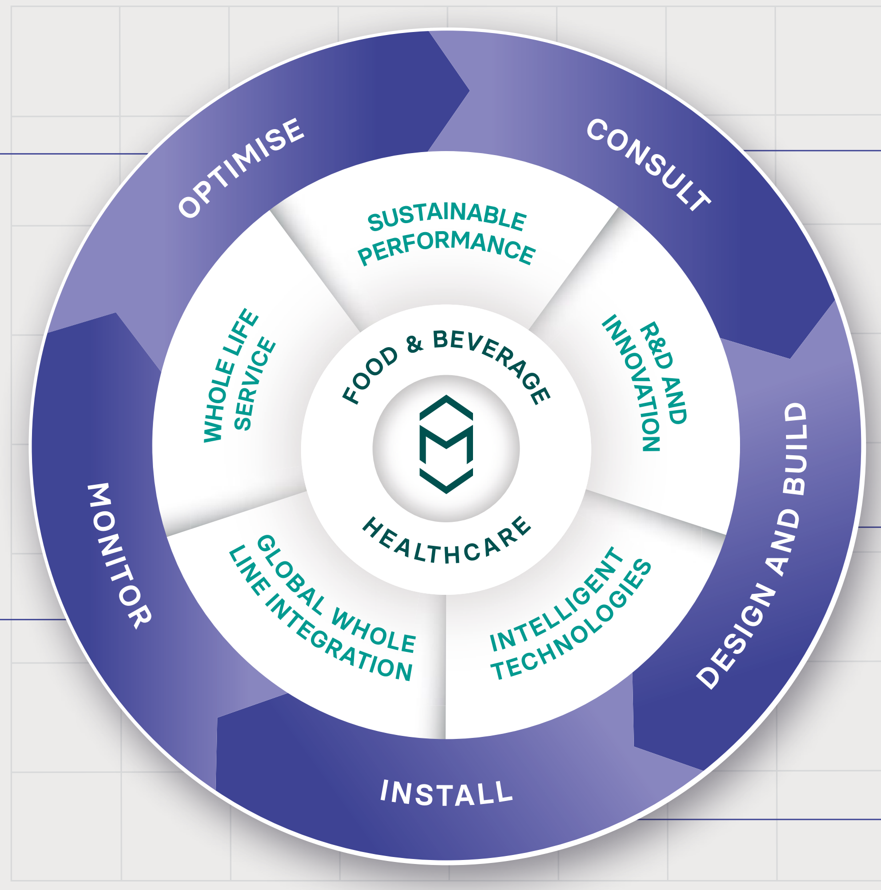
Optimise

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, breath 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.

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Strategy: Goals and priorities

	2021 progress		Future plans	
Going for growth	**Innovation** Business development in Clean Energy sector	**Americas** Cross selling of Switchback and Langen product lines	**EMEA** Switchback product launch and extending commercial footprint	**Americas** Leveraging Group showcase facility
Service as a business	**Americas** Launch healthcare focused business unit	**Digital** Launch of Mpac Cube, including iMi enhancements and increased connectivity	**Americas** Integration of product line service teams	**Systems** Enhanced Service CRM system and prospect management
Operational efficiency	**One Mpac** Global supply chain, common platforms and systems	**Americas** Opening Group showcase facility	**One Mpac** Standardisation programme to reduce lead times	**One Mpac** Maximise benefits from common platforms and cross business resources
Innovation	**Products** Extended developments in end-of-line case packing	**Technology** Concept proving for clean energy automation solution	**Technology** Extend suite of Cube digital and Industry 4.0 products	**Products** Cardboard tray erector development to leverage sustainability drive
People	**Engagement** Personal development plan process, employee health and wellbeing, satisfaction monitoring	**Knowledge** Development and retention of critical knowledge	**Skills** Mpac Academy to develop future leaders and retain the best talent	**Communication** Focus on internal communication via new intranet platform

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 key opportunity based on a substantial installed base and customers need for 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.

Strategy:
Mpac cube

CONNECTIVITY × PRODUCTIVITY × SUSTAINABILITY

We've folded the many sides of our automation support together into one convenient service offer – Mpac Cube.

Mpac Cube is our online service engine that will propel our clients towards their production goals through Connectivity, Productivity and Sustainability.

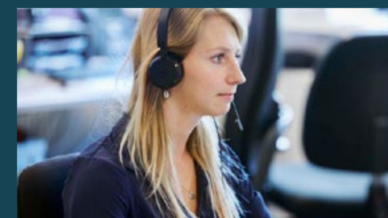
Advanced Engineering
Reduce your risk - model every aspect of the process ahead of production with our powerful 3D and POP innovation.

Connected Services
Keep your downtime down - we review your problems remotely in minutes.

Core Services
Right first time, every time - skilled technicians on site to keep downtime to an absolute minimum.

Information Management
Everything at your fingertips - save time and effort tracking down the information you need.

Machine Insight
Insights drive improvements - our tools provide deep insight to aid constant improvement via intuitive solutions.



Training
Less waste, more productivity - state of the art training materials to ensure new operators land on their feet.

"Our customers are data driven, and what they can measure can be improved. Having good machine data helps our customers to sustain and improve the productivity of their manufacturing lines."

Mike Lewis Mpac Innovations Director

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Strategy: Case study Nestlé

Mpac were selected by Nestlé global procurement as a preferred supplier for case packers product lines for plants in all regions. The first project in scope of this agreement was for the supply of a newly designed Mpac Langen Alisio case packer for a noodle packaging line in Europe.

Preferred supplier to Nestlé

In 2020, Mpac completed the development of the Langen Alisio, a side load case packer with speeds of up to 25 cases per minute which can be used to load RSC cases and wrap-around cases. The development project was scoped to meet the specific requirements of our multinational customers and to extend Mpac's reach into the growing case packing market across all regions.

Nestlé requirements

- A range of Best in Class topload and sideload case packing solutions
- Equipment to be highly flexible, accommodating a range of case dimensions
- Incorporating Intelligent Machine Interface ("iMi") with optional Industry 4.0 features
- Flexible integration with robotic product handling
- A variety of optional features in infeeds, case handling, labelling, printing and closing

Mpac solutions

- Newly developed class-leading flexible case packaging solution
- Incorporating Industry 4.0 package (condition and performance monitoring and video instructions)
- Extended range of infeed and labelling and printing options
- Speeds aligned to market expectations
- Flexible integration with robotic product handling and quick tool change-over times

"Based on the reliable and flexible technology proposed by Mpac Langen, Nestlé chose the Alisio case packer as the most suitable for our requirements. Previous experience and continuous improvements allow us to positively look at future collaborations with Mpac."

Oleksandr Slieptsov, Nestlé

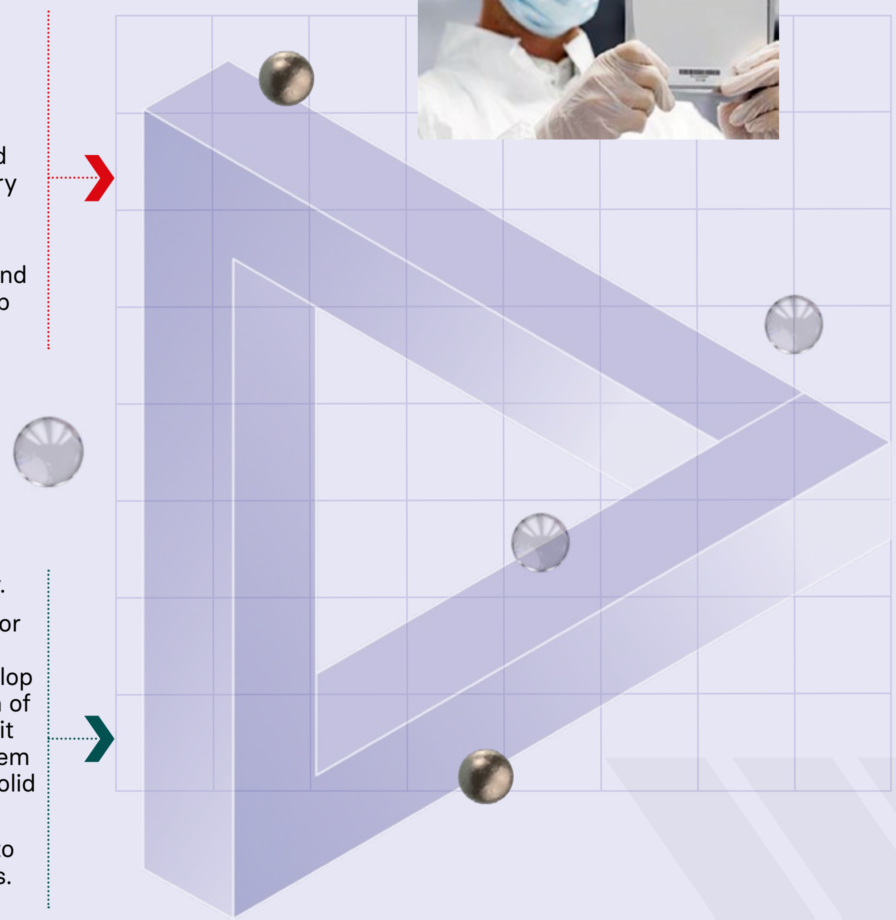
Alisio case packer

Strategy: Clean Energy Case Study

Clean Energy Equipment Contract

In July 2021 Mpac announced that we signed a contract with FREYR Battery to supply casting and unit cell assembly equipment for the battery cell production line at FREYR's Customer Qualification Plant in Mo i Rana, Norway. The FREYR contract follows three years of cooperation with lithium-ion technology specialist 24M Technologies Inc, to industrialise and scale 24M's *SemiSolid* lithium-ion battery technology. The successful delivery of the development line has potential to provide Mpac with access to an exciting new clean energy sector.

- 24M developed semi-solid Li-Ion technology. This technology allows the creation of low cost, recyclable and less wasteful battery systems.
- Create revenue through licencing and production ramp-up consultancy.



- Technology partner.
- Industrial solution for battery production automation to develop the next generation of the Casting and Unit Cell Assembly system for creating semi-solid Li-Ion batteries.
- Preferred supplier to 24M end customers.

End Customers

- Initially, Mpac are supplying scalable solutions to FREYR, a Li-Ion battery manufacturer based in Mo i Rana in Norway, who are using the 24m semi-solid technology.
- Targeting the energy storage and electric vehicle markets.
- Leveraging renewable energy and an eco-friendly supply chain to reduce environmental impact.

Operating review

"I believe Mpac has made excellent progress in 2021, delivering significant growth in order intake and a financial performance for 2021, being above market expectations. The positive H1 2021 performance continued into H2 and the Group ended 2021 with both a strong closing order book and a healthy prospect pipeline, providing an encouraging outlook for 2022."

Introduction
2021 has been a very successful year for Mpac in which we continued to make substantial progress with our strategic plans and have delivered order intake, margin and revenue growth, an improved return on sales, growth in underlying profit before tax and a significantly higher closing order book. The 2020 acquisition of Switchback was a significant contributor to the 2021 revenue growth. The progress we made in 2021 is a direct result of the dedication and agility of our employees in maintaining support for our customers while ensuring that the Group continued to operate efficiently, with minimal disruption, despite the operational challenges caused by lengthening global supply chain lead times, materials price increases and the impact on labour availability due to Covid-19 related issues.

The strong financial performance in the year was driven by the Group's continued progress in delivering on the 'One Mpac' business model. The Group remains focused on executing its long-term strategy, including developing Original Equipment ("OE") order intake growth and improving margins through our Service business and increased operational efficiencies. Delivery of these strategic initiatives contributed to an improved financial performance and underlying profit before tax for the year exceeding market expectations.

Since acquiring Switchback Group Inc ("Switchback") in September 2020 the business has made great progress with the integration and is generating synergies. The acquisition is a compelling fit with Mpac's strategic intent of being a market leader in the provision of full-line packaging solutions for the Healthcare and Food & Beverage sectors. Critically, the acquisition accelerated our expansion into the Americas market and, with the move to a Showcase facility in September 2021 and the rebranding to Mpac, it provides a physical location for the Group to further grow our Langen and Lambert product lines in the region. The business continues to trade ahead of management expectations.

As announced in July 2021, the Group signed a contract with FREYR Battery ("FREYR"), a developer of clean, next-generation battery cell production capacity, for the supply of casting and unit cell assembly equipment to the battery cell production line at FREYR's Customer Qualification Plant in Norway. The equipment to be supplied by Mpac will support FREYR in achieving its ambitious growth plans for a more sustainable future, with Mpac providing equipment, services and know how to industrialise the battery cell production. This development line is due to be completed in Q4 2022.

£117.9m
Overall Group order intake
(2020: £83.9m)

£78.4m
Order book for 2021
(2020: £55.5m)

£94.3m
Group revenue
(2020: £83.7m)

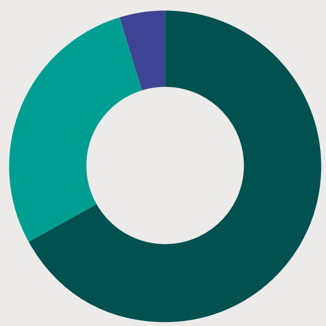
£74.1m
Original Equipment revenue
(2020: £64.1m)

£20.2m
Service revenue
(2020: £19.6m)

Tony Steels
Chief Executive

Revenue by geography

- Americas **£63.3m**
- Europe, Middle East & Africa **£26.7m**
- Asia **£4.3m**



Operating review

continued

Our innovation focus in 2021 was directed towards enhancing our range of end of line packaging, full line medical devices and healthcare solutions and in developing our clean energy battery automation offering. Our end of line case packaging products have been approved by a global blue chip customer as their preferred solution. We launched the Mpac Cube in the year which brings together all our existing service products with a suite of digital technologies aimed at providing our customers Industry 4.0 capabilities to enhance their productivity.

Our search for further complementary acquisition targets continues; however, management focus 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. We remain a relatively small player in a multi-billion revenue market with growth prospects.

The business fundamentals of Mpac are strong, and I am excited about the next phase for the Group. With the opportunities within the clean energy sector, together with an enhanced position in the growing healthcare and food & beverage sectors, we remain on track to meet the objectives of our long-term strategy.

Trading

The trading performance in 2021 was strong.

Group revenues of £94.3m (2020: £83.7m) represent an increase of 13% compared to the previous year (1% growth on a like-for-like basis). OE revenue grew by 16% to £74.1m, supported by strong growth in the Americas and healthcare sector. Services revenue grew by 3% to £20.2m, driven mainly by growth in EMEA. The rate of revenue growth in all regions and for both OE and Service was impacted by lengthening supply chain lead times and, particularly in Q4 2022, by the impact on labour availability due to Covid-19.

Overall order intake for the Group grew by 41% to £117.9m (38% growth excluding the effect of the Switchback acquisition ("like-for-like")), with a significant increase in order intake from our OE business.

The increase in order intake drove a rise in the value of the closing 2021 order book to £78.4m (2020: £55.5m), with increased customer diversification. The increased value of the closing order book provides extensive coverage over the forecast 2022 revenue. We remain vigilant to project execution risk and are confident that the quality of the order book should result in continued margin growth.

During 2021 we raised market profit guidance in the half year results announcement and I am delighted to report that underlying profit before tax in 2021 was £8.6m, an increase of 36% compared to £6.3m in 2020.

We ended the year with cash of £14.5m, providing the Group with the financial resources required to invest in the strategic initiatives to deliver profitable growth in future years.

The Group aims to achieve double digit percentage revenue growth over the medium-term, enabling an improved return on sales, targeted at 10%. Underlying operating return on sales rose from 7.8% in 2020 to 9.3% in 2021, highlighting the success of the Group's strategy. To support this intent, we manage the business in two parts, OE and Service and across three regions, Americas, EMEA and Asia.

Revenue by region was Americas £63.3m (2020: £46.7m), EMEA £26.7m (2020: £31.3m) and Asia £4.3m (2020: £5.7m).

Revenue by sector was food & beverage £45.3m (2020: £34.8m), healthcare £45.3m (2020: £44.5m), pharmaceutical £3.7m (2020: £3.9m).

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.

Original Equipment

OE order intake of £96.0m (2020: £62.4m) was 54% above the prior year (54% on a like-for-like basis). OE revenues of £74.1m (2020: £64.1m) were 16% above the prior year (4% on a like-for-like basis).

Mpac's focus remains in the growth sectors of healthcare and food & beverage which continue to drive our success.

OE revenue generated in the Americas region was 48% above the prior year at £53.4m (2020: £36.2m), and 26% above prior year on a like for like basis. The increase in revenue was primarily generated from customers in the food & beverage sector and from both Langen and Lambert products, alongside the inclusion of full year revenue from the Switchback product line.

In EMEA, OE revenue in the year was £17.4m (2020: £23.7m) with the reduction due primarily to the timing of order placement from customers in the region. Revenue in the region is generated by our Lambert and Langen product ranges, with an increase in production from the Wijchen NL site associated with machines sold into the Americas region. Covid-19 related restrictions were much more impactful in the EMEA region.

"FREYR Battery Chooses Mpac for Supply of Battery Cell Assembly Equipment Package to FREYR's Customer Qualification Plant in Mo i Rana, Norway. FREYR continues to advance Norway's first lithium-ion battery cell manufacturing facility at industrial scale with a production line developed to our own specifications."

In Asia, revenue, which is predominantly associated with orders from customers in the food & beverage sector, was £3.3m compared to £4.2m in 2020. The region retained pandemic-related travel restrictions for the majority of the year, reducing opportunities for business development.

Service

Order intake for the Service division was 2% above 2020 at £21.9m (2020: £21.5m). Growth in order intake in the Americas region offset a reduction in order intake in EMEA.

Revenue in 2021 of £20.2m was 3% above the prior year (2020: £19.6m), with growth mainly from the EMEA region and from the Food & Beverage sector.

Service revenue in the Americas was £9.9m compared to £10.5m in 2020 with the reduction due mainly to the timing of large individual orders. EMEA revenue in the year was £9.3m compared to £7.6m in 2020. Asia revenue in the year was £1.0m compared to £1.5m in 2020, with the Asia region impacted by the continued pandemic related travel restrictions.

Overall order prospects remain strong and the total OE and Service closing order book is 41% above the opening order book and customer activity levels remain robust across each region and sector.

Pandemic

Managing supply chain lead times and securing parts availability is a daily challenge to our Operations and Project Management teams. Several OE project build lead times were extended in the year due to supplier parts and material delays, which we actively manage with our customers. The impact has been largely mitigated by the Group's robust and secure supplier relationships; however, the global shortage of certain electrical components is expected to continue into H1 2022.

In addition, travel restrictions implemented to limit the spread of the pandemic, particularly in EMEA and APAC, continued to make completing on-site service work and installation and commissioning of equipment challenging. To mitigate this, we utilise digital solutions to provide services remotely to ensure high customer service levels are maintained. Mpac is well positioned to service these essential sectors and the business continues to act proactively to promote the range of newly developed products and to offer the customers creative and flexible digital solutions for remote machine acceptance and servicing.

The Board of Mpac continues to monitor the situation carefully across our customer, supplier, and employee base.

Mpac business model 'One Mpac'

Core to our five-year strategic plan is the evolution to a single entity business model. We have operations around the world and industry-leading technologies and innovation which is highly valued by our customers. None of that is possible, of course, without the commitment of our people. Having a highly skilled, technical workforce in place and ensuring everyone can contribute at their highest level and grow in their position over the long term enables us to win as a team. Through 'One Mpac' we are developing leaders, whilst engaging and empowering our global workforce. With strong leaders, engaged people and common processes we strengthen the organisation and create value for our customers and shareholders.

Strategic update

The implementation of our strategic plans and continued focus on increasing the scale and diversity of the Group is the driver to Mpac reporting growth in order intake, revenue, and underlying profitability during a challenging year in which all our sites were impacted by lengthening global supply chain lead times, price increases and the availability of labour due to the Covid-19 resurgence.

