17 March 2022

AIM: MPAC

[This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018]

Mpac Group plc

("Mpac", "the Company" or "the Group")

Mpac, the global packaging and automation solutions Group, today announces its results for the 12 months to 31 December 2021

Strong performance in FY21 with results exceeding market expectations and FY22 has started on track

Financial Highlights

- Order intake of £117.9m (2020: £83.9m) contributing to a closing order book of £78.4m (2020: £55.5m)
- Group full year revenue up 13% to £94.3m (2020: £83.7m)
- Increase in operating margins, with underlying operating return on sales 9.3% (2020: 7.8%)
- Underlying profit before tax up 36% to £8.6m (2020: £6.3m)
- Underlying earnings per share of 39.7p (2020: 31.4p)
- Statutory profit before tax of £8.2m (2020: £2.9m)
- Basic earnings per share of 39.1p (2020: 20.8p)
- Cash of £14.5m (2020: £15.5m)

Operational and Strategic Highlights

- Americas region continues to perform well alongside an improving outlook in EMEA, driving a significant increase in the value of the closing order book
- Further progress made in the integration of Mpac Switchback with trading exceeding management expectations
- Mpac USA headquarters and showcase facility opened in Q3 2021
- Regional Service strategy continues to develop through the use of digital solutions with good progress in the Americas
- One Mpac unified business processes strategy reached a milestone with go-live of global ERP systems at UK and Canada sites, achieving early benefits of shared resources
- Development of Mpac Cube offering – a suite of digital products to enhance our customers connectivity, productivity and sustainability
- Contract secured with FREYR Battery, a developer of next-generation battery cell production capacity, for the design and build of a development line
- New 'go to market' proposition underpinned with Group-branded website (www.mpac-group.com)

Tony Steels, Chief Executive, commented:

"I am pleased to report Mpac made strong progress in the year, delivering significant growth in order intake, order book and a financial performance for 2021 exceeding market expectations. In the year the Group surpassed the milestone of generating more than £100m of order intake and grew operating margins significantly over the prior year. The positive first half 2021 performance continued, and the Group ended 2021 with both a strong closing order book and a healthy prospect pipeline, providing an encouraging outlook for 2022. I would like to thank our global team, who excelled in challenging circumstances and who continue to demonstrate agility and customer focus"

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OPERATING REVIEW
Tony Steels

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.

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.

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.

’One Mpac’ business model

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 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 sector 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.

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

FINANCIAL REVIEW

Will Wilkins

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: £83.5m).

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.

Reconciliation of underlying profit before tax to profit before tax

	2021	**2021**	2020	2020
	£m	**£m**	£m	£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	**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

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).

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.

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 4.