Our strategy focuses on three key initiatives to drive growth:

Going for Growth – Offering customers comprehensive "Automation Ecosystems" solutions in our target sectors.

Make Service a Business – Providing customers with a comprehensive portfolio of service products to ensure they maximise their return on investment; and,

Operational Efficiency – Operational excellence and flexibility of supply chain to increase responsiveness to investment cycles.

Going for Growth

Our goal remains to grow Group revenue by a double digit rate year on year. The overall market is huge and has fundamental growth drivers. During 2021 we established a regional sales approach supported by our single entity model, 'One Mpac', offering innovative packaging machinery solutions from our extensive portfolio of engineered modules, which is delivering a wider range of machines into new and existing customers. Expansion in the Americas region continued with the move in 2021 into a new US headquarters and showcase facility from which Mpac can promote, demonstrate, and configure the Lambert, Langen and Switchback product ranges to local customers. Cross selling of the existing product and service offering to new and existing customers will be a key driver of growth in 2022, through

"This new facility will offer our customers a strategic high-tech environment which will showcase all the Mpac offerings under one roof, whilst offering our personnel the space we need to grow all facets of the Group in the US."
Dave Shepherd: President Mpac Switchback USA

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ensuring we better understand the customers' evolving needs and extend our proposition with a broader solution approach.

The Group has undertaken a review of our market approach and digital platform customer proposition and as a result, Mpac launched a new Group-branded website (www.mpac-group.com) and aligned its commercial approach to the wider Mpac product line websites. Our go to market approach is now under a unified Mpac brand supported by strong product lines, covering all aspects of automation and packaging solutions. This has been supported by a social media campaign, resulting in a significant uptick in followers and lead generation.

Innovation remains the key to long term sustainable growth. During 2021 we have developed technologies to support our solutions for the clean energy sector in collaboration with 24M and FREYR Battery and have launched the Mpac Cube, which incorporates innovations focused on improved machine performance, digital enhancements plus further Industry 4.0 enabled technology. Furthermore, we have continued to expand our full line solutions for automation and packaging in the healthcare market and expansion of our end of line offering for the food & beverage sector.

Make Service a Business

Our updated five-year Service strategic growth plan complements the OE growth initiatives and is built around a world class Service support function which uses innovative digital technologies, complemented by in-person field-based support from a local operating model. Our goal is to generate 30% of our revenue from services.

Our customers have an extensive globally installed base which they expect to run continuously at high levels of overall equipment effectiveness. The trends within Industry 4.0 and its enabling technological platforms support our strategy to work with our customers to ensure they maximise their return on investment throughout the life-cycle of the equipment. We launched our Services product line during the year under the brand Mpac Cube. This brings together all our existing service products with a suite of digital technologies aimed at providing our customer Industry 4.0 capabilities to enhance their productivity.

Throughout the pandemic the requirement from customers for digital technology and remote support offerings increased significantly and Mpac was able to fulfil this demand and offer solutions for customers, which ensured that most lost or deferred 'on site' Service revenues were mitigated with alternative remote revenue streams. Mpac has now embedded these tools into our Service product range.

As part of our strategic plan to provide local support to global customers, in 2021 we further enhanced our Service model in the Americas region with the formation of an Americas healthcare service business unit, which provides proactive and responsive technical support specific to the installed machine base and product offering in the healthcare sector.

Operational Efficiency

Our goal is to be a flexible organisation which can respond quickly and with agility to our customer needs, leveraging our global internal resources as one. This is achieved through organisational excellence, underpinned by a global supply chain and supported by a single business model, 'One Mpac'. The cross utilisation of resources is now fully embedded within the Group's operations.

In early 2021 we deployed our global ERP and business systems blueprint to our facilities in Mississauga, Canada and Tadcaster, UK, which will support the strategy to leverage the earlier deployments of common engineering design platforms to our manufacturing sites and the initial ERP system at our facility in the Netherlands.

Environmental, Social & Governance

We are fully committed to improving our Environmental, Social & Governance ("ESG") performance in all areas and we are pleased with our early progress. Sustainability is at the core of the Mpac business model. Our engineered automation and packaging solutions provide customers in the healthcare and food & beverage sectors with sustainable and environmentally sound equipment that support the global megatrends of reductions in packaging use, particularly single-use plastic packaging, and energy-efficient machinery. Our end-to-end capabilities help environmentally focused businesses meet their ESG targets and our evolving innovative solutions offer our customers opportunities to achieve their sustainability goals.

There is an inverse relationship between Mpac's scope of influence and the sustainability impact of the packaging industry. The highest potential to drive carbon footprint reductions in the value chain is downstream, where Mpac's leverage is to drive productivity improvements through our service products.

We encourage the culture and adoption of continuous improvement in sustainability.

> "Mpac Cube brings together all our existing service products with a suite of digital technologies aimed at providing our customer Industry 4.0 capabilities to enhance their productivity."

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 market sectors, adding value to the Group. A number of opportunities are currently under evaluation and further updates will be provided as appropriate.

Outlook

The Group made substantial progress in 2021 in delivering our five-year strategic plan with the strong financial performance underpinned by the Group's progress in realising the benefits of the 'One Mpac' business model.

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

We announced in July 2021 that Mpac was awarded a contract with FREYR Battery to develop and build a clean energy casting and unit cell assembly line and this project has the potential to open the clean energy sector to Mpac in 2022. We remain focused on delivering this first development line and establishing Mpac's position as a trusted partner to provide battery assembly automation in this exciting and rapidly developing market.

Our opening 2022 order book provides extensive coverage over forecast revenue, and we have again been successful in broadening the diversity of our customers and product range in the current order book. Notwithstanding the potential for ongoing uncertainties regarding Covid-19, and the Ukraine crisis, which we will continue to monitor closely, the orderbook, prospect pipeline, strong operational and management team, means the Group's prospects remain positive and the year has started on track.

The Group has both the financial and managerial resource available to develop the business, with the prime focus being on organic growth. This will be delivered through the leveraging of its global position, development of its products and an improved and expanded service offering to its customers. We continue to evaluate complementary acquisition opportunities.

Tony Steels
Chief Executive

16 March 2022

"Our end-to-end capabilities help environmentally focused businesses meet their ESG targets and our evolving innovative solutions offer our customers opportunities to achieve their sustainability goals."

Financial review

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"In 2021, Mpac returned to growth, generating an increase in margin and profitability over 2020, underpinned by our approach to operate as a single entity business model, 'One Mpac', and by leveraging the prior investment in business processes and systems."

Will Wilkins
Group Finance Director

Revenue and operating results
Group revenue in the year was £94.3m (2020: £83.7m) with the growth in 2021 primarily driven by the 2020 acquisition of Switchback. Revenue in the Original Equipment ("OE") division was £74.1m (2020: £64.1m) and revenue in the Service division was £20.2m (2020: £19.6m). Order intake was £117.9m, an increase of 41% from the previous year (2020: £83.9m). Gross profit was £28.9m (2020: £24.3m) and underlying selling, distribution and administration costs were £20.1m (2020: £17.8m).

Underlying operating profit was £8.8m (2020: £6.5m). Underlying profit after tax was £7.9m (2020: £6.3m) and statutory profit for the year was £7.8m (2020: £4.2m).

Non-underlying items
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 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.

Interest and taxation
Net financing expense was £0.1m (2020: £nil). Tax on underlying profit before tax was £0.7m (2020: £nil). The tax charge on the Group's profit before tax was £0.4m (2020: £1.3m credit).

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 2021. 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 £14.5m (2020: £15.5m). Net cash inflow before reorganisation was £0.8m (2020: £12.8m), after an increase in working capital of £8.2m (2020: £7.5m decrease) and defined benefit pension payments of £2.6m (2020: £3.0m). Reorganisation and acquisition costs of £0.3m (2020: £0.9m) were paid in the year. Net taxation payments were £0.1m (2020: £0.7m). Capital expenditure on property, plant and equipment was £1.5m (2020: £1.2m), and capitalised product development expenditure was £0.2m (2020: £1.8m). Net current assets at the end of the year were £12.5m (2020: £8.3m) and net assets at the year end were £65.4m (2020: £46.2m).

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

£117.9m
Overall Group order intake
(2020: £83.9m)

£94.3m
Revenue
(2020: £83.7m)

£8.8m
Underlying operating profit
(2020: £6.5m)

9.3%
Underlying operating return on sales
(2020: 7.8%)

£14.5m
Cash
(2020: £15.5m)

39.7p
Underlying EPS
(2020: 31.4p)

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

£8.3m
Operating profit
(2020: £2.9m)

8.8%
Operating return on sales
(2020: 3.5%)

39.1p
Basic EPS
(2020: 20.8p)

Deferred consideration in respect of the acquisition of Switchback of £0.6m regarding the satisfaction of certain performance targets in the year to 30 September 2021, was paid in October 2021.

The three-year performance criteria associated with the 2018 acquisition of Lambert Engineering ("Lambert") were not satisfied and consequently the carrying value of the deferred consideration of £2.4m was released to the income statement as a credit to non-underlying administrative expenses.

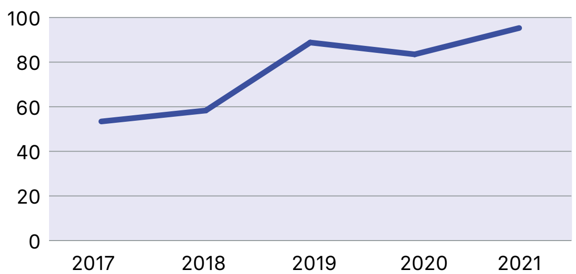
The Group entered into a three-year funding agreement with HSBC in 2019, which provides the Group with a £10.0m revolving credit facility to support future growth. This facility also provides a number of other opportunities to proactively manage the Group's cash and ensure that the Group is well placed to react to opportunities, both organic and acquisition related, as they arise. The facility was not utilised in the year.

There were no significant changes during 2021 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 other than the functional currencies of its various operations.

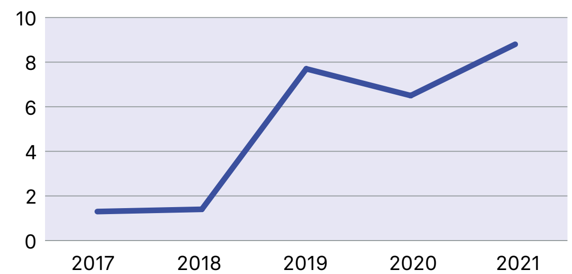
Reconciliation of underlying profit before tax to profit before tax

	2021 £m	2020 £m
Underlying profit before tax	8.6	6.3
Non-underlying items		
Defined benefit pension scheme – past service cost GMP equalisation	–	(0.2)
Defined benefit pension scheme – other costs and interest	(1.0)	(0.6)
Acquisition costs	(0.4)	(0.4)
Reorganisation costs	–	(0.5)
Release of deferred consideration costs	2.4	–
Acquired intangible asset amortisation	(1.6)	(1.6)
Deferred consideration interest	(0.1)	(0.1)
Profit on disposal of Coventry facility	0.3	–
Non-underlying items total	(0.4)	(3.4)
Profit before tax	8.2	2.9

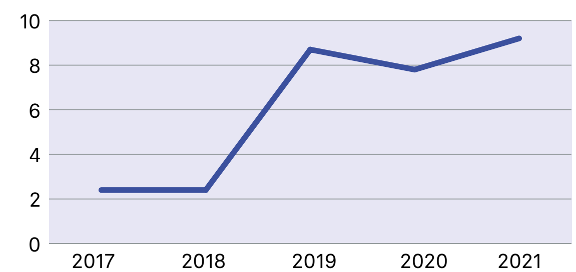
Revenue (£m)



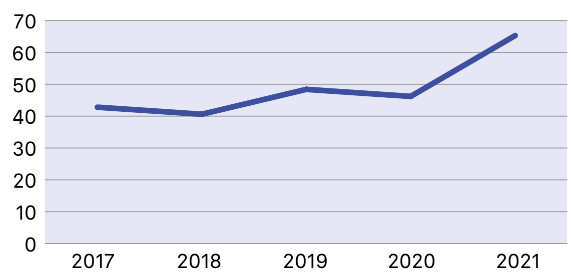
Underlying profit before tax (£m)



Underlying operating return on sales (%)



Net assets (£m)



Financial review

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Prior year adjustments

Following a review of the Group's compliance with certain technical aspects of IAS 12, additional deferred tax assets have been recognised in the consolidated statement of financial position. Deferred tax liabilities have historically been recognised on consolidation in relation to acquired intangible assets; however, deferred tax assets have not been recognised in respect of losses where there has been uncertainty around when future taxable profits will be generated to enable the Group to utilise the losses. The Group has now reconsidered the requirements of IAS 12 and, where taxable losses are held which relate to the same jurisdiction as the Group expects to benefit from the intangible assets, deferred tax assets have been recognised.

This adjustment has no impact on the underlying results or cash flow of the Group.

Pension schemes

The Group is responsible for defined benefit pension schemes in the UK and the USA, 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 2021 and was based on the information used for the funding valuation work as at 30 June 2018, updated to reflect both conditions at the 2021 year end and the specific requirements of IAS 19. The smaller US defined benefit schemes were valued as at 31 December 2021, using actuarial data as of 1 January 2021, 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 £35.7m (2020: £14.0m) which is included within the Group's assets. The value of the scheme's assets at 31 December 2021 was £453.1m (2020: £440.9m) and the value of the scheme's liabilities was £417.4m (2020: £426.9m). The scheme was largely protected from the sharp increase in inflation forecasts by the liability matching strategy, whilst strong growth in asset values generated a significant increase in the IAS 19 surplus.

The IAS 19 valuations of the US pension schemes showed an aggregated net deficit of £2.5m (2020: £3.0m) with total assets of £9.9m (2020: £10.1m).

During the year the Company made payments to the UK defined benefit scheme of £1.9m (2020: £1.9m) in respect of the deficit recovery plan. A contribution of £0.4m (2020: £0.8m) in accordance with the profit-sharing arrangement in the schedule of contributions was also paid.

In 2019 the UK scheme's triennial valuation as at 30 June 2018 was completed, with the reported deficit reducing to £35.2m (30 June 2015: £69.6m). The contributions remained at the same level, but the recovery period reduced to six years and one month (30 June 2015: 14 years 2 months). Further details are shown in note 24.

Lambert deferred consideration

The three-year performance criteria associated with the acquisition of Lambert were not satisfied and consequently the carrying value of the deferred consideration has been released to the income statement. Timing of individual order placement and of project execution can have a material impact on the trading performance in any one year and despite the targets not being met, the trading performance of Lambert since acquisition remains strong. Furthermore, the release of the deferred consideration is not an indicator of an impairment in the carrying value of the investment.

Equity

Group equity at 31 December 2021 was £65.4m (2020: £46.2m). The movement arises mainly from the profit for the year of £7.8m, a net actuarial gain in respect of the Group's defined benefit pension schemes of £12.8m, offset by 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

16 March 2022

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	2021 Movement
Covid-19		
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 ongoing labour efficiency due to government restrictions, which would result in a production stoppage whilst the facility was deep cleaned, and employees were quarantined.	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, Pharmaceutical and Food and Beverage provide a mitigation to the impact from the pandemic. 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. 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.	**Unchanged** All employees have returned to work and project execution and parts fulfilment activity has returned to pre-pandemic levels. Travel restrictions, particularly in EMEA and APAC continue to restrict opportunities to complete on-site service work and install and commission equipment and in addition, lengthening supply chain lead times due to increase in global demand as economies recover from the pandemic has become a headwind to the timing of revenue development.
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.	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. The usual market cycles have been disrupted by the pandemic, with shifts in sector demand and new opportunities being accelerated. Mpac has benefited from these disruptions, with the investment in flexible, connected machinery having been rapidly applied to new applications as required. 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.	**Increased** The recent events in Ukraine demonstrate that political tensions can have indirect implications on supply chain and over a longer time horizon, on customer investment decision making. However, Mpac operates in markets which are less affected by economic cycles than most and the Group can flex to the demands of the customer base.
Brexit trade disruption		
The impact on the Group of the UK leaving the EU is limited to potential disruption of the flow of trade between the Mpac business in Tadcaster and customers and suppliers within the EU, and to a lesser extent, on trade from the Mpac EU based entity and customers within the UK.	Trade disruption risk is partially mitigated by matching the locations of customers and production within the Mpac Langen business, flexible production facilities across three continents along with limited reliance upon the UK market. Specific actions were taken prior to the 2020 year end to minimise the disruption caused by the late conclusion of the Brexit agreements and these ensured that the UK site could service all aspects of the UK installed machine fleet without the physical presence of non-UK staff.	**Decreasing** As the exit process has progressed through 2021 the uncertainty has started to reduce. The risk continues to be mitigated by a low volume of consignments, and by scheduling all requirements well in advance.

Principal risks and uncertainties

continued

Risk	Mitigation	2021 Movement
Regulatory change		
The Group may be affected by changes in global or national regulations across any of its key sectors, examples of which include changes in regulations which significantly change the demand for our customer's products or restrictions upon/changes to the methods of packaging and distribution.	The Group'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, which provides some mitigation against sudden change. The Group has extensive knowledge and experience in designing machines to accept all kinds of products and packaging materials, including those with the lowest environmental impact and machines designed to minimize packaging material usage whilst maintaining the customer's product in perfect condition.	**Unchanged** The demand for new packaging and innovation in this area has continued unabated, to the benefit of the Group.
Loss of trading partners		
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.	The Group has a diversified base of customers. In certain years sales to a customer may be more than 15% of Group revenue, although the sales would typically be both original equipment and service, and to a number of different geographic regions. The Group regularly reviews its trading relationships with suppliers with the aim of ensuring that alternative sources of supply are available.	**Customers – Decreasing** **Suppliers – Unchanged** The Group continues to enjoy a diverse, blue chip customer base, so the impact of a loss of a single customer is limited. The strength of our customer base has both increased and diversified during the year, so this risk has decreased. Suppliers, however, are at greater risk of distress in difficult or changing market conditions and positive steps towards additional supplier diversification have been taken.
Large one-off projects		
The Group undertakes large, one-off projects for its customers each year. Several risks follow from the nature of this type of business, including the potential for cost over-runs and delays in performing the contract, with a consequent impact on cash flows and profits. Also, the Group is prone to potentially large fluctuations in business levels, as demand can be volatile.	The Group utilises good project management practices, including regular technical and commercial reviews of its major projects. Resource capacity is regularly reviewed, alongside reviews of order prospects lists.	**Increased** Strong contract management processes have ensured that the Group has broadly maintained profitability from the 'as sold' level through to completion.
Loss of a key facility		
The Group operates a number of sites around the world and the loss of any one of them would interrupt a revenue stream and could potentially have an adverse effect on the Group's operating results and financial condition. The Group, and the Group's customers and suppliers, may also be affected by sudden restrictions in global logistics.	Disaster recovery plans are in place for each site. IT infrastructures are designed to have minimal inter dependence across the Group, thereby not exposing a number of facilities to the failure of one central system. The diverse locations and common skill sets around the Group, along with the Group's investments in communication technology, means that production could be moved from one site to another at short notice if a site or its region were unable to function for a period of time.	**Unchanged** The Covid-19 pandemic highlighted the potential for one of the Group's sites to be temporarily closed because of external circumstances and this risk continues whilst, although prudent measures are being taken, and the overall threat of the pandemic has diminished, there remains no certainty that a local outbreak could be contained whilst maintaining operations. Appropriate contractual protections are included in the Group's contracts to mitigate the direct financial cost of such an event.

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Risk	Mitigation	2021 Movement
Exchange rate movements		
The majority of the Group's trading is conducted outside of the UK and in currencies other than sterling. Consequently, its financial performance is affected by fluctuations in foreign exchange rates, particularly as a result of changes in the relative values of the US dollar, Canadian dollar, euro, and sterling.	The Group has a wide supply base in different countries and monitors the relative values of currencies in making purchasing decisions. The Group enters into forward foreign exchange contracts to minimise currency exposures on sales and purchases in other than the functional currencies of its operations.	**Unchanged** Volatility in the foreign exchange markets has been lower so far in 2021, and the use of hedging 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. Since the 2020 Covid outbreak there has been a substantial rise in cyber-criminal activity such as ransomware and trojan deployment.	The Group continually reviews the effectiveness of its IT security controls in consultation with external experts and invests in industry best practice security software. The security arrangements of the Group's IT assets prevent unauthorised access to core IT hardware. IT infrastructures are designed to have minimal inter dependence across the Group. Cyber security user training is employed as a final line of defence.	**Unchanged** The Group maintains best practice in this area and there has been no significant change in the period.
Availability of funding		
The banking facilities in place prove insufficient for the needs of the Group to meet its growth objectives.	The Group conducted an in-depth review of its requirements and put in place a £10.0m revolving credit facility with HSBC during 2019. As at 31 December 2021, the Group holds cash balances of £14.5m. 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.	**Unchanged** The facility remains in place and undrawn, with the cash balance and operational cash flow remaining positive in the period. It is considered that further funding would be available should it be required.

Principal risks and uncertainties

continued

Risk	Mitigation	2021 Movement
Liabilities of the Group sponsored defined benefit pension schemes		
The Group is responsible for the funding of a defined benefit pension scheme in the UK, which pays a levy to the Pension Protection Fund of an amount outside the control of the Group, as well as three smaller such schemes in the USA. Changes in the value of the liabilities of the pension schemes, which were valued in aggregate at £429.8m at 31 December 2021 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 £463.0m at 31 December 2021, 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 £1.9m per annum in respect of deficit funding following an actuarial funding valuation as at 30 June 2018. The UK scheme is subject to a full actuarial funding valuation as at 30 June 2021, which will help inform its funding requirements over the subsequent periods.	The Group and the pension schemes implement liability reduction strategies where such opportunities exist, and the Group maintains regular dialogue with its pension advisors on such matters. Regular meetings are held with the trustee of the UK pension scheme, to input into their asset investment decisions and to appraise the trustee of the progress of the Group to help inform them in making decisions which may impact the scheme funding requirements. In particular, the Group and the trustees of the schemes have an active programme of risk mitigation for the schemes, including seeking to match investments to the underlying liabilities and to provide options for the membership which can benefit both themselves and the schemes. However, many factors which impact the valuations and funding requirements of the pension schemes are outside the control of the Group.	**Unchanged** Discount rates have recovered since the prior year and have led to the funding level of the scheme increasing. This was assisted by the investment strategy. The pension schemes remain at the risk of being affected by regulatory changes.
Litigation		
The Group from time to time may be subject to claims from third parties in relation to its current and past operations, which could result in legal costs and rulings against it that may have a material effect on the Group's operating results and financial condition.	The Group has a comprehensive risk management and review process, which is aimed at minimising the risk of such claims arising because of its actions. Insurance policies are in place to cover some such incidences and third-party legal assistance is sought as required.	**Unchanged** No new material claims in the period.
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** Many areas of the globe are experiencing increased supply chain issues and transportation disruption that have been exacerbated by the Covid-19 issues, alongside significant problems with manufacturing and distribution of products.

Risk	Mitigation	2021 Movement
Ethical breaches		
The Group operates in highly regulated markets requiring strict adherence to laws with risk areas including Bribery & Corruption, International Trade Laws, Human Rights, Modern Slavery and General Data Protection Regulation. Ethics or compliance breaches could cause harm to the Group's reputation, financial performance, customer relationships and internal morale.	A Group-wide ethics policy, which is reviewed by the Board annually sets out the principals that the Board expects all businesses and employees within the Group to adhere to.	**Unchanged** No concerns raised in the year.
Contractual obligations		
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. This could lead to loss of customers and reputational damage within the industry alongside loss of revenue and profit due to higher costs, liquidated damages and/or other penalties.	Contracts are managed and delivered by programme management teams that regularly review risks and take appropriate action. Review and approval process for significant and higher-risk contracts in place at Group level. Diversified nature of the Group mitigates exposure to single contracts.	**Increasing** Stresses on global supply chains drives increased risk.
Sustainability and climate change		
The Group's operations and strategies could be deemed by stakeholders and potential investors to fail to comply with national and international targets on climate change reduction. This could lead to issues with trading and employment and financial penalties.	The Group's products and strategy naturally lend themselves to be well placed environmentally. We partner with our customers to drive their packaging solutions in a more environmentally friendly manner, and consequently help them reduce emissions.	**Increasing** The global focus on Environmental Social and Governmental issues is increasing. Mpac is a low generator of emissions and waste. The Board is developing ESG measures and will report in due course.

Section 172 statement

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 2021, we employed 476 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. A number of employees throughout the year were absent due to COVID, either because they tested positive or because they were having to self-isolate due to being in contact with someone else who had tested positive. This does have an effect on morale within the businesses, but the management team have been able to mitigate this by the use of contractors and recruiting new staff to tackle the increased order workload. Strict COVID protocols are in place at all Group sites with regular temperature testing; the use of face coverings; social distancing where possible; and support staff working from home where local/national regulations recommend.
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 64.9. During 2021 there have been a number of 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 mitigate them where possible by utilising existing product stores or changing production schedules. At the beginning of 2022 there are signs that those supply chain issues may be starting to ease.
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. This has resulted in the need, at times, for discussions to be held at senior levels between the Group and customer to ensure that both parties are aware of the reasons for, and effects of, these delays and whether any contract penalty clauses are invoked. Customers do change their specification mid-project 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 43 to 44.

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 16 March 2022.

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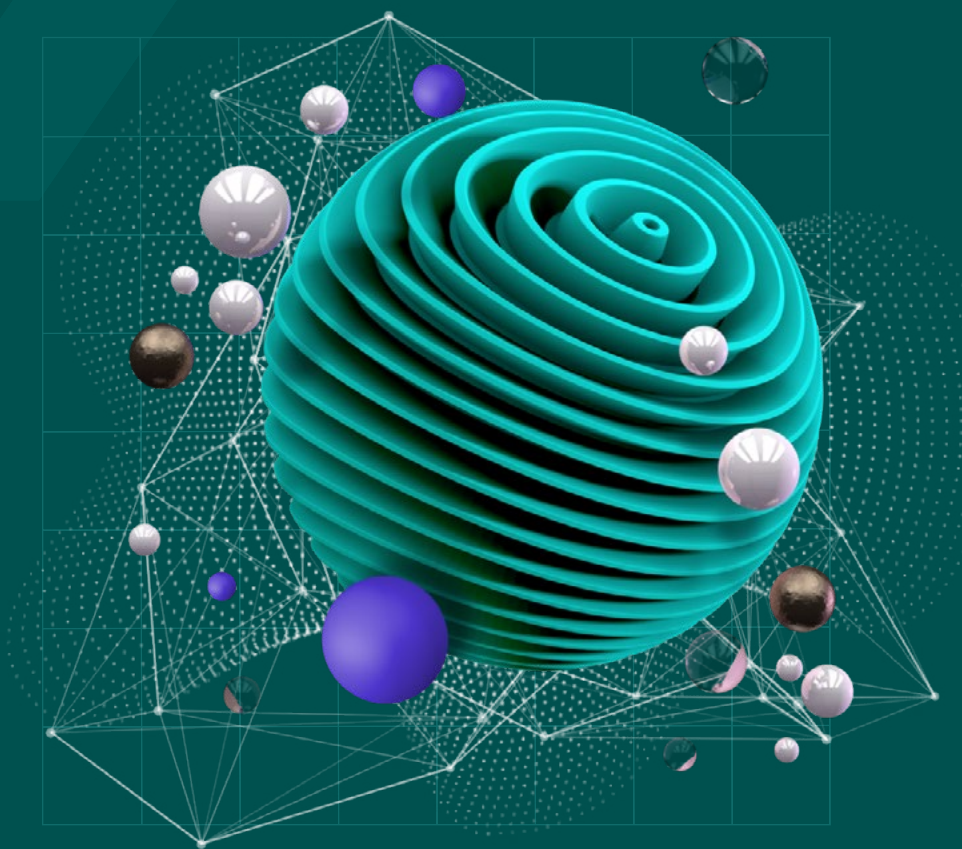
Corporate governance



Chairman's corporate governance statement

"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 2021.

The QCA Corporate Governance Code 2018 ("QCA Code")
The Board is collectively responsible to shareholders of the Company for the effective oversight and long-term success of the Company. The Board believes that sound governance is fundamental to this and has chosen to follow the QCA Corporate Governance Code since 2018.

However, the Board recognises that corporate governance is not a static process and that there is a need to ensure that policies and practices are kept under review to ensure that we do meet the required standards and that this area develops in line with the growth and overall strategic plans for the Group. 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.

During 2021, the Company believes that it has complied with the 10 principles set out within the QCA Code as shown on the opposite page.

Andrew Kitchingman
Chairman

16 March 2022

Andrew Kitchingman
Chairman

Principles of the QCA Code	How the Company has complied
Deliver Growth	
1. Establish a strategy and business model which promote long-term value for shareholders.	The Board has collective responsibility for setting the strategic aims and objectives of the Group. Our strategy is articulated on pages 5 to 10 and on our website.
2. Seek to understand and meet shareholder needs and expectations. 3. Take into account wider stakeholder and social responsibilities, and their implications for long-term success.	In the course of implementing our strategic aims, the Board takes into account expectations of the Company's shareholders and also its wider stakeholders and social responsibilities.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The Board also has responsibility for the Group's internal control and risk management systems. The Board regularly reviews the risks faced and ensures the mitigation strategies in place are the most effective and appropriate to the Group's operations.
Dynamic Management Framework	
5. Maintain the Board as a well-functioning, balanced team led by the Chair.	As Chairman, I regularly consider the operation of the Board as a whole and the performance of the Directors individually.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The Directors attend seminars from time to time as appropriate, have regular updates at Board meetings to assist with training and awareness of compliance issues facing Boards of quoted companies, and also are made aware of developments in governance generally.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	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.
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.	All appointments to the Board will be on merit, but with due consideration to the need for diversity on the Board. Such appointments will be 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 regularly 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.
Build Trust	
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The Board will continue to monitor its application of the QCA Code and revise its governance framework as appropriate 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

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

Will Wilkins FCCA 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.

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.

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.

How the Board works

The Board has overall responsibility for the Company's purpose; strategy; business model; performance; capital structure; approval of key contracts and major capital investment plans; the framework for risk management and internal controls; governance matters; and engagement with shareholders and other key stakeholders.

The Board remains committed to understanding the needs of our shareholders and the wider stakeholders and it always considers how the Board's decisions impact them in the longer term. In the Section 172 on page 24 we explain who the key stakeholders are and how the Directors engage with them. The Board's full responsibilities are set out in a formal schedule of matters reserved for its decision.

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 2021:

	Board
Andrew Kitchingman	9/9
Dr Tony Steels	9/9
Will Wilkins	9/9
Sara Fowler	9/9
Douglas Robertson	9/9
Matthew Taylor[1]	2/2

1 Matthew Taylor was appointed to the Board on 21 October 2021.

Composition and independence of the Board

The Board consists of six Directors: The Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. All the Non-Executive Directors are considered independent.

Details of each Director's experience and background are given in their biographies on page 28. 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 Matthew Taylor, may be found on pages 36 to 38.

All Directors will offer themselves for annual re-election, in accordance with best practice in corporate governance.

The Board considers all Directors to be effective and committed to their roles.

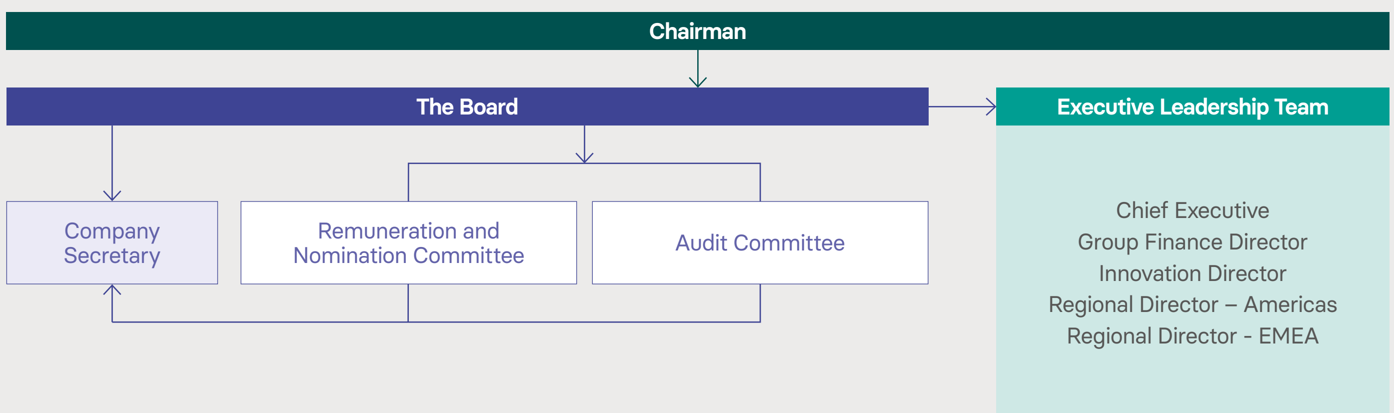
Division of responsibilities

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

Executive Directors

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

Our Board and Committee structure



The Board delegates certain responsibilities to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit Risk Committee and a combined Remuneration and Nomination Committee, both of which operate within a scope and remit defined by specific terms of reference determined by the Board. The Annual Report includes a report from each of these Committees and describes the work each Committee has undertaken during the year.

Corporate governance report

continued

Non-Executive Directors

Each of the Non-Executive Directors has entered into a letter of appointment with the Company, which set 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;
- briefings and review of conflicts of interest; and
- Covid-19 updates.

During the year, the majority of the meetings were held virtually, with no Board meetings held overseas, due to the Covid-19 pandemic. This did not impact the Directors from undertaking their duties and all Directors participated fully in the meetings.

The Board Committees

There are two Board Committees, the Audit Committee and the Remuneration and Nomination Committee. Both Committees are composed of the three Non-Executive Directors.

Each Committee has approved Terms of Reference setting out their responsibilities, which were reviewed and approved by the Board during the year and are available on the Company's website www.mpac-group.com.

Details of the operation of the Board Committees are set out in their respective reports. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

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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.

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 2021 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 19 to 23. 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 Wednesday 4 May 2022. The Notice of Annual General Meeting is set out on pages 107 to 111 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

16 March 2022

Audit Committee report

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
- 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

Doug Robertson
Chairman of the Audit Committee

"I am pleased to present my report as Chairman of the Audit Committee for the year ended 31 December 2021."

Chair's letter

Dear shareholders,

I am pleased to present my report as Chairman of the Audit Committee for the year ended 31 December 2021. In this Report I have sought to provide investors and other stakeholders with an understanding of the approach that the Audit Committee has taken to provide assurance over the 2021 Annual Report and Accounts. The Directors' responsibility statement in respect of the Annual Report can be found on page 45.

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

The Audit 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 2021 and the results discussed by the Committee. No substantive actions were taken as a result of the Committee evaluation.

The Audit Committee report was approved by the Committee at its meeting held on 11 March 2022.

The Audit Committee has reflected upon the FRC Guidance on Audit Committees and was satisfied that the principles concerning internal audit are reflected in the responsibilities and function of the internal audit function.

Audit committee report

The Committee met five times during 2021 and the following served as members during the year.

Committee member	Meeting attendance
D Robertson – Chairman	5/5
A Kitchingman	5/5
S Fowler	5/5
M Taylor[1]	1/1

1 M Taylor was appointed with effect from 21 October 2021.

The following regularly attend meetings:

- the Executive Directors
- the Group Financial Controller
- representatives from the external auditors, Grant Thornton
- 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.

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 28. 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 member 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.

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.

Activities during the year

A summary of the Committee's principal activities in 2021 is set out below:

- Review the draft Annual Report and Accounts 2020 and draft preliminary results announcement
- Consideration of the re-appointment of Grant Thornton UK LLP as external auditors
- 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
- Review of the principal risks and uncertainties
- Internal Control review and update
- Consideration of and approval of external audit fee quotation for 2021
- Review and approval of the external audit plan for 2021
- Review and approval of the non-audit work policy
- Review of internal controls and risk management systems
- Review of Committee terms of reference for Board approval
- Review of whistleblowing arrangements
- Review of anti-bribery and corruption policy and procedures
- Review of Group principal risks and uncertainties

External auditor

The Audit Committee monitors the relationship with the external auditor, Grant Thornton UK LLP, to ensure that auditor independence and objectivity are maintained.

The Committee assesses auditor independence by obtaining assurances from Grant Thornton UK LLP 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

Audit Committee report

continued

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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 auditors, or advisers related to the auditors, on non-audit services which as detailed in the Committee report for 2020 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 auditors and the approval of the Committee.

External auditor reappointment

The Board, on the recommendation of the Audit Committee, has decided to put the Group's statutory audit for FY22 out to competitive tender. This process has commenced and will complete in the second quarter of 2022, in good time for planning of Interim procedures.

Significant growth of the Group, and audit fee increases, are key considerations for this tender process. The Audit Committee will oversee the process to ensure minimal disruption to the business. The Audit Committee has therefore recommended to the Board that Grant Thornton UK LLP be reappointed at the Annual General Meeting in 2022 to continue in the role until, either the appointment of new auditors, or the reappointment of Grant Thornton UK LLP, depending on the outcome of the audit tender process.

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.

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 Audit Committee in respect of the year ended 31 December 2021 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.
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.

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 it was decided that BDO LLP be engaged to provide independent support to the internal audit function on a co-sourced basis.

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 Audit Committee and Board as appropriate; a formal risk management audit is regularly carried out by Group personnel and external risk management consultants, which covers physical damage, environmental and health and safety risks together with business continuity issues; and
- Formal reports including recommendations are sent to each site for action and reported back to Group management. Progress reports are issued to the Board for review and monitoring.

Whistleblowing

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

Whistleblowing is an annual item on the Committee's agenda, and any reported incidents will be notified to the Committee. During 2021, there were no reported incidents.

FY 2022 Priorities

- Completion of the Audit tender process;
- Supporting the Group in addressing the requirements of Climate Related Financial Disclosures; and
- Internal audit review of the Switchback control environment.

Doug Robertson
Chairman of the Audit Committee

16 March 2022

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Remuneration and Nomination Committee report

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 in the next column details the appointment of Matthew Taylor as a new Non-Executive Director in October 2021.

The Remuneration report, on pages 37 to 38, details the amounts earned by the Directors in respect of the period to 31 December 2021 and is subject to an advisory shareholder vote. The Remuneration policy, on pages 39 to 42, was approved by shareholders at the AGM 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
Doug Robertson
Matthew Taylor – appointed to the Committee on 21 October 2021

The Committee's members are the independent Non-Executive Directors, whose biographies are set out on page 28.

The terms of reference of the Committee requires that it meets at least twice a year. During 2021, the Committee met four times and the table below sets out the attendance record of each member of the Committee:

Member	Meeting attendance
Sara Fowler	4/4
Andrew Kitchingman	4/4
Douglas Robertson	4/4
Matthew Taylor	1/1

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.

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."

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 Terms of Reference are reviewed annually by the Committee and any changes recommended following this review are approved by the Board.

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 Non-Executive Director;
- reviewed the structure of the Long-Term Incentive Plan for 2022 awards onwards;
- reviewed the performance of the executive management scheme against their 2020 objectives;
- approved executive management pay increases;
- set 2021 objectives and performance metrics for the executive management;
- reviewed the 2020 performance against the Long-Term Incentive Plan performance target;
- succession planning;
- reviewed the Committee's Performance Evaluation; and
- reviewed the Committee's Terms of Reference

Duties and Terms of Reference

An evaluation of the Committee's performance has been undertaken in respect of 2021 and the results discussed by the Committee. No substantive actions were taken as a result of the Committee evaluation.

Nomination report

Appointment of Matthew Taylor

Resulting from the Board's annual evaluation, and the Committee's discussion on Board succession, it was recognised that the appointment of a new Non-Executive Director with C-Suite experience in the manufacturing sector would be of benefit to the Company by strengthening the Board's skills and knowledge.

Accordingly, the Committee led the process of identifying and recommending an additional independent Non-Executive Director and, with the assistance of an external recruitment agent, the process included the following considerations:

- identifying key attributes and skills of the desired candidate, taking into account the current composition of the Board;
- reviewing the shortlist and arranging interviews; and
- providing the Board with a recommendation of the preferred candidate.

The Committee unanimously agreed to recommend Matthew Taylor as an independent Non-Executive Director to the Board. The appointment was approved with effect from 21 October 2021. 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.

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Matthew was appointed to the Board in time for the annual two-day meeting to discuss the Company's current and future strategy. He was able to meet the Executive and Non-Executive Directors and the entire Executive Leadership Team during those two days. He has also been given access to past Board and Committee papers and minutes. Given the restrictions imposed on travel by Covid-19, he has not yet had the opportunity to visit the various Group manufacturing sites but will do so once restrictions are lifted.

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, sex, 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.

2021 Remuneration report

Directors' total remuneration

The remuneration of the Executive Directors for the years 2021 and 2020 is made up as follows:

Executive Directors' remuneration as a single figure (audited)

2021	Salary £000	All benefits[a] £000	Short-term incentive scheme[b] £000	Gains on share options £000	Pension[d] £000	Total £000
T Steels	248	20	140	322	63	793
W C Wilkins	182	19	99	42	18	360

2020	Salary £000	All benefits[a] £000	Short-term incentive scheme[b] £000	Gains on share options £000	Pension[d] £000	Total £000
T Steels	232	19	108	319	57	735
W C Wilkins	170	19	75	–	18	282

a Benefits include:
Dr Steels and Mr Wilkins – 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 41.

c The amounts represent the values of the awards made in the form of conditional grants which are exercisable no earlier than three years from the date of grant.

d The values are the amounts contributed by the Company into the Company's Personal Pension Plans for both Dr Steels and Mr Wilkins.

The remuneration of the Non-Executive Directors for the years 2021 and 2020 is made up as follows:

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

	2021			2020		
	Fees £000	All taxable benefits £000	Total £000	Fees £000	All taxable benefits £000	Total £000
A J Kitchingman	78	–	78	73	–	73
D G Robertson	52	–	52	49	–	49
S A Fowler	52	–	52	39	–	39
M G R Taylor (appointed 21 October 2021)	8	–	8	–	–	–
J L Davies (resigned 5 March 2020)	–	–	–	9	–	9

Directors' interests in shares (unaudited)

The beneficial interests of Directors holding office at 31 December 2021 and persons connected with them in the ordinary shares of the Company (excluding share options) were as follows:

	Held at 1 January 2021	Acquired in the year	Held at 31 December 2021
T Steels	78,964	31,170	110,134
A J Kitchingman	13,133	–	13,133
W C Wilkins	3,139	4,088	7,227

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 2021 and 17 March 2022.

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	Basis of award (% of salary)	Number of shares	Face value at grant (£000)
T Steels	1 May 2019	20.0	35,409	48
W C Wilkins	1 May 2019	30.0	33,407	45

Awards are made following the achievement of personal objectives linked to long-term strategic initiatives. The earliest date that awards can vest is three years from the date of award. No awards were made during 2021.

On 30 March 2021, Dr Steels exercised his 2018 award over 58,811 shares. Total value on day of exercise being £321,696.17 (share price of £5.47), 27,641 shares were sold to settle his tax liabilities and the balance of 31,170 shares (valued at £170,499.90) was kept.

On 30 March 2021, Mr Wilkins exercised his 2018 award over 7,713 shares. Total value on day of exercise being £42,190.11 (share price of £5.47), 3,625 shares were sold to settle his tax liabilities and the balance of 4,088 shares (valued at £22,361.36) was kept.

Remuneration and Nomination Committee report

continued

Long Term Incentive Plan (audited)

Details of conditional grants of Mpac Group plc ordinary shares under the LTIP 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	Number of shares	Face value at grant (£000)	% of salary	End of three-year performance period
T Steels	12 June 2019	210,000	349	143%	31 Dec 2021
W C Wilkins	12 June 2019	120,000	199	111%	31 Dec 2021

Face value of awards at the date of grant is calculated based on the closing share price of 166p per ordinary share.

For the 2019 award, the 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 85p. 100% of the award is made if EPS is equal to or exceeds 115p. Between these two points, allocation will be on a straight-line basis pro rata. If EPS is below 85p, 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 20%. 100% of the award is made if ROCE equals or exceeds 30%. Between these two points, allocation will be on a straight-line basis pro rata. If ROCE is below 20%, no award will be made in respect of ROCE.

Metric	Weighting	Performance condition	Threshold target	Stretch target	Actual	% Vesting
EPS	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	108.3p	57.5%
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%					87.5%

On 11 March 2022, the share price was £4.50 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	12 June 2019	12 June 2022	210,000	183,736	826,812
W C Wilkins	12 June 2019	12 June 2022	120,000	104,992	472,464

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.

During the year, the Committee considered the frequency of granting the LTIP awards and it was agreed that awards would now be granted on an annual basis, rather than on a three-yearly basis as had been the case. This would enable eligible employees who joined the business in between grants to participate in the LTIP at the next annual grant rather than a special award having to be made or having to wait for the next grant date in potentially three years' time. The Committee also reviewed the current performance metrics, together with the weighting allocated to each, and concluded that no changes were required. It is anticipated that awards under the LTIP will be made during 2022 and these will be reported upon in the 2022 Annual Report.

Sara Fowler
Chair of the Remuneration and Nomination Committee

16 March 2022

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")

A new 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 85p. 100% of the award is made if EPS is equal to or exceeds 115p. Between these two points, allocation will be on a straight line basis pro rata. If EPS is below 85p, 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 20%. 100% of the award is made if ROCE equals or exceeds 30%. Between these two points, allocation will be on a straight line basis pro rata. If ROCE is below 20%, 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 and with Mr Wilkins on 22 June 2018. 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.

Remuneration and Nomination Committee report

continued

Recruitment

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

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

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

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

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

Termination

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

Non-Executive Directors

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

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Future Remuneration policy table

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

Salary

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

Benefits

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

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.

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Remuneration and Nomination Committee report

continued

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 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 85p. 100% of the award is made if EPS is equal to or exceeds 115p. Between these two points, allocation will be on a straight line basis pro rata. If EPS is below 85p 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 20%. 100% of the award is made if ROCE equals or exceeds 30%. Between these two points, allocation will be on a straight line basis pro rata. If ROCE is below 20%, no award will be made in respect of ROCE.

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

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

Statement of consideration of employment conditions elsewhere in the Group

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

Directors' report

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

Information	Reported
Strategic report	Pages 2 to 24.
Directors' Remuneration Report	Pages 36 to 42.
Future development and events occurring after the balance sheet date	Details can be found in the Strategic Report on pages 2 to 24.

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 59 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 2 to 24 in particular the Outlook section on page 15. 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 2023, its financial resources including its cash resources and access to borrowings, as set out in note 20 to the accounts on page 83, 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 85 to 90. 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 28.

The Directors who served during the year are as follows:

Executive Directors	Non-Executive Directors
Tony Steels	Andrew Kitchingman
Will Wilkins	Sara Fowler
	Doug Robertson
	Matthew Taylor[1]

1 Appointed to the Board on 21 October 2021.

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 2021. 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 2021 are shown on page 37. There are no shareholding requirements for Directors.

Substantial shareholdings
At 1 March 2022, 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	4,555,011	22.58%
Mr G V L Oury	1,264,370	6.27%

Results and dividends
The Group's profit for the year was £7.8m (31 December 2020: £3.3m profit). Having considered the trading results for 2021 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. An interim dividend was not paid during 2021 (2020: none).

Dividends on the 6% preference shares are due for payment on 30 June and 31 December in each year and in 2021 amounted to £0.1m (2020: £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 2021, net of third-party income, amounted to £1.1m (2020: £1.7m), of which £0.9m (2020: £1.1m) was charged to the consolidated income statement and £0.2m (2020: £0.6m) was capitalised and included in development costs.

Share capital
At 31 December 2021, the Company's issued share capital was £5,942,885 divided into 20,171,540 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 3,000,000 ordinary shares for cancellation was granted at the 2021 Annual General Meeting and this authority expires at the end of the 2022 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 2,017,154 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

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 1 March 2022 it held 242,144 shares. The trustee has agreed to waive all dividends and not to exercise voting rights in respect of shares representing 1.2% of the issued share capital.

Information about the Company's share capital is given in note 25 to the accounts on page 91.

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 has indicated its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will take place on 4 May 2022. Notice of the meeting can be found on pages 107 to 111.

Political donations

The Company made no political donations during the year 31 December 2021.

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 92 to 98.

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

Globally

	MWH	KWH intensity (per employee)[a]	CO_2 (tonnes)	CO_2 intensity (kg per employee)[a]
Purchased electricity	1,389	2,955	324	689
Combustion of fuel	2,121	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	1152
Travel			33	140

2020 comparative

Globally

	MWH	KWH intensity (per employee)[a]	CO_2 (tonnes)	CO_2 intensity (kg per employee)[a]
Purchased electricity	1,032	2,254	241	526
Combustion of fuel	1,757	3,837	323	705
Travel			240	525

UK only

	MWH	KWH intensity (per employee)[a]	CO_2 (tonnes)	CO_2 intensity (kg per employee)[a]
Purchased electricity	237	1,300	55	303
Combustion of fuel	941	5,172	173	951
Travel			53	75

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 program.

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 24. Such information is incorporated into this Directors report by reference and is deemed to form part of this report.

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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 16 March 2022 and is signed on its behalf by:

Tony Steels
Chief Executive

Will Wilkins
Group Finance Director

16 March 2022

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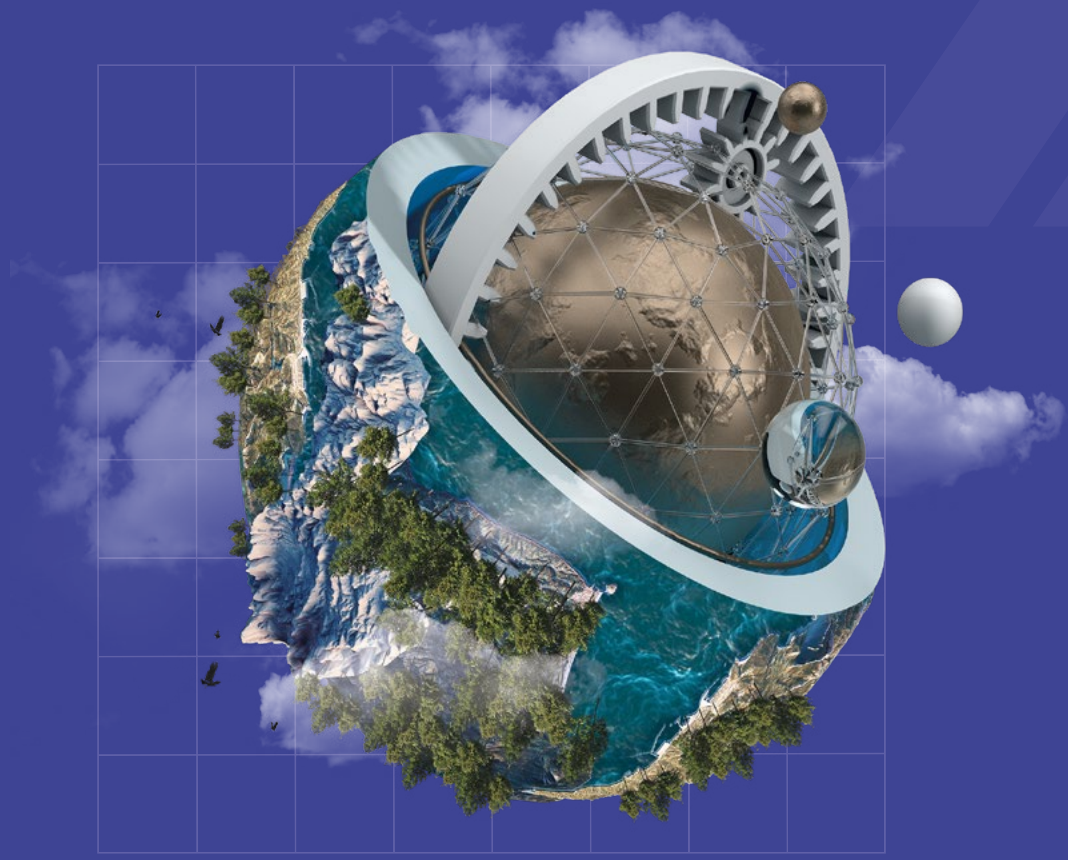


Independent Auditor's report

to the members of Mpac Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Mpac Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Consolidated income statement, the Statement of comprehensive income, the Statements of changes in equity, the Statements of financial position, the Statements of cash flow and notes to the financial statements, including a summary of 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the 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

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included 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 and the 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.

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.

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of Directors for the financial statements' section of this report.

Our approach to the audit

GrantThornton

Overview of our audit approach

Overall materiality:
Group: £645,000, which represents approximately 0.65% of the Group's revenue for the year.

Parent company: £480,000, which represents 1% of the parent company's total assets, restricted to approximately 75% of Group materiality.

Key audit matters were identified as:

- Improper revenue recognition and judgements made on open contracts (same as previous year);
- Accuracy of defined benefit pension liabilities (same as previous year);
- Going concern (same as previous year); and
- Impairment of goodwill (Mpac Lambert CGU) (new in the current year)

Our auditor's report for the year ended 31 December 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This related to the acquisition accounting of Switchback Group, Inc. including the accuracy of intangibles, which was a transaction that completed in the previous year and required no audit procedures in the current year's audit.

The Group engagement team carried out an audit of the financial information (full scope audit) of certain components in the United Kingdom and Netherlands. We issued Group instructions to a component auditor in respect of their full scope audit of a component in Canada. The Group engagement team performed specific scope procedures over one or more classes of transactions, account balances and disclosures of the financial information of a component in the United States of America and performed analytical procedures over the remaining components in the Group.

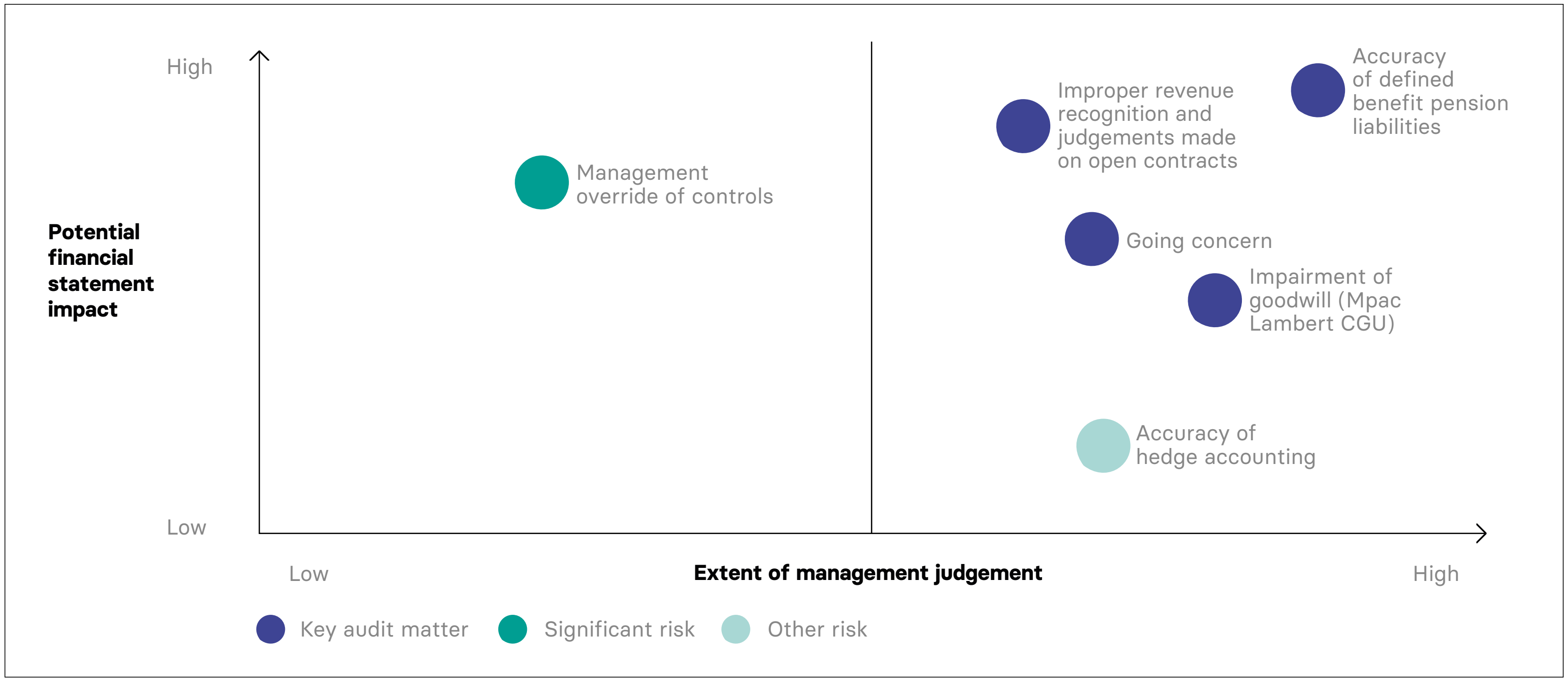
The components where we performed full scope and specific scope audit procedures represented 86% of consolidated revenue, 93% of consolidated total assets and 96% of consolidated profit before tax.

Independent Auditor's report continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included those that 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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key audit matter – Group	How our scope addressed the matter – Group
Improper revenue recognition and judgements made on open contracts We identified improper revenue recognition and judgements made on open contracts as one of the most significant assessed risks of material misstatement due to fraud and error. A significant proportion of the revenue of the Group is derived through the sale of machinery, recognised through long term contract accounting. Long-term contract accounting involves a high degree of subjectivity and is susceptible to the risk of material misstatement. Contracts that remain open at the year-end are most susceptible to manipulation by management where there is an incentive to meet performance targets. **Relevant disclosures in the Annual Report and Accounts 2021** › Financial statements: note 1, Revenue and operating segments.	In responding to the key audit matter, we performed the following audit procedures: › assessed and tested revenue recognition policies to check these are reasonable and applied correctly and consistently as part of our sampling on open contracts and the related inputs and assumptions; › for a sample of open contracts, assessed whether the revenue and profit recognised were in accordance with the Group's accounting policies and International Financial Reporting Standard ("IFRS") 15 'Revenue from Contracts with Customers' by agreeing inputs to supporting documentation such as contract terms, supplier invoices and timesheets and reperforming management's calculations; › for the same sample of open contracts, challenged management's assumptions and assertions underpinning their forecast for the contract's future performance with reference to supporting evidence, such as forecasts and post year-end contract performance; › tested the recoverability of contract assets and receivables on our sample of open contracts by reference to post year end collection; › assessed management's ability to forecast by comparing the forecast margin and labour hours at the inception of the contract against the current forecast margin, and corroborating any significant movement in margin and labour hours; and › examined those contracts identified as being at risk of incurring future losses during the remaining life of the contract, and challenging management's assumptions and assertions relating to the future results of those contracts by reference to supporting evidence, such as forecasts and post year end contract performance. **Our results** Based on our audit work, we did not identify any improper revenue recognition or judgements made on open contracts, and we found that the assumptions and judgements used in management's application of the Group's open contract accounting were appropriate.

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Independent Auditor's report continued

Key audit matter – Group	How our scope addressed the matter – Group
Accuracy of defined benefit pension liabilities We identified the accuracy of defined benefit pension liabilities as one of the most significant assessed risks of material misstatement due to error. 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 2021, the net defined benefit asset was £33.2 million. The total fair (bid) value of scheme assets and present value of defined benefit obligations which form the net defined benefit asset amount to £463.0 million and £429.8 million respectively. The valuation of the pension liabilities in accordance with IAS 19 'Employee Benefits' involves significant judgement and is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the Group financial statements. **Relevant disclosures in the Annual Report and Accounts 2021** › Financial statements: note 24, Employee benefits.	In responding to the key audit matter, we performed the following audit procedures: › tested the accuracy and consistency of management's accounting entries made to the financial statements with reference to management's expert's year-end valuations; › evaluated the competence of management's expert; › used an internal 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; › tested the accuracy of underlying scheme data used by the Group's actuary for the purpose of calculating the scheme liabilities by agreement to scheme bank statements for benefit payments and scheme contributions during the year; and › assessed disclosures made in the financial statements to determine compliance with IAS 19. **Our results** Based on our audit work, we found the valuation methodologies to be balanced and consistent with the expectation of our internal actuarial expert. We consider that the Group's disclosures in note 24 are in accordance with IAS 19. We found no material errors in the calculations we tested.
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error. Covid-19 remains a significant global economic event and its effects remain subject to unprecedented levels of uncertainty. This could adversely impact the future trading performance of the Group including, but not limited to, the following factors: › Decline in future orders; › Issues with supply chain; and › Shutdown of operations. These factors could have a significantly adverse impact upon the Group's revenues and profit margins derived from contracts with customers. As such, this 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. **Relevant disclosures in the Annual Report and Accounts 2021** › Financial statements: Accounting policies, Going concern.	In responding to the key audit matter, we performed the following audit procedures: › obtained management's base case forecasts and calculations covering the period to December 2023. We assessed how these forecasts were compiled and challenged the accuracy of management's forecasts, including the continued effects arising from macro-economic uncertainties such as Brexit and Covid-19 on global supply chains; › tested the accuracy of the orderbook used in management's base case forecast and corroborated a sample of orders to supporting contracts or other proof of order; › assessed the reliability of management's forecasting by comparing the accuracy of actual financial performance to forecast information obtained in the prior year; › performed sensitivity analysis on key inputs to determine the impact of reasonably possible changes in assumptions; › evaluated and challenged the assumptions applied in management's most severe downside scenario, primarily including a removal of non-orderbook revenues covering the period to December 2023. We corroborated management's explanations to relevant documentation; and › assessed the adequacy of the going concern disclosures included within the Accounting Policies section of the Financial Statements. **Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Key audit matter – Group	How our scope addressed the matter – Group
Impairment of goodwill (Mpac Lambert CGU) We identified impairment of goodwill (Mpac Lambert CGU) as one of the most significant assessed risks of material misstatement due to error. The process for assessing whether an impairment exists under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex. When carrying out the goodwill impairment review, determining the recoverable amount for the smallest identifiable part of the entity (cash-generating unit ("CGU")) requires management to make judgements over several key inputs in the models for predicting future revenue levels (discounted cash flow models). Due to the high level of estimation uncertainty present in the impairment test and the sensitivity of the related assumptions in management's model, we therefore identified the valuation of goodwill in relation to the Mpac Lambert CGU as a significant risk. **Relevant disclosures in the Annual Report and Accounts 2021** › Financial statements: note 12, Intangible Assets.	In responding to the key audit matter, we performed the following audit procedures: › obtained management's impairment paper and impairment workings and critically assessed management's assessment of cash generating units; › tested that the methodology applied in the value in use calculation is in accordance with the requirements of IAS 36; › tested the mathematical accuracy of management's model, the calculation of the discount rate and the key underlying assumptions such as revenue growth, margin trends, capital expenditure and working capital requirements for the financial year 2022 budget ('FY22'); › challenged management on their 2022-2024 cash flow forecast and orderbook expectations and corroborated to relevant evidence such as external market data to support key assumptions; › used our auditor expert to assess the appropriateness of management's assumptions used in calculating the discount rates used in the value in use calculation; › assessed the appropriateness management's medium and long term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; › performed a sensitivity analysis in respect of the key assumptions, such as discount and growth rates, to consider the level of headroom in management's calculation; and › tested the accuracy and sufficiency of management's accounts disclosures in respect of goodwill and associated testing for impairment. **Our results** Based on our audit procedures, including our challenge of management, we did not identify any material misstatement relating to impairment of goodwill in respect of the Mpac Lambert CGU. Management concluded that amendments were required to their impairment review having considered our audit findings in relation to their application of IAS 36. Management also concluded that additional disclosures were required in respect of sensitivities.

Independent Auditor's report continued

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£645,000, which is approximately 0.65% of the Group's revenue.	£480,000, which is 1% of the parent company's total assets, restricted to its component materiality, being approximately 75% of Group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: › Revenue is a key performance indicator for the Group and is a key area of focus for stakeholders; › The development of the Group's strategy and operations into the clean energy sector indicated that revenue was a more suitable materiality benchmark compared to underlying profit before tax used in the prior year, as management focus on growing revenue in these new markets; › Revenue was identified as the primary benchmark and key performance indicator highlighted in our analysis of comparator businesses in the wider industrial engineering sector; and › The measurement percentage we applied to the revenue benchmark was at the lower end of the range applied by the auditor to the revenue balance of comparator businesses in the industrial engineering sector to moderate the change in materiality used in the current year's audit. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the change in applicable benchmark explained above and the increase in the Group's activity (both revenue and profit before tax) in the current year.	In determining materiality, we made the following significant judgement: › This benchmark is considered the most appropriate as we consider that it reflects the Company's status as a non-trading holding company. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the increase in Group materiality in the current year.

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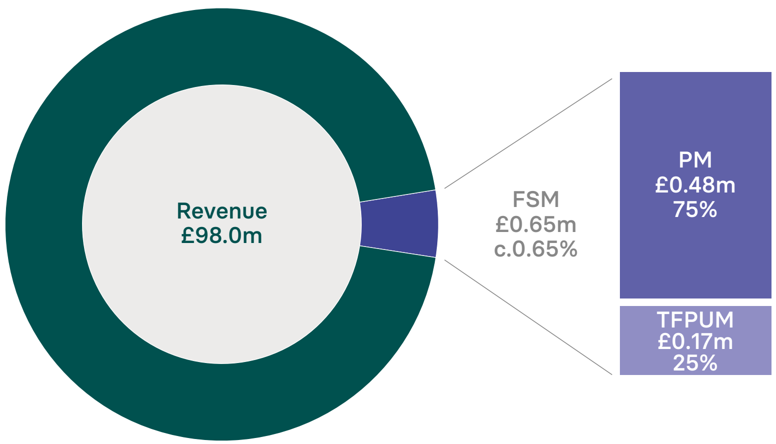
Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£480,000, which is approximately 75% of financial statement materiality.	£360,000, which is approximately 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining to maintain the percentage of performance materiality at the same level as the prior year, we made the following significant judgements: › the Group has no prior year going concern issues; › the Group has a stable control environment; and › few misstatements (corrected and uncorrected) were identified in the prior year audit.	In determining to maintain the percentage of performance materiality at the same level as the prior year, we made the following significant judgements: › the Company has no prior year going concern issues; › the Company has a stable control environment; and › few misstatements (corrected and uncorrected) were identified in the prior year audit.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: › Directors' remuneration; › Related party transactions outside of the normal course of business; and › Items reported as 'non-underlying' in the consolidated income statement.	We determined a lower level of specific materiality for the following areas: › Directors' remuneration; and › Related party transactions outside of the normal course of business.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£32,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£24,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

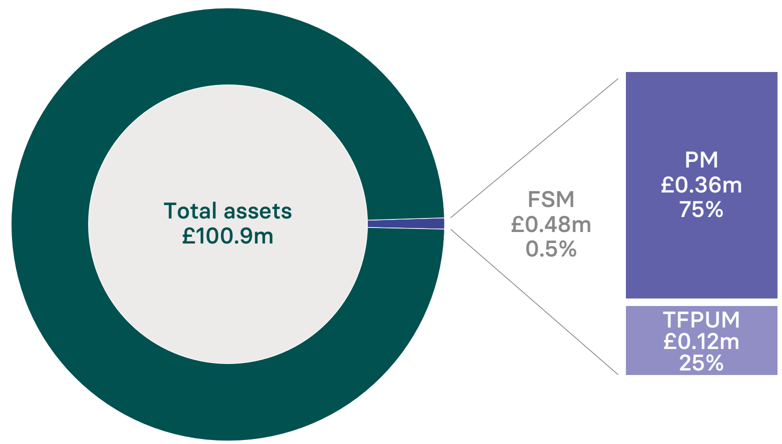
Independent Auditor's report continued

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

The Group's accounting process is primarily resourced through a central function within the United Kingdom, with local finance functions in Canada, the Netherlands, the United States of America, Singapore and the United Kingdom. Each local finance function reports into the central Group finance function based at the Group's head office. The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level.

We documented our understanding of the Group's processes and controls over the following areas of identified audit risk and performed walkthroughs on these controls to confirm they are designed effectively:

- Improper revenue recognition and judgements made on open contracts;
- Accuracy of defined benefit pension liabilities;
- Going concern;
- Management override of controls; and
- Impairment of goodwill (Mpac Lambert CGU).

Identifying significant components

Component significance was determined based on their relative share of key Group financial metrics including revenue, underlying profit before tax and total assets. For significant components requiring a full scope audit approach, we or the component auditors obtained an understanding of the relevant controls over the entity-specific financial reporting systems identified as well as the centralised financial reporting system as part of our risk assessment.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

For all significant risks and key audit matters identified, the Group engagement team or component auditor obtained an understanding of the relevant controls that management have implemented over the related processes.

For components classified as "individually financially significant to the Group", an audit of the financial information of the component using component materiality (full-scope audit) was performed. We also considered whether any components were likely to include significant risks of material misstatement to the Group financial statements due to their specific nature or circumstances. No such components were identified in the current year.

Performance of our audit

In order to address the audit risks identified during our planning procedures the audit of the financial information of each of the following components was completed by the Group engagement team using component materiality (full scope audit):

- Mpac Group plc (United Kingdom);
- Mpac Lambert Limited (United Kingdom); and
- Mpac Langen B.V. (the Netherlands).

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We issued Group instructions to a component auditor in respect of their full scope audit of Mpac Langen, Inc. (Canada).

The Group engagement team performed specific scope procedures over one or more classes of transactions, account balances and disclosures of the financial information of Mpac Switchback Inc. (United States of America).

The financial information of the remaining operations of the Group in Singapore and the United Kingdom were subjected to analytical procedures carried out by the Group engagement team with a focus on areas with significant management judgement or estimation uncertainty such as revenue recognition and judgements made on open contracts and management override of controls, or where quantitatively significant to the Group's balances.

The Group engagement team and component auditor performed audit procedures in respect of certain classes of transactions and account balances prior to the year end. Alongside these audit procedures, we evaluated the Group's internal control environment including both general and IT-based systems and controls.

The Group engagement team visited the significant components in the United Kingdom but due to the restrictions imposed due to Covid-19, the work on overseas components was performed remotely. Due to the travel restrictions in place, we were not able to meet the component auditors in person, however we held detailed discussions with the component audit teams, including remote reviews of the work performed, update calls on the progress of their fieldwork and by attending the component audit clearance meetings with component management via video call.

Our full-scope and specific-scope audit procedures provided coverage of 86% of the Group's consolidated revenue, 96% of the Group's consolidated profit before tax and 93% of the Group's consolidated total assets.

Audit approach	Number of components	Coverage of revenue	Coverage of profit before taxation
Full-scope audit	4	84%	83%
Specific-scope audit	1	2%	13%
Analytical procedures	3	14%	4%

Communications with component auditors

Detailed audit instructions were issued to the component auditors of the significant reporting components where a full scope approach had been determined to be required, except for those significant components where the component audit engagement leader was also part of the Group audit team. The instructions highlighted the significant risks to be addressed through the audit procedures and detailed the information that were required to be reported to the Group engagement team.

The Group engagement team conducted a review of the work performed by the component auditor, and communicated with the component auditor throughout the planning, fieldwork and concluding stages of the Group audit.

Key working papers were prepared by the Group engagement team summarising the Group engagement team's review of component auditor files, except for those components where the component audit engagement leader was also part of the Group engagement team, in which situation, the Group audit engagement leader reviewed key component audit working papers directly.

Changes in approach from previous year

The scope of the current year's audit was similar to that in the prior year, other than to add unpredictability to our Group scoping and risk assessment. The Group engagement team carried out different audit procedures compared to the prior year in respect of a component in the United States of America.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2021, other than the financial statements and our auditor's report thereon. Our opinion on the 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Independent Auditor's report continued

Matters on which we are required to report by exception
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 for the financial statements
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements 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 financial statements, the Directors are responsible for assessing the Group's 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, including UK-adopted international accounting standards, the AIM Rules for Companies, the Companies Act 2006 and the relevant taxation regulations in the jurisdictions in which the parent company and Group operate.
- We obtained an understanding of how the parent company and the Group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures, and the company secretary. We corroborated our inquiries through our review of Board minutes.
- We assessed the susceptibility of the parent company's and the Group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of revenue recognition and judgements on open contracts and through management override of controls.
- Our audit procedures included:
  - Making enquiries of management concerning the parent company's and the Group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
  - We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, and whether they had any knowledge of actual, suspected, or alleged fraud. We corroborated the results of our enquires to relevant supporting documentation.

- Gaining an understanding of the controls that management has in place to prevent and detect fraud.
- Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the estimation and judgemental areas with a risk of fraud, including potential management bias, of revenue recognition and judgements on open contracts.
- Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business and those posted directly to the financial statements that related to revenue.
- Obtaining an understanding of and testing significant identified related party transactions.
- Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting framework requirements.
- For components at which audit procedures were performed by the component auditor, we requested the component auditor to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the Group financial statements.

› These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

› The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- Knowledge of the industry in which the parent company and the Group operate; and
- Understanding of the legal and regulatory requirements specific to the parent company and the Group.

› Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, revenue recognition and judgements on open contracts, which we identified as a key audit matter, and through management override of controls in the preparation of the financial statements.

› For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the Group financial statements.

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.

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

16 March 2022

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Consolidated income statement

for the year ended 31 December 2021

	Note	2021 Underlying £m	2021 Non-underlying £m	2021 Total £m	2020 Restated* Underlying £m	2020 Restated* Non-underlying £m	2020 Restated* Total £m
Revenue	1	94.3	–	94.3	83.7	–	83.7
Cost of sales		(65.4)	–	(65.4)	(59.4)	–	(59.4)
Gross profit		28.9	–	28.9	24.3	–	24.3
Distribution expenses		(6.8)	–	(6.8)	(6.8)	–	(6.8)
Administrative expenses	4,5	(12.4)	(0.5)	(12.9)	(9.9)	(3.6)	(13.5)
Other operating expenses	3	(0.9)	–	(0.9)	(1.1)	–	(1.1)
Operating profit/(loss)	1,4	8.8	(0.5)	8.3	6.5	(3.6)	2.9
Financial income	8	–	0.2	0.2	–	0.3	0.3
Financial expenses	8	(0.2)	(0.1)	(0.3)	(0.2)	(0.1)	(0.3)
Net financing income/(expense)		(0.2)	0.1	(0.1)	(0.2)	0.2	–
Profit/(loss) before tax		8.6	(0.4)	8.2	6.3	(3.4)	2.9
Taxation	9	(0.7)	0.3	(0.4)	–	1.3	1.3
Profit/(loss) for the period		7.9	(0.1)	7.8	6.3	(2.1)	4.2
Earnings/(loss) per ordinary share							
Basic	11			39.1p			20.8p
Diluted	11			38.1p			20.7p

* See note 34 for further details of the prior year restatement.

Statement of comprehensive income

for the year ended 31 December 2021

	Note	Group 2021 £m	Group 2020 Restated* £m
Profit/(loss) for the period		7.8	4.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses)	24	20.7	(8.8)
Tax on items that will not be reclassified to profit or loss	9	(7.9)	2.2
		12.8	(6.6)
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments		(0.2)	(0.5)
Effective portion of changes in fair value of cash flow hedges	26	(1.0)	0.8
Reclassified to income statement from hedge reserve	26	(0.3)	(0.3)
		(1.5)	–
Other comprehensive income/(expense) for the period		11.3	(6.6)
Total comprehensive income/(expense) for the period		19.1	(2.4)

* See note 34 for further details of the prior year restatement.

Statements of changes in equity

for the year ended 31 December 2021

	Note	Group						
		Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020 on previous basis		5.0	26.0	1.0	3.9	0.3	11.3	47.5
Impact of restatement (Note 34)		–	–	–	–	–	0.9	0.9
Balance at 1 January 2020 (restated)		5.0	26.0	1.0	3.9	0.3	12.2	48.4
Profit for the period		–	–	–	–	–	4.2	4.2
Other comprehensive (expense)/ income for the period		–	–	(0.5)	–	0.5	(6.6)	(6.6)
Total comprehensive (expense)/ income for the period		–	–	(0.5)	–	0.5	(2.4)	(2.4)
Equity-settled share-based transactions	24	–	–	–	–	–	0.4	0.4
Purchase of own shares		–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners, recorded directly in equity		–	–	–	–	–	0.2	0.2
Balance at 31 December 2020 on previous basis		5.0	26.0	0.5	3.9	0.8	8.2	44.4
Impact of restatement (Note 34)		–	–	–	–	–	1.8	1.8
Balance at 31 December 2020 (restated)		5.0	26.0	0.5	3.9	0.8	10.0	46.2
Profit for the period		–	–	–	–	–	7.8	7.8
Other comprehensive (expense)/ income for the period		–	–	(0.2)	–	(1.3)	12.8	11.3
Total comprehensive (expense)/ income for the period		–	–	(0.2)	–	(1.3)	20.6	19.1
Equity-settled share-based transactions	24	–	–	–	–	–	0.3	0.3
Purchase of own shares	25	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners, recorded directly in equity		–	–	–	–	–	0.1	0.1
Balance at 31 December 2021		5.0	26.0	0.3	3.9	(0.5)	30.7	65.4

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	Note	Company						
		Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020		5.0	26.0	–	3.9	–	27.9	62.8
Loss for the period		–	–	–	–	–	(2.1)	(2.1)
Other comprehensive (expense)/income for the period		–	–	–	–	–	(6.3)	(6.3)
Total comprehensive (expense)/income for the period		–	–	–	–	–	(8.4)	(8.4)
Equity-settled share-based transactions	24	–	–	–	–	–	0.4	0.4
Purchase of own shares		–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners, recorded directly in equity		–	–	–	–	–	0.2	0.2
Balance at 31 December 2020		5.0	26.0	–	3.9	–	19.7	54.6
Profit for the period		–	–	–	–	–	2.4	2.4
Other comprehensive (expense)/income for the period		–	–	–	–	–	12.3	12.3
Total comprehensive (expense)/income for the period		–	–	–	–	–	14.7	14.7
Equity-settled share-based transactions	24	–	–	–	–	–	0.3	0.3
Purchase of own shares	25	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners, recorded directly in equity		–	–	–	–	–	0.1	0.1
Balance at 31 December 2021		5.0	26.0	–	3.9	–	34.5	69.4

Statements of financial position

as at 31 December 2021

	Note	Group 2021 £m	Group 2020 Restated* £m	Group 2019 Restated* £m	Company 2021 £m	Company 2020 £m
Non-current assets						
Intangible assets	12	25.3	27.4	16.9	1.3	1.7
Property, plant and equipment	13	4.0	5.1	5.6	0.2	1.6
Investment property	14	0.8	0.8	0.8	0.8	0.8
Right-of-use assets	27	5.8	4.0	4.7	–	–
Investments	15	–	–	–	63.8	63.8
Amounts owed by group undertakings	15	–	–	–	14.2	11.0
Employee benefits	24	35.7	14.0	20.4	35.7	14.0
Deferred tax assets	16	1.4	1.7	1.7	–	–
		73.0	53.0	50.1	116.0	92.9
Current assets						
Inventories	17	5.5	3.5	3.2	–	–
Trade and other receivables	19	34.5	32.2	28.0	4.7	4.6
Current tax assets	10	0.6	0.8	0.4	–	–
Cash and cash equivalents	21	14.5	15.5	18.9	4.0	3.4
		55.1	52.0	50.5	8.7	8.0
Current liabilities						
Lease liabilities	27	(1.8)	(0.8)	(0.9)	–	–
Trade and other payables	22	(39.5)	(41.1)	(30.9)	(41.9)	(38.1)
Current tax liabilities	10	(0.7)	(0.4)	(0.7)	–	–
Provisions	23	(0.6)	(1.4)	(1.3)	–	–
		(42.6)	(43.7)	(33.8)	(41.9)	(38.1)
Net current assets/(liabilities)		12.5	8.3	16.7	(33.2)	(30.1)
Total assets less current liabilities		85.5	61.3	66.8	82.8	62.8
Non-current liabilities						
Interest-bearing loans and borrowings	20	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Employee benefits	24	(2.5)	(3.0)	(3.1)	–	–
Deferred tax liabilities	16	(12.5)	(4.9)	(7.9)	(12.5)	(4.9)
Lease liabilities	27	(4.2)	(3.4)	(3.9)	–	–
Deferred contingent consideration	30	–	(2.9)	(2.6)	–	(2.4)
		(20.1)	(15.1)	(18.4)	(13.4)	(8.2)
Net assets	1	65.4	46.2	48.4	69.4	54.6
Equity						
Issued capital	25	5.0	5.0	5.0	5.0	5.0
Share premium		26.0	26.0	26.0	26.0	26.0
Reserves		3.7	5.2	5.2	3.9	3.9
Retained earnings		30.7	10.0	12.2	34.5	19.7
Total equity		65.4	46.2	48.4	69.4	54.6

* See note 34 for further details of the prior year restatement.

The parent company has taken the exemption conferred by s.408 of the Companies Act 2006 not to publish the income statement of the parent company with these consolidated accounts. The parent company profit for the year was £2.4m (2020: £2.1m loss). These financial statements were approved by the Directors on 16 March 2022 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 2021

	Note	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Operating activities					
Operating profit/(loss)		8.3	2.9	1.6	(0.7)
Non-underlying items included in operating profit	5	0.5	3.6	(1.5)	0.9
Amortisation of internally developed intangible assets	12	0.6	0.3	0.4	0.1
Depreciation	13,27	1.8	1.1	0.1	0.1
Profit on sale of property, plant and equipment	13	0.1	–	–	–
Other non-cash items		0.3	0.4	0.3	0.4
Pension payments	24	(2.6)	(3.0)	(2.3)	(2.7)
Working capital movements:					
– (increase)/decrease in inventories		(2.2)	0.2	–	–
– increase in contract assets		(4.4)	(1.7)	–	–
– decrease/(increase) in trade and other receivables		1.0	(0.6)	–	(1.6)
– (decrease)/increase in trade and other payables		(1.1)	4.1	3.7	11.7
– (decrease)/increase in provisions		(0.8)	0.1	–	–
– (decrease)/increase in contract liabilities		(0.7)	5.4	–	–
Cash flows from continuing operations before reorganisation		0.8	12.8	2.3	8.2
Acquisition and reorganisation costs paid		(0.3)	(0.9)	(0.2)	(0.1)
Cash flows from operations		0.5	11.9	2.1	8.1
Taxation (paid)/received		(0.1)	(0.7)	–	0.1
Cash flows from/(used in) operating activities		0.4	11.2	2.1	8.2
Investing activities					
Proceeds from sale of property, plant and equipment		2.0	0.2	1.8	0.1
Capitalised development expenditure	12	(0.2)	(1.8)	–	(1.2)
Acquisition of property, plant and equipment	13	(1.5)	(1.2)	(0.1)	(0.1)
Net cash flow on acquisition		–	(9.8)	–	–
Loans to subsidiaries		–	–	(3.0)	(11.7)
Payment of deferred consideration		(0.6)	(0.5)	–	(0.5)
Cash flows used in investing activities		(0.3)	(13.1)	(1.3)	(13.4)
Financing activities					
Interest paid		(0.3)	(0.2)	–	(0.1)
Purchase of own shares		(0.2)	(0.2)	(0.2)	(0.2)
Principal elements of lease payments		(0.9)	(0.9)	–	–
Cash flows used in financing activities		(1.4)	(1.3)	(0.2)	(0.3)
Net (decrease)/increase in cash and cash equivalents	21	(1.3)	(3.2)	0.6	(5.5)
Cash and cash equivalents at 1 January		15.5	18.9	3.4	8.9
Effect of exchange rate fluctuations on cash held		0.3	(0.2)	–	–
Cash and cash equivalents at 31 December		14.5	15.5	4.0	3.4

Accounting policies

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

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards and, as regards the 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 2020 financial statements. No new accounting standards have been adopted in the year. A number of amendments to accounting standards became effective during the period, but did not have a material impact on the Group's accounting policies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-underlying items and alternative performance measures

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

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

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

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

Recent accounting developments

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

Going concern

The Group's activities together with the factors likely to affect its future development, performance and position are described within the Operating review on pages 11 to 15, Financial review on pages 16 to 18 and in the Principal risks and uncertainties on pages 19 to 23.

The Directors have considered the trading outlook of the Group and Company for a 24 month period ending 31 December 2023, its financial position, including its cash resources and access to borrowings, as set out in the Financial review on pages 16 to 18 and in note 20 to the accounts on page 83, 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 84 to 90. Having made due enquiries, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future.

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

Basis of consolidation

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

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

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

Business combinations

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

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

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

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

Acquisition-related costs are expensed as incurred.

Accounting policies continued

The excess of the:

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

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

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

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

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

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

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

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

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

Annual impairment reviews of goodwill are undertaken and are determined from value in use calculations for each cash generating unit ("CGU") using cash flow projections based on the latest three-year plan approved by the Board. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period and are consistent with external sources of information and the Board's view of long-term growth. Cash flows beyond the period of the projections are extrapolated at growth rates that do not exceed the long-term average growth rate for the relevant countries. The discount rate applied to the cash flow forecasts for each CGU is based on a market participant's pre-tax weighted average cost of capital of between 12.4% to 16.4%, dependant on the CGU being assessed (2020: 12%).

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 five 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	– 8 to 10 years
Software development	– 5 years

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Property, plant and equipment

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

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

The annual depreciation rates used are as follows:

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

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

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

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

Investment property

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

Investments

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

Revenue and contracts

Revenue

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

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

Performance obligations

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

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

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

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

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

Transaction price

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

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

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

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

Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting policies continued

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

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

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

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

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

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

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

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill; the initial recognition of other assets and liabilities that affect neither the taxable profit nor the accounting profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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

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

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

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. The Group continued to benefit from a number of Covid-related grants in the course of 2021; albeit to a much lower degree than 2020, including the 'Coronavirus Job Retention Scheme' in the UK and the equivalent schemes in the countries in which it operates. No deferred amounts remained at 31 December 2021 (31 December 2020: £nil).

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

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

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1. Revenue and operating segments

All revenue information is prepared in accordance with the Group accounting policies shown on pages 64 to 70.

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. The contracts are accounted for over time unless the installation and commissioning consideration of the contact is a distinct performance obligation that could be undertaken by a third party, in which case the contract is disaggregated with the equipment consideration recognised over time and the installation consideration is recognised at a point in time. Where contracts are recognised over time, the consideration recognised is based on an estimate of labour costs completed at the statement of financial position date as a proportion of total expected labour costs for the contract.

Service

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

The Group's revenue reflects the basis of the Group's management and internal reporting structure. A commentary on the performance of the operating segments during the year is provided in the Operating review on pages 11 to 15.

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

Disaggregation of revenue

	2021 £m	2020 £m
Sector		
Pharmaceutical	3.7	3.9
Healthcare	29.2	37.7
Food and beverage	45.3	34.8
Other	16.1	7.3
Total	94.3	83.7
Timing of revenue recognition		
Products and services transferred at a point in time	19.3	23.4
Products and services transferred over time	75.0	60.3
Total	94.3	83.7

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

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

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Notes to the accounts continued

1. Revenue and operating segments continued

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

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

Segment information

	2021			2020		
	OE £m	Service £m	Total £m	OE £m	Service £m	Total £m
Revenue						
Americas	53.4	9.9	63.3	36.2	10.5	46.7
EMEA	17.4	9.3	26.7	23.7	7.6	31.3
Asia Pacific	3.3	1.0	4.3	4.2	1.5	5.7
Total	74.1	20.2	94.3	64.1	19.6	83.7
Gross profit	20.3	8.6	28.9	15.3	9.0	24.3
Selling, distribution and administration			(20.1)			(17.8)
Underlying operating profit			8.8			6.5
Unallocated non-underlying items included in operating profit			(0.5)			(3.6)
Operating profit/(loss)			8.3			2.9
Net financing expense			(0.1)			–
Profit/(loss) before tax			8.2			2.9

	2021			2020 Restated*		
	Segment assets	Segment liabilities	Segment net assets	Segment assets	Segment liabilities	Segment net assets
Americas	36.9	(22.2)	14.7	28.2	(20.7)	7.5
EMEA	28.7	(25.2)	3.5	30.7	(26.6)	4.1
Asia	0.5	(0.3)	0.2	0.5	(0.2)	0.3
Total	64.3	(45.9)	18.4	59.4	(47.5)	11.9
Unallocated net assets			47.0			34.3
Total net assets			65.4			46.2

* see note 34 for further details of the prior year restatement

1. Revenue and operating segments continued

Geographical information

Revenue	By location of customer 2021 £m	2021 %	2020 £m	2020 %
UK	7.7	8	9.7	12
Europe (excl. UK)	17.2	18	19.2	23
Africa and Middle East	0.7	1	2.8	3
USA	56.9	61	34.5	41
Americas (excl. USA)	7.2	7	12.3	15
Asia Pacific	4.6	5	5.2	6
	94.3	100	83.7	100

Non-current assets (excluding taxation balances)	By location of assets 2021 £m	2020 £m
UK	50.1	35.2
Canada and USA	15.7	13.2
Rest of the world	5.8	2.9
	71.6	51.3

2. Major customers

In 2021, the Group generated 16.7% (2020: 24.5%) of revenue from two customers. The most significant customer accounted for 10.0% (2020: 14.8%) of Group revenue. The sales constituted both equipment and Service, and were spread across a number of different geographic regions.

3. Other operating expenses

	2021 £m	2020 £m
Research and development costs (expensed as incurred)	0.9	1.1

Notes to the accounts continued

4. Operating profit

	2021 £m	2020 £m
Operating profit is arrived at after charging/(crediting):		
Amortisation of software and product development (Note 12)	0.6	0.3
Depreciation of owned assets (Note 13)	0.9	1.1
Depreciation of right of use assets (Note 27)	0.9	0.9
Employee benefits (Company £2.1m; 2020: £2.2m) (Note 6)	29.0	25.9
Cost of inventories recognised as an expense	32.0	38.3
Government grants	(0.4)	(2.4)
(Profit)/loss on sale of fixed assets (Note 13)	0.1	–
Distribution and transport costs	1.3	0.9
Operating lease charges	1.0	0.9
Sales, marketing and office expenses	5.5	5.6
Product development expensed	0.9	1.1
Administrative expenses	13.3	7.6
Foreign exchange differences	–	–
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)	1.6	2.0
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	0.2
Other fees paid to the current auditor		
– audit related assurance services*	–	0.1
– taxation compliance services**	–	–

* Audit related assurance services include £31,000 (2020: £15,000) for the review of the half-year report.
** Taxation compliance services include £22,000 (2020: £34,000) for the provision of taxation compliance services.

5. Non-underlying items

	2021 £m	2020 Restated* £m
Non-underlying items		
Acquisition costs	(0.4)	(0.4)
Reorganisation costs	–	(0.5)
Amortisation of acquired intangible assets	(1.6)	(1.6)
Profit on disposal of Coventry facility	0.3	–
Defined benefit pension scheme – Past service cost from GMP equalisation	–	(0.2)
Defined benefit pension schemes administration costs	(1.2)	(0.9)
Release of deferred contingent consideration	2.4	–
Total non-underlying operating expenditure	(0.5)	(3.6)
Interest on deferred and contingent acquisition consideration	(0.1)	(0.1)
Net financing income on pension scheme balances	0.2	0.3
Total non-underlying expense before tax	(0.4)	(3.4)
Deferred tax on pension scheme past service costs	0.3	0.1
Deferred tax on acquisition related intangibles and unused tax losses	–	1.2
Total non-underlying expense after tax	(0.1)	(2.1)

* see note 34 for further details of the prior year restatement

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	
	2021	2020	2021	2020
The number of people employed by the Group was:				
Americas	147	132	139	103
EMEA	302	316	302	327
Asia Pacific	13	13	13	13
Head Office	14	11	12	11
Total	476	472	466	454

	Period end		Average	
	2021	2020	2021	2020
The number of people employed by the Company in EMEA was:	14	11	12	11

	Group		Company	
	2021	2020	2021	2020
Employment costs were:				
Wages and salaries	23.8	20.7	1.4	1.3
Social security costs	3.2	3.0	0.2	0.3
Employee benefits				
– defined contribution schemes	1.7	1.8	0.2	0.2
– equity-settled share-based transactions	0.3	0.4	0.3	0.4
	29.0	25.9	2.1	2.2

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

£0.2m 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 38.

Notes to the accounts continued

8. Net financing income

	2021 £m	2020 £m
Financial income:		
Amounts receivable on cash and cash equivalents	–	–
Net interest received on pension scheme balances	0.2	0.3
	0.2	0.3
Financial expenses:		
Preference dividends paid	(0.1)	(0.1)
Interest on deferred contingent consideration	(0.1)	(0.1)
Lease interest (IFRS 16)	(0.1)	(0.1)
	(0.3)	(0.3)
Net financing income	(0.1)	–

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

9. Taxation

	2021 £m	2020 Restated* £m
Tax charge/(credit):		
Current tax	0.4	0.6
Deferred tax	–	(1.9)
Total	0.4	(1.3)

Included within the total taxation is a tax credit of £0.2m (2020: £0.4m) attributable to the non-underlying items set out in note 5.

Reconciliation of effective tax rate

	2021 £m	2020 Restated* £m
Profit before tax	8.2	2.9
Income tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	1.5	0.6
Research & development tax credits	(0.4)	(0.1)
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	(0.3)	–
Change in recognised deferred tax assets	(0.4)	(1.0)
Change in unrecognised deferred tax assets	(0.2)	(1.1)
Foreign tax charged at higher rates than UK corporation tax rate	0.4	0.3
Total charge/(credit)	0.4	(1.3)

* See note 34 for further details of the prior year restatement.

The main rate of UK corporation tax is 19% (2020: 19%) as enacted in the Finance Act 2021. 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 and the USA.

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9. Taxation continued

Factors that may affect future tax charges

The Finance Act 2021 increased the main rate of corporation tax to 25% from 1 April 2023. Closing deferred tax balances have therefore been valued at 19% or 25% (2020: 19%) depending on the date they expect to fully unwind, except for deferred tax on the defined benefit pension scheme, which has been valued at 35%.

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

	2021 £m	2020 £m
Arising from actuarial gains/(losses)	7.9	(2.2)

10. Current tax assets and liabilities

Current tax assets of £0.6m (2020: £0.8m) and current tax liabilities of £0.7m (2020: £0.4m) for the Group, and current tax assets of £nil (2020: £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 profit for the year of £7.8m (2020 restated: £4.2m) 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 profit for the year of £7.7m (2020 restated: £4.2m) and the diluted weighted average number of ordinary shares in issue during the year. The calculation of diluted earnings per ordinary share from continuing activities is based upon the profit for the period from continuing activities of £7.8m (2020: £4.2m). 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.

	2021	2020
Weighted average number of ordinary shares (non-diluted) at 31 December	19,920,895	19,955,307
Effect of own shares and shares conditionally granted under the LTIP	531,118	589,920
Weighted average number of ordinary shares (diluted) at 31 December	20,452,013	20,545,227

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 39.7p (2020: 31.4p) in respect of underlying earnings per share and 38.6p (2020: 31.2p) 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 £7.9m (2020: £6.3m) which is calculated as follows:

	2021 £m	2020 Restated* £m
Profit for the period	7.8	4.2
Non-underlying items (net of tax)	0.1	2.1
Underlying profit for the period	7.9	6.3

* see note 34 for further details of the prior year restatement

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Notes to the accounts continued

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 2020	5.7	10.5	4.1	–	0.6	20.9	–	0.6	0.6
Additions	7.9	2.6	0.6	1.2	–	12.3	1.2	–	1.2
Reclassification	–	–	–	1.6	(0.6)	1.0	0.6	(0.6)	–
Retranslation	(0.4)	–	0.1	–	–	(0.3)	–	–	–
Balance at 31 December 2020	13.2	13.1	4.8	2.8	–	33.9	1.8	–	1.8
Additions	–	–	0.2	–	–	0.2	–	–	–
Disposals	–	–	(1.2)	–	–	(2.0)	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–
Retranslation	–	–	–	–	–	–	–	–	–
Balance at 31 December 2021	13.2	13.1	3.8	2.8	–	32.9	1.8	–	1.8
Amortisation and impairment losses:									
Balance at 1 January 2020	–	0.9	3.1	–	–	4.0	–	–	–
Amortisation for the period	–	1.6	0.2	0.1	–	1.9	0.1	–	0.1
Reclassification	–	–	–	0.5		0.5	–		–
Retranslation	–	–	0.1	–	–	0.1	–	–	–
Balance at 31 December 2020	–	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)	–	–	(2.0)	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–
Retranslation	–	–	0.1	–	–	0.1	–	–	–
Balance at 31 December 2021	–	4.1	2.5	1.0	–	7.6	0.5	–	0.5
Carrying amounts:									
At 31 December 2020	13.2	10.6	1.4	2.2	–	27.4	1.7	–	1.7
At 31 December 2021	13.2	9.0	1.3	1.8	–	25.3	1.3	–	1.3

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

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

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

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

The calculation uses pre-tax cash flow projections from the 3 year mid-range plan for the period ending 31st December 2024. 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 12.4% & 2.0% for the UK and 12.9% & 2.0% for the Americas, respectively. With respect to the Mpac Lambert CGU, the recoverable amount exceeds the carrying value of the assets by £1.8m at 31 December 2021. A reasonably possible reduction in revenue growth in 2023 and 2024 from 10% to 6% would reduce the recoverable amounts to £nil. A reasonably possible decrease in the operating margin generated by the CGU in the terminal value calculation from 12% to 11% would reduce the excess of recoverable amounts to £nil. A reasonably possible increase in the discount rate from 12.4% to 13.5% would reduce the excess of recoverable amounts to £nil.

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13. Property, plant and equipment

	Group				Company			
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Total £m	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Total £m
Cost:								
Balance at 1 January 2020	4.1	2.9	5.9	12.9	2.6	–	0.5	3.1
Additions	0.1	0.5	0.6	1.2	–	–	0.1	0.1
Disposals	–	(0.3)	(0.4)	(0.7)	–	–	(0.4)	(0.4)
Reclassification	–	–	(1.0)	(1.0)	–	–	–	–
Retranslation	–	–	0.1	0.1	–	–	–	–
Balance at 31 December 2020	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
Depreciation:								
Balance at 1 January 2020	1.4	1.5	4.4	7.3	1.0	–	0.4	1.4
Charge for the period	0.1	0.3	0.7	1.1	0.1	–	–	0.1
Disposals	–	(0.2)	(0.3)	(0.5)	–	–	(0.3)	(0.3)
Reclassification	–	–	(0.5)	(0.5)	–	–	–	–
Balance at 31 December 2020	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
Disposals	(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
Carrying amounts:								
At 31 December 2020	2.7	1.5	0.9	5.1	1.5	–	0.1	1.6
At 31 December 2021	1.7	1.4	0.9	4.0	–	–	0.2	0.2

14. Investment property

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Balance at 1 January 2020 and 31 December 2020	0.8	0.8	0.8	0.8
Balance at 31 December 2021	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 £1.0m (2020: £1.1m) and has been arrived at on the basis of a valuation carried out by independent valuers, Wilks Head & Eve LLP. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Notes to the accounts continued

15. Investments

Cost of shares in subsidiaries

	2021 £m	2020 £m
Balance at 1 January	63.8	63.8
Acquisition of investment	–	–
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 2024. 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 12.4% & 2.0% for the UK and 12.9% & 2.0% for the Americas, respectively. With respect to the investment in Mpac Lambert, the recoverable amount exceeds the carrying value of the investment by £3.8m at 31 December 2021. The combination of a reasonably possible reduction in revenue growth in 2023 and 2024 from 10% to 6%, a decrease in the operating margin generated by the company in the terminal value calculation from 12% to 11% and a reasonably possible increase in the discount rate from 12.4% to 13.5% would reduce the excess of recoverable amounts to £nil. No other reasonably possible changes in assumptions in the value in use calculation would generate any impairment in respect of the other investments held by the Company.

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 loan, resulting in an interest receivable of £0.4m in the year for the Company.

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2021 £m	2020 *Restated £m	2021 £m	2020 Restated* £m	2021 £m	2020 Restated* £m
Employee benefits	–	–	(12.5)	(4.9)	(12.5)	(4.9)
Tax losses	3.4	3.5	–	–	1.4	1.7
Acquired intangible assets	–	–	(2.0)	(1.8)	–	–
Deferred tax assets/(liabilities)	3.4	3.5	(14.5)	(6.7)	(11.1)	(3.2)
Net deferred tax assets/(liabilities)	3.4	3.5	(14.5)	(6.7)	(11.1)	(3.2)

	Assets		Liabilities		Net	
Company	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Employee benefits	–	–	(12.5)	(4.9)	(12.5)	(4.9)
Deferred tax liabilities	–	–	(12.5)	(4.9)	(12.5)	(4.9)
Net deferred tax liabilities	–	–	(12.5)	(4.9)	(12.5)	(4.9)

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 £3.1m of unrecognised deferred tax assets (2020: £4.6m) and the Company had £2.1m of unrecognised deferred tax assets (2020: £1.2m) which would become recoverable if the relevant companies were to make sufficient profits in the future. Under current tax legislation, these tax assets expire as follows:

	Group	
Expiry	2021 £m	2020 Restated* £m
10 to 20 years	–	–
No expiry date	3.1	4.6
	3.1	4.6

Movement in temporary differences during the year

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)
Corporation 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)

Group - Restated*	Balance at 1 January 2020 £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 2020 £m
Employee benefits	(7.2)	0.1	–	2.2	–	(4.9)
Tax losses	1.3	1.6	–	–	–	2.9
Investment tax credits	1.3	–	(0.6)	–	–	0.7
Acquired intangible assets	(1.6)	0.2	–	–	(0.5)	(1.9)
	(6.2)	1.9	(0.6)	2.2	(0.5)	(3.2)

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)

Company	Balance at 1 January 2020 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/(expense) £m	Balance at 31 December 2020 £m
Employee benefits	(7.2)	0.1	2.2	(4.9)
	(7.2)	0.1	2.2	(4.9)

* see note 34 for further details of the prior year restatement

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17. Inventories

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Work in progress	0.6	0.9	–	–
Finished goods	4.9	2.6	–	–
	5.5	3.5	–	–

An amount of £0.5m (2020: £0.1m) 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	
	2021 £m	2020 £m	2021 £m	2020 £m
Receivables, which are included in 'Trade and other receivables'	11.4	6.8	–	–
Contract assets	12.7	8.5	–	–
Contract liabilities	(17.5)	(18.2)	–	–

	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	–	18.2	–	–
Increases due to cash received, excluding amounts recognised as revenue during the period	–	(17.5)	–	–
Transfers from contract assets recognised at the beginning of the period to receivables	(8.5)	–	–	–
Increases as a result of changes recognised in the measure of progress	12.7	–	–	–

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	
	2021 £m	2020 £m	2021 £m	2020 £m
Contract fulfilment assets	0.8	1.0	–	–

19. Trade and other receivables

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Current assets:				
Contract assets – see note 18	12.7	8.5	–	–
Contract fulfilment assets – see note 18	0.8	1.0	–	–
Trade receivables	15.1	13.4	–	–
Amounts owed by Group undertakings	–	–	3.0	3.2
Other receivables	1.2	0.9	–	0.1
Prepayments and accrued income	4.5	7.8	0.7	0.6
Foreign currency derivatives	0.2	0.6	1.0	0.7
	34.5	32.2	4.7	4.6

20. Interest-bearing loans and borrowings

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Non-current liabilities:				
Repayable in more than five years	0.9	0.9	0.9	0.9
	0.9	0.9	0.9	0.9

An interest rate of 6% is charged on the above loan, generating an expense of £0.1m (2020: £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 (2020: £0.1m).

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

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Net decrease in cash and cash equivalents	(1.3)	(3.2)	0.6	(5.5)
Change in net funds resulting from cash flows	(1.3)	(3.2)	0.6	(5.5)
Translation movements	0.3	(0.2)	–	–
Movement in net funds in the period	(1.0)	(3.4)	0.6	(5.5)
Opening net funds	10.4	13.2	2.5	8.0
Movement in lease liabilities under IFRS 16:				
Non-cash movement	(2.8)	(0.3)	–	–
Cash movement	1.0	0.9	–	–
Closing net funds	7.6	10.4	3.1	2.5
Analysis of net funds:				
Cash and cash equivalents – current assets	14.5	15.5	4.0	3.4
Interest-bearing loans and borrowings – non-current liabilities	(0.9)	(0.9)	(0.9)	(0.9)
Lease liabilities	(6.0)	(4.2)	–	–
Closing net funds	7.6	10.4	3.1	2.5

22. Trade and other payables

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Current liabilities:				
Contract liabilities – see note 18	17.5	18.2	–	–
Trade payables	12.8	13.1	0.8	0.5
Amounts owed to Group undertakings	–	–	37.8	34.3
Other taxes and social security	0.7	0.8	–	–
Other payables	2.6	3.3	0.6	0.4
Accruals and deferred income	5.1	5.6	1.7	2.2
Foreign currency derivatives	0.8	0.1	1.0	0.7
	39.5	41.1	41.9	38.1

23. Provisions

Group	2021 £m	2020 £m
Balance at 1 January	1.4	1.3
Provisions created in the year	0.3	1.2
Utilised during the year	(0.4)	(0.6)
Unused amounts reversed	(0.7)	(0.5)
Balance at 31 December	0.6	1.4

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

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24. Employee benefits

Defined contribution pension schemes

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

Defined benefit pension schemes

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

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

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

UK pension scheme

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

The most recent formal actuarial valuation of the scheme was carried out as at 30 June 2018 using the projected unit credit method. The market value of the scheme assets at that date was £411.3m and the funding level was 92% of liabilities, which represented a deficit of £35.2m. The principal terms of the deficit funding agreement between the Company and the Fund's Trustees, which is effective until 31 July 2024, but is subject to reassessment every three years are as follows:

- the Company will continue to pay a sum of £1.9m per annum to the scheme (increasing at 2.1 per cent. per annum) in deficit recovery payments;
- if underlying operating profit (operating profit before non-underlying items) in any year is in excess of £5.5m, the Company will pay to the scheme an amount of 33% of the difference between the annual underlying operating profit and £5.5m, subject to a cap on underlying operating profit of £10.0m for the purpose of calculating this payment; this part of the agreement will fall away in 2021 if the funding deficit is below certain levels; and
- payments of dividends by Mpac Group plc will not exceed the value of payments being made to the scheme in any one year.

The deficit recovery period from 30 June 2018 was estimated to be six years and one month, which is scheduled to be formally reassessed following the completion of the actuarial valuation being carried out as at 30 June 2021.

During the year, the Company paid deficit recovery contributions of £1.9m (2020: £1.9m). A contribution of £0.4m (2020: £0.8m), 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 2018, updated by the Company's actuary to assess the value of the liabilities of the scheme at 31 December 2021. Scheme assets are stated at their market value at 31 December 2021.

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 2021 using the projected unit credit method. The valuations under IAS 19 at 31 December 2021 have been based on these actuarial valuations, updated for conditions existing at the year end.

Employer contributions of £0.3m (2020: £0.3m) were paid during the year.

Notes to the accounts continued

24. Employee benefits continued

Assumptions

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

	UK (Company)		USA	
	2021	2020	2021	2020
Discount rate	1.8%	1.4%	2.5%	2.1%
Inflation rate				
– CPI	2.9%	2.4%	n/a	n/a
– RPI	3.4%	2.9%	n/a	n/a
Increases to pensions in payment				
– final salary benefits	2.9%	2.4%	n/a	n/a
– career average benefits	2.2%	2.0%	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	20.6 years
Future retirees currently aged 45 upon reaching age 65 – female	25.8 years	23.0 years

At 31 December 2021, the weighted average duration of the defined benefit obligation in the UK scheme was 14 years (2020: 15 years) and in the USA schemes was 9 years (2020: 10 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 2021	UK scheme	USA schemes
0.1% change in discount rate	£6.2m	£0.4m
0.1% change in inflation rate	£3.4m	n/a
Change in life expectancy by one year on average	£22.9m	£0.5m

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24. Employee benefits continued

Categories of assets and funded status

The fair values of scheme assets were as follows:

	UK (Company)		USA		Group	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
UK equities	1.5	1.3	–	–	1.5	1.3
Overseas equities	56.5	47.4	3.1	3.1	59.6	50.5
Bonds – index linked gilts	153.3	136.8	–	–	153.3	136.8
Bonds – other	37.8	64.2	6.8	6.4	44.6	70.6
Properties – funds	35.0	35.5	–	0.6	35.0	36.1
Properties – directly owned	2.2	2.2	–	–	2.2	2.2
Absolute return funds	122.7	120.4	–	–	122.7	120.4
Other	44.1	33.1	–	–	44.1	33.1
Total fair (bid) value of scheme assets	453.1	440.9	9.9	10.1	463.0	451.0
Present value of defined benefit obligations	417.4	426.9	12.4	13.1	429.8	440.0
Defined benefit asset/(liability)	35.7	14.0	(2.5)	(3.0)	33.2	11.0

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	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Past service costs/(gains)	–	0.2	–	–	–	0.2
Interest expense/(income)	(0.2)	(0.4)	0.1	0.1	(0.1)	(0.3)
Administration costs	1.0	0.8	0.2	0.1	1.2	0.9
(Income)/expense recognised in income statement	0.8	0.6	0.3	0.2	1.1	0.8

Past service costs of £0.2m were recognised in the prior year in respect of the November 2020 ruling in relation to GMP equalisation.

B) Statements of comprehensive income ("SOCI")

The actuarial gains recognised in the SOCI in respect of pensions were £20.7m (2020: losses of £8.8m), comprising actuarial gains of £20.2m (2020: losses of £8.5m) for the UK defined benefit pension scheme and actuarial gains of £0.5m (2020: losses of £0.3m) for the USA schemes, all figures before tax.

Actual return on scheme assets

The actual return on scheme assets were gains of £30.2m (2020: £36.4m), comprising gains of £29.7m (2020: £35.4m) for the UK defined benefit pension scheme and gains of £0.5m (2020: gains of £1.0m) for the USA schemes, all figures before tax.

Notes to the accounts continued

24. Employee benefits continued

Reconciliation of the present value of defined benefit obligations

	UK (Company)		USA		Group	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Present value of defined benefit obligations at 1 January	426.9	403.2	13.1	13.5	440.0	416.7
Past service cost/(gains)	–	0.2	–	–	–	0.2
Interest cost	5.8	7.5	0.3	0.4	6.1	7.9
Actuarial losses/(gains)						
– changes in demographic assumptions	7.7	0.9	–	–	7.7	0.9
– changes in financial assumptions	(1.7)	38.5	(0.2)	0.9	(1.9)	39.4
– experience	(2.6)	(3.4)	–	–	(2.6)	(3.4)
Benefit payments	(18.7)	(20.0)	(1.0)	(1.2)	(19.7)	(21.2)
Retranslation	–	–	0.2	(0.5)	0.2	(0.5)
Present value of defined benefit obligations at 31 December	417.4	426.9	12.4	13.1	429.8	440.0

Reconciliation of the fair value of scheme assets

	UK (Company)		USA		Group	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Fair value of scheme assets at 1 January	440.9	423.6	10.1	10.4	451.0	434.0
Interest income	6.1	7.9	0.2	0.3	6.3	8.2
Actuarial gains/(losses)						
– return on scheme assets	23.6	27.5	0.3	0.7	23.9	28.2
Company contributions	2.3	2.7	0.3	0.3	2.6	3.0
Administration expenses	(1.0)	(0.8)	(0.2)	(0.1)	(1.2)	(0.9)
Benefit payments	(18.8)	(20.0)	(0.9)	(1.2)	(19.7)	(21.2)
Retranslation	–	–	0.1	(0.3)	0.1	(0.3)
Fair value of scheme assets at 31 December	453.1	440.9	9.9	10.1	463.0	451.0

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24. Employee benefits continued

Experience gains and losses for the year

	UK (Company)		USA		Group	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Fair value of scheme assets	453.1	440.9	9.9	10.1	463.0	451.0
Defined benefit obligations	(417.4)	(426.9)	(12.4)	(13.1)	(429.8)	440.0
Net asset/(liability)	35.7	14.0	(2.5)	(3.0)	33.2	11.0
Actuarial gains/(losses) on scheme assets	23.6	27.5	0.3	0.7	23.9	28.2
Actuarial (losses)/gains on defined benefit obligations	(3.4)	(36.0)	0.2	(1.0)	(3.2)	(37.0)
Net gain/(loss) recognised in the SOCI during the year	20.2	(8.5)	0.5	(0.3)	20.7	(8.8)

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

	UK (Company)		USA		Group	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Net asset/(liability) for employee benefits at 1 January	14.0	20.4	(3.0)	(3.1)	11.0	17.3
Expense recognised in the income statement (see below)	(0.8)	(0.6)	(0.3)	(0.2)	(1.1)	(0.8)
Company contributions	2.3	2.7	0.3	0.3	2.6	3.0
Actuarial (losses)/gains recognised in the SOCI	20.2	(8.5)	0.5	(0.3)	20.7	(8.8)
Retranslation	–	–	–	0.3	–	0.3
Net asset/(liability) for employee benefits at 31 December	35.7	14.0	(2.5)	(3.0)	33.2	11.0

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.

Defined benefit pension schemes income/expense recognised in the consolidated income statement

The income/expense is recognised in the following line items in the consolidated income statement:

	UK (Company)		USA		Group	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Administrative expenses	1.0	1.0	0.1	0.1	1.1	1.1
Financial expense/(income)	(0.2)	(0.4)	0.2	0.1	–	(0.3)
Net pension expense/(income)	0.8	0.6	0.3	0.2	1.1	0.8

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

Notes to the accounts continued

24. Employee benefits continued

Share-based payments

The Company currently operates a deferred share plan. 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 2021	Granted	Lapsed	Exercised	At 31 December 2021
13 March 2018	73,434	–	–	(73,434)	–
1 May 2019	68,816	–	–	–	68,816
	142,250	–	–	(73,434)	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 £0.1m (2020: £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
13 March 2018	178.9p
1 May 2019	134.7p

The company introduced a Long Term Incentive Plan ("LTIP") for certain members of its senior management during 2019. The key terms of this are set out in the Remuneration and Nomination Committee report on page 38 and were unchanged throughout the year. No additional incentives were issued in 2021.

The total number of shares conditionally granted under the LTIP was 555,000, at a market value of £1.66 per share, at the date of grant on 13 June 2019 and remained outstanding at the year end. The awards are expected to vest at 87.5% based on the performance against the targets set by the scheme. An expense of £0.2m has been recognised during the year (2020: £0.3m) within administration costs. No shares were forfeited, exercised, expired or exercisable during the period.

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25. Capital and reserves

Share capital

Allotted, called up and fully paid	2021 £m	2020 £m
Ordinary shares of 25p each	5.0	5.0

There were 20,171,540 (2020: 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 242,144 of the ordinary shares and it has agreed to waive all dividends and not to exercise voting rights in respect of these shares. The Company also has in issue 900,000 6% fixed cumulative preference shares of £1 each (see note 20); these are classified as borrowings.

Translation reserve

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

Capital redemption reserve

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

Hedging reserve

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

Investment in own shares

Included within retained earnings is the carrying value of own shares held in trust for the benefit of employees. These shares are used to service the obligations of the Company's Deferred share plan. Further details of the Deferred share plan can be found in the Remuneration and Nomination Committee report on page 37 and on page 90 in note 24.

At 31 December 2020, the employee trust held 242,144 (2020: 277,402) ordinary shares of 25p each, representing 1.2% of the issued shares (2020: 1.4%), 68,816 of which were subject to conditional grants. The shares held by the trust were purchased at an aggregate cost of £0.5m (2020: £0.4m). The trust purchased 38,176 additional shares in the year at a cost of £0.2m (2020: £0.2m).

Included within retained earnings is the charge of £0.3m (2020: £0.4m) 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 2021 was £1.2m (2020: £1.2m).

Dividends

	2021 £m	2020 £m
Dividends to shareholders paid in the period:	–	–

Having considered the trading results for 2021 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 2021. Future dividend payments will be considered by the Board in the context of 2022 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	
	2021 £m	2020 £m	2021 £m	2020 £m
Financial assets:				
Derivative instruments in designated hedge accounting relationships	0.2	0.6	–	–
Derivative instruments measured at fair value through income statement	–	–	1.0	0.7
Financial assets measured at amortised cost	30.8	29.8	21.2	17.7
	31.0	30.4	22.2	18.4
Financial liabilities:				
Derivative instruments in designated hedge accounting relationships	0.8	0.1	–	–
Fair value through income statement	0.6	3.5	1.0	3.1
Amortised cost	27.4	27.1	41.9	38.3
	28.8	30.7	42.9	41.4

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 2021 and 31 December 2021, derivative instruments in designated hedge relationships have been identified as Level 2, and contingent earn out liabilities as Level 3.

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.

Contingent earn out liabilities

The fair value of the contingent earn out liabilities arising from acquisitions is determined considering the value of estimated future payments, discounted to present value. Payments are determined by mechanisms set out in each acquisition agreement, and are generally based on EBITDA performance over a 3-year period. Estimated future payments are calculated using financial projections based on operational budgets for the next 12 months and then applying growth rate assumptions for the following years where appropriate. Discount rates are reviewed annually for each acquisition, and range between 12.4% and 16.4%.

The most significant inputs, all of which are unobservable, are the estimated growth rates in future profits and the discount rates applied. The estimated fair value increases if the growth rates increase or the discount rates decrease. The overall valuations are sensitive to both assumptions. The Board considers that changing the above unobservable inputs to reflect other reasonably probable alternative assumptions would not result in a significant change in the estimated fair value.

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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	
	2021 £m	2020 £m	2021 £m	2020 £m
Trade receivables	15.1	13.4	–	–
Amounts owed by Group undertakings	–	–	17.2	14.2
Other receivables	1.2	0.9	–	0.1
Foreign currency derivatives	0.2	0.6	1.0	0.7
Cash and cash equivalents	14.5	15.5	4.0	3.4
	31.0	30.4	22.2	18.4

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.

Notes to the accounts continued

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:

	2021			2020		
Group	Gross £m	Credit loss provisions £m	Total £m	Gross £m	Credit loss provisions £m	Total £m
Not past due	9.8	–	9.8	7.4	–	7.4
Past due up to 30 days	4.5	–	4.5	3.7	–	3.7
Past due 31–60 days	0.5	–	0.5	1.2	–	1.2
Past due 61–90 days	0.1	–	0.1	0.6	–	0.6
Past due more than 91 days	0.2	–	0.2	0.5	–	0.5
	15.1	–	15.1	13.4	–	13.4

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 16 to 18.

Contractual maturities of non-derivative financial liabilities

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

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Current liabilities:				
Trade and other payables (excluding derivatives)	20.5	22.0	41.0	37.4
Lease liabilities	1.8	0.8	–	–
Non-current liabilities:				
Interest-bearing loans and borrowings	0.9	0.9	0.9	0.9
Lease liabilities	4.2	3.4	–	–

An interest rate of 6% is charged on the above interest-bearing loan, generating an expense of £0.1m (2020: £0.1m). The loan relates to preference shares and has no fixed maturity.

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 16 to 18.

26. Financial risk management continued

Interest rate risk

Cash and cash equivalents

The cash profile at 31 December was:

Group	2021 Cash at floating rates £m	2021 Cash on which no interest received £m	2021 Total £m	2020 Cash at floating rates £m	2020 Cash on which no interest received £m	2020 Total £m
Currency:						
Sterling	6.0	–	6.0	5.4	–	5.4
Canadian dollar	4.1	–	4.1	3.2	–	3.2
US dollar	1.3	–	1.3	4.1	–	4.1
Euro	3.1	–	3.1	2.8	–	2.8
	14.5	–	14.5	15.5	–	15.5

Company	2021 Cash at floating rates £m	2021 Cash on which no interest received £m	2021 Total £m	2020 Cash at floating rates £m	2020 Cash on which no interest received £m	2020 Total £m
Currency:						
Sterling	3.9	–	3.9	3.2	–	3.2
Canadian dollar	0.1	–	0.1	0.2	–	0.2
US dollar	–	–	–	–	–	–
Euro	–	–	–	–	–	–
	4.0	–	4.0	3.4	–	3.4

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	2021 Borrowings at floating rates £m	2021 Borrowings at fixed rates £m	2021 Total £m	2020 Borrowings at floating rates £m	2020 Borrowings at fixed rates £m	2020 Total £m
Currency:						
Sterling	–	0.9	0.9	–	0.9	0.9
	–	0.9	0.9	–	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 increased/decreased by £0.1m (2020: £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 2020.

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Notes to the accounts continued

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 21, 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	
	2021	2020	2021	2020
US dollar	1.37	1.29	1.35	1.37
Canadian dollar	1.72	1.72	1.72	1.74
Euro	1.16	1.13	1.19	1.12

Forward foreign exchange contracts

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

Fair values

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

	Group		Company	
Cash flow hedges	2021 £m	2020 £m	2021 £m	2020 £m
Gain	–	0.8	–	–
Loss	(0.5)	–	–	–
	(0.5)	0.8	–	–

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

There were no open forward foreign exchange contracts, as at either 31 December 2021 or 2020, 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 (2020: £0.5m credit) and £nil for the Company (2020: £nil) was recognised in the statements of comprehensive income in respect of cash flow hedges.

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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	2021 Less than 6 months £m	2021 Between 6 and 12 months £m	2021 Between 12 and 24 months £m	2021 Total £m	2020 Less than 6 months £m	2020 Between 6 and 12 months £m	2020 Between 12 and 24 months £m	2020 Total £m
Outflow	(4.7)	(0.7)	–	(5.4)	(5.6)	(1.6)	–	(7.2)
Inflow	24.5	8.3	–	32.8	13.5	5.4	–	18.9
	19.8	7.6	–	27.4	7.9	3.8	–	11.7

Company	2021 Less than 6 months £m	2021 Between 6 and 12 months £m	2021 Between 12 and 24 months £m	2021 Total £m	2020 Less than 6 months £m	2020 Between 6 and 12 months £m	2020 Between 12 and 24 months £m	2020 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	2021 £m
Opening balance 1 January 2021	0.8
Change in fair value of hedging instrument recognised in other comprehensive income (“OCI”)	(1.0)
Reclassified from OCI to profit or loss	(0.3)
Closing balance at 31 December 2021	(0.5)

No ineffectiveness arose during 2021. The hedging instrument refers to the forward contracts in their entirety, with hedging on a forward to forward basis.

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	2021
Carrying amount	GBP£0.2m
Notional amount	
US dollar to Canadian dollar	CA$33.0m
Canadian dollar to euro	€6.0m
GBP to euro	€0.1m
GBP to US dollar	$9.5m
Hedge ratio	1:1
Average forward rates	
US dollar to Canadian dollar	1US$:1.2550CA$
Canadian dollar to euro	1CA$:0.693€
Change in the fair value of the currency forward (excluding amounts reclassified)	(£0.5m)
Change in the fair value of the hedged item used to determine hedge effectiveness	(£0.5m)
Amounts in the cash flow hedge reserve	(£0.5m)

No other currency pairs at 31 December 2021 or during the year had a material value to the Group.

Notes to the accounts continued

26. Financial risk management continued

Currency profile

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

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

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

	2021			2020		
Group	US dollar £m	Euro £m	Total £m	US dollar £m	Euro £m	Total £m
Functional currency:						
Sterling	–	–	–	0.1	0.1	0.2
Canadian dollar	1.5	–	1.5	2.0	–	2.0
Euro	–	–	–	0.1	–	0.1
	1.5	–	1.5	2.2	0.1	2.3

	2021			2020		
Company	US dollar £m	Euro £m	Total £m	US dollar £m	Euro £m	Total £m
Functional currency:						
Sterling	12.7	–	12.7	11.0	–	11.0

Sensitivity to foreign currency risk

Average exchange rates are used to translate the profits of foreign operations in the consolidated income statement. If sterling had been 10% stronger against all foreign currencies during the year, the effect of this on the average exchange rates used to translate profits would have decreased Group profit for the year by £0.4m (2020: £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 increased Group profit for the year by £0.5m (2020: £0.5m).

If sterling had been 10% stronger against all foreign currencies at 31 December 2021, Group equity would have increased by £0.6m (2020: £1.1m increase). Conversely, if sterling had been 10% weaker against all foreign currencies at 31 December 2021, Group equity would have decreased by £0.7m (2020: £1.3m 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 2021 is £0.8m (2020: £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.

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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 2020	5.0	0.1	0.4	5.5
Additions	–	–	0.2	0.2
Transfers	–	–	–	–
Balance at 31 December 2020	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
Depreciation				
Balance at 1 January 2020	0.6	–	0.2	0.8
Charge for the period	0.7	–	0.2	0.9
Balance at 31 December 2020	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
NBV of ROU assets 2020	3.7	0.1	0.2	4.0
NBV of ROU assets 2021	5.3	0.1	0.4	5.8

Lease liabilities	**31 December 2021 £m**	31 December 2020 £m
Opening liability	(4.2)	(4.8)
Additions	(2.7)	(0.3)
Disposals	–	0.1
Payments made	0.9	0.9
Interest charge	(0.1)	(0.1)
Effect of movements in foreign exchange rates	0.1	–
Closing liability	(6.0)	(4.2)
Amounts falling due after more than one year	(4.2)	(3.4)
Amounts falling due in less than one year	(1.8)	(0.8)

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 (2020: £nil).

Notes to the accounts continued

27. Leases continued

The undiscounted payments under the leases fall due as follows:

	31 December 2021 £m	31 December 2020 £m
Up to one year	1.2	0.9
One to five years	3.6	2.6
Over five years	1.8	1.1
Total undiscounted payments due under leases	6.6	4.6

28. Capital commitments

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Capital investment contracted but not provided for	–	0.1	–	–

29. Contingent liabilities

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Contingent liabilities in respect of guarantees and indemnities related to sales and other contracts	3.7	1.9	3.7	1.9

30. Deferred contingent consideration

2020 - Switchback Group Inc

The fair value of the contingent consideration arrangement of £1.1m was estimated by calculating the present value of the future expected cash flows. The Group's forecasts identify that the maximum deferred consideration will be payable. Under IFRS 3, the Company is required to discount the contingent consideration at a rate reflective of the risk of the amounts not falling due. This results in a discount to the total amount of £0.1m, which is expected to be amortised over the period to which the amounts fall due through the interest charge. The interest during the period was £nil. The deferred consideration payable to ongoing employees of Switchback is £0.3m, which is treated as additional remuneration and not included in the valuation of deferred consideration under IFRS3.

2019 - Lambert Automation Limited

On 1 May 2019, Mpac acquired the entire issued share capital of Lambert Automation Limited ("Lambert"), a provider of technology leading automation solutions to the medical and consumer healthcare sectors, for an initial consideration of £15m (subject to adjustment for working capital movements) with a further £3.0m subject to Lambert achieving certain earn-out criteria and tax recoveries.

The contingent consideration arrangement required the Group to pay the former owners of Lambert five times the average EBITDA of Lambert in excess of £2.5m for three years ending 31 December 2021, up to a maximum payment of £2.5m. There was no minimum amount payable. As the business did not achieve the base target no contingent consideration was paid, and the discounted provision of £2.4m has been released to non-underlying administrative expenses in the year.

A further £0.5m of consideration was contingent upon certain tax receipts from HMRC. This balance was settled in 2020.

30. Deferred contingent consideration continued

Reconciliation of movement in contingent earn-out consideration

	Group £m	Company £m
Contingent earn-out liabilities as at 31 December 2019	2.8	2.8
Payments made during period	(0.5)	(0.5)
Unwinding of present value	0.1	0.1
Other fair value adjustments	–	–
Business acquisitions	1.1	–
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	–

The contingent earn-out liabilities as at 31 December 2021 are all due within one year and are presented within other payables (Note 22).

31. Related parties

Transactions with key management personnel

The compensation of key management personnel is disclosed in the Remuneration report on pages 37 to 38. Key management personnel comprise the Executive Directors only:

	31 December 2021 £m	31 December 2020 £m
Short-term employment benefits	0.8	0.7
Share based payments	0.2	0.2
Total key management personnel compensation	1.0	0.9

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 38.

The Group recharges the UK defined benefit pension scheme with the costs of administration incurred by the Group. The total amount recharged in the year to 31 December 2021 was £0.1m (2020: £0.2m).

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

During the year ended 31 December 2021, the Company received interest income from subsidiary undertakings of £0.5m (2020: £nil), management fees of £2.3m (2020: £2.3m) and brand fees of £3.0m (2020: £2.7m).

At 31 December 2021, amounts owed by subsidiary undertakings to the Company were £17.2m (2020: £14.2m) and amounts owed by the Company to subsidiary undertakings were £37.8m (2020: £34.3m). The amounts owed by subsidiary undertakings to the Company are stated after a provision of £12.5m (2020: £12.2m) representing amounts owed to the Company which are no longer considered recoverable.

At 31 December 2021, investments in subsidiaries by the Company were £63.8m (2020: £63.8m).

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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.

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 £3.6m (2020: £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.

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34. Prior year adjustment

Following a review of the Group's compliance with certain technical aspects of IAS 12, additional deferred tax assets have been recognised in the consolidated statement of financial position. Deferred tax liabilities have historically been recognised on consolidation in relation to acquired intangible assets appropriately; however, deferred tax assets have not been recognised in respect of losses where there has been uncertainty around when future taxable profits will be generated to enable the Group to utilise the losses. The Group has now reconsidered the requirements of IAS 12 and, where taxable losses are held which relate to the same jurisdiction as the Group entities expect to benefit from the intangible assets, deferred tax assets have been recognised.

This accounting change has no impact on the underlying results or the cash flow of the Group and no impact on the Company results

The impact of the adjustments on the Group financial statements are as follows:

Group statement of financial position

	2020 as reported £m	Adjustment £m	2020 Restated £m	2019 as reported £m	Adjustment £m	2019 Restated £m
Deferred tax liability	(6.7)	1.8	(4.9)	(8.8)	0.9	(7.9)
Effect on net assets	44.4	1.8	46.2	47.5	0.9	48.4
Retained earnings	8.2	1.8	10.0	11.3	0.9	12.2
Effect on total equity	44.4	1.8	46.2	47.5	0.9	48.4

Group income statement

	2020 as reported £m	Impact of restatement £m	2020 Restated £m
Profit before tax	2.9	–	2.9
Taxation	0.4	0.9	1.3
Profit for the period	3.3	0.9	4.2

All of the taxation reported and restated has been considered to be non-underlying.

Earnings per share

The resultant impact on the earnings per share of the Group are summarised below:

	2020 as reported p	Impact of restatement p	2020 Restated p
Basic profit per share	16.3	4.5	20.8
Diluted profit per share	16.2	4.5	20.7

There is no impact on underlying and diluted underlying earnings per share.

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Five-year record

	2021 £m	2020 Restated* £m	2019 Restated* £m	2018 £m	2017 £m
Revenue	94.3	83.7	88.8	58.3	53.4
Underlying operating profit/(loss)[1]	8.8	6.5	7.7	1.4	1.3
Non-underlying items	(0.5)	(3.6)	(2.4)	(9.0)	3.3
Operating profit/(loss)	8.3	2.9	5.3	(7.6)	4.6
Net financing expense	(0.1)	–	0.1	0.2	(0.3)
Profit/(Loss) before tax	8.2	2.9	5.4	(7.4)	4.3
Taxation	(0.4)	1.3	1.4	1.4	(1.9)
Profit/(Loss) for the period from continuing operations	7.8	4.2	6.8	(6.0)	2.4
(Loss)/profit for the period from discontinued operations	–	–	–	–	(0.8)
Profit/(Loss) for the period	7.8	4.2	6.8	(6.0)	1.6
Underlying operating return on sales[1]	9.3%	7.8%	8.7%	2.4%	2.4%
Underlying earnings/(loss) per share[1]	39.7p	31.4p	39.5p	4.5p	4.2p
Basic earnings/(loss) per share	39.1p	20.8p	29.7p	(30.1)p	20.6p
Dividends per ordinary share in respect of the year	–	–	–	–	–
Intangible assets	25.3	27.4	16.3	1.0	0.9
Property, plant and equipment and investment property	10.6	9.9	11.7	5.2	4.8
Inventories	5.5	3.5	3.2	2.4	2.4
Trade and other receivables (including taxation)	36.5	36.6	31.1	26.5	22.7
Employee benefits	33.2	11.0	17.3	14.3	11.4
Trade and other payables (including taxation and provisions)	(60.2)	(57.7)	(50.1)	(36.7)	(29.7)
	50.9	30.7	29.5	12.7	12.5
Cash	14.5	15.5	18.9	27.9	30.3
Net assets	65.4	46.2	48.4	40.6	42.8

1. Before non-underlying items

* See note 34 for further details of the prior year restatement

Principal divisions and subsidiaries

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

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Notice of Annual General Meeting

Notice is hereby given that the 110th Annual General Meeting (the "Meeting") of Mpac Group plc (the Company) will be held at Hudson Sandler LLP, 25 Charterhouse Square, Barbican, London, EC1M 6AE] on Wednesday 4 May 2022 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 2021 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 36 to 38 of the Annual Report and Accounts 2021.

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 Dr A Steels as a Director.
7. To re-elect Mr W C Wilkins as a Director.
8. To elect Mr M G R Taylor as a Director.

Auditors

9. To appoint Grant Thornton UK LLP as auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next AGM 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 £1,680,793 (representing approximately one third of the total ordinary share capital in issue at 1 March 2022, 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 £1,680,793 in connection with an offer by way of a rights issue, such authorities to expire at the conclusion of the 2023 AGM or if earlier, at close of business on 4 August 2023, 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 Companies Act 2006) 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 Companies Act 2006 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 £252,144, such authority to expire at the conclusion of the 2023 AGM of the Company (or, if earlier, at close of business on 4 August 2023) 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.

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Notice of Annual General Meeting continued

13. That if resolution 12 is passed, the Board be authorised in addition to any authority granted under resolution 11 to allot equity securities (as defined in the Companies Act 2006) 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 Companies Act 2006 did not apply to any such allotment or sale, such authority to be:
    a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £252,144; and
    b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Dis-applying 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 2023 AGM of the Company (or, if earlier, at close of business on 4 August 2023) 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 2,017,154;
    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 2023 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.

Notice of general meetings

15. That a general meeting of the Company, other than annual general meetings of the Company, may be called on not less than 14 clear days' notice.

By order of the Board

PRISM COSEC LIMITED
Company Secretary

16 March 2022

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 2021

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 2021, 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 36 to 38 of the Annual Report and Accounts 2021, for the year ended 31 December 2021. 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 8 seek approval for the re-election of the Directors.

Biographical information for each of the existing Directors is provided on page 28 of the Annual Report and Accounts 2021.

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 Grant Thornton UK LLP as the Company's auditors until the conclusion of the next general meeting of the Company at which accounts are laid.

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

Directors' authority to allot shares

Resolution 11 seeks consent for shareholders to grant the Directors authority to allot shares or grant rights to subscribe for or convert securities into shares, up to a maximum aggregate nominal value of £3,361,586, which is approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at 1 March 2022, being the latest practicable date prior to the publication of this notice.

£1,680,793 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 4 August 2023. 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 £252,144, being approximately 5% of the total issued ordinary share capital of the Company as at 1 March 2022.

The Pre-Emption Group Statement of Principles 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 5% 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 £252,144, being approximately 5% of the total issued ordinary share capital of the Company as at 1 March 2022, 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 2023 AGM or at close of business on 4 August 2023, 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. The Board does not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non pre-emptive basis in any rolling three-year period (other than in connection with an acquisition or specified capital investment as described in the Pre-Emption Group's Statement of Principles) without prior consultation with shareholders.

Notice of Annual General Meeting continued

Authority to purchase own shares
Resolution 14 seeks authority for the Company to make market purchases of its own ordinary shares up to a maximum number of 2,017,154 ordinary shares, representing approximately 10% of the issued ordinary share capital at 1 March 2022. The authority requested would replace a similar authority granted last year and would expire at the end of the 2023 AGM, or if earlier, at close of business on 4 August 2023.

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.

Notice of general meetings
Resolution 15 is an annual permission request for general meetings, other than the AGM, to be called on 14 clear days' notice. There is no current intention to hold such a meeting but the Directors wish to retain the ability to call a meeting on shorter notice if the circumstances should require it. The Companies (Shareholders' Rights) Regulations 2009 specify that approval must be sought from shareholders by special resolution at an annual or subsequent general meeting and the Company would need to make a means of electronic voting available to all shareholders for any general meeting called on less than 21 clear days' notice. If passed, the resolution would remain valid until the end of the 2023 AGM, at which it is intended that a similar resolution will be proposed.

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 2 May 2022, 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.

Appointment of proxies

2. 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.

3. 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).

4. 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.

5. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - you may request a hard copy form of proxy directly from the registrars, Link Asset Services, on Tel: +44 (0)371 664 0391. 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. Alternatively, email Link at shareholderenquiries@linkgroup.co.uk;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below;
   - in order for a proxy appointment to be valid a form of proxy must be completed. In each case, the form of proxy must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL by 12 noon on Monday 2 May 2022.

6. 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.

7. 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.

8. 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.

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9. 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.

10. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12 noon on Monday 2 May 2022 in order to be considered valid. 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.

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 1 March 2022 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 20,171,540 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 1 March 2022 are 20,171,540.

Questions

13. We always welcome questions from our shareholders and we request that shareholders submit their questions to the Board before the AGM. We will ensure that answers to questions are placed on the Company's website.

    You can submit questions up until 5pm on 3 May 2022 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, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.mpac-group.com.

Corporate information

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Financial PR
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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
4th May 2022

Payment dates for preference dividend
30 June 2022 and 31 December 2022

Half-year announcement
September 2022

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