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

CONSOLIDATED INCOME STATEMENT

		2021			2020 Restated		
	Note	**Underlying £m**	**Non-underlying (note 3) £m**	**Total £m**	Underlying £m	Non-underlying (note 3) £m	Total £m
Revenue	2	**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		**(12.4)**	**(0.5)**	**(12.9)**	(9.9)	(3.6)	(13.5)
Other operating expenses		**(0.9)**	-	**(0.9)**	(1.1)	-	(1.1)
Operating profit	2, 3	**8.8**	**(0.5)**	**8.3**	6.5	(3.6)	2.9
Financial income		**-**	**0.2**	**0.2**	-	0.3	0.3
Financial expenses		**(0.2)**	**(0.1)**	**(0.3)**	(0.2)	(0.1)	(0.3)
Net financing (expense)/income		**(0.2)**	**0.1**	**(0.1)**	(0.2)	0.2	-
Profit before tax		**8.6**	**(0.4)**	**8.2**	6.3	(3.4)	2.9
Taxation		**(0.7)**	**0.3**	**(0.4)**	-	1.3	1.3
Profit for the period		**7.9**	**(0.1)**	**7.8**	6.3	(2.1)	4.2
Earnings per ordinary share							
Basic	5			**39.1p**			20.8p
Diluted	5			**38.1p**			20.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 £m	2020 Restated £m
Profit for the period	**7.8**	4.2
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses)	**20.7**	(8.8)
Tax on items that will not be reclassified to profit or loss	**(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	**(1.0)**	0.8
Reclassified to income statement from hedge reserve	**(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)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 (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	-	-	-	-	-	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 (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	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Purchase of own shares	**-**	**-**	**-**	**-**	**-**	**(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**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2021 £m	2020 Restated £m
Non-current assets			
Intangible assets		**25.3**	27.4
Property, plant and equipment		**4.0**	5.1
Investment property		**0.8**	0.8
Right of use assets		**5.8**	4.0
Employee benefits	4	**35.7**	14.0
Deferred tax assets		**1.4**	1.7
		73.0	53.0
Current assets			
Inventories		**5.5**	3.5
Trade and other receivables		**34.5**	32.2
Current tax assets		**0.6**	0.8
Cash and cash equivalents		**14.5**	15.5
		55.1	52.0
Current liabilities			
Lease liabilities		**(1.8)**	(0.8)
Trade and other payables		**(39.5)**	(41.1)
Current tax liabilities		**(0.7)**	(0.4)
Provisions		**(0.6)**	(1.4)
		(42.6)	(43.7)
Net current assets		**12.5**	8.3
Total assets less current liabilities		**85.5**	61.3
Non-current liabilities			
Interest-bearing loans and borrowings	7	**(0.9)**	(0.9)
Employee benefits	4	**(2.5)**	(3.0)
Deferred tax liabilities		**(12.5)**	(4.9)
Lease liabilities		**(4.2)**	(3.4)
Deferred contingent consideration		**-**	(2.9)
		(20.1)	(15.1)
Net assets		**65.4**	46.2
Equity			
Issued capital		**5.0**	5.0
Share premium		**26.0**	26.0
Reserves		**3.7**	5.2
Retained earnings		**30.7**	10.0
Total equity		**65.4**	46.2

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	2021 £m	2020 £m
Operating activities			
Operating profit		**8.3**	2.9
Non-underlying items included in operating profit		**0.5**	3.6
Amortisation		**0.6**	0.3
Depreciation		**1.8**	1.1
Profit on the same of property, plant and equipment		**0.1**	-
Other non-cash items		**0.3**	0.4
Pension payments		**(2.6)**	(3.0)
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)
- (decrease)/increase in trade and other payables		**(1.1)**	4.1
- (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
Acquisition and reorganisation costs paid		**(0.3)**	(0.9)
Cash flows from operations		**0.5**	11.9
Taxation paid		**(0.1)**	(0.7)
Cash flows from operating activities		**0.4**	11.2
Investing activities			
Proceeds from sale of property, plant and equipment		**2.0**	0.2
Capitalised development expenditure		**(0.2)**	(1.8)
Acquisition of assets under construction		**-**	-
Acquisition of property, plant and equipment		**(1.5)**	(1.2)
Net cash flow on acquisition/payment of deferred consideration		**(0.6)**	(10.3)
Cash flows used in investing activities		**(0.3)**	(13.1)
Financing activities			
Interest paid		**(0.3)**	(0.2)
Purchase of own shares		**(0.2)**	(0.2)
Principal elements of lease payments		**(0.9)**	(0.9)
Cash flows used in financing activities		**(1.4)**	(1.3)
Net decrease in cash and cash equivalents	6	**(1.3)**	(3.2)
Cash and cash equivalents at 1 January		**15.5**	18.9
Effect of exchange rate fluctuations on cash held		**0.3**	(0.2)
Cash and cash equivalents at 31 December 2021		**14.5**	15.5

NOTES TO ANNOUNCEMENT

1. General information

The Group's accounts have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 that were effective at 31 December 2021.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020. Statutory accounts for 2020 have been delivered to the Registrar of Companies. The auditors have reported on the 2021 and 2020 statutory accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

2. Operating segments

Segment information

	12 months to 31 Dec 2021			12 months to 31 Dec 2020		
	OE	**Service**	**Total**	OE	Service	Total
	£m	**£m**	**£m**	£m	£m	£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			**28.9**			24.3
Selling, distribution & 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			**8.3**			2.9
Net financing expense			**(0.1)**			-
Profit before tax			**8.2**			2.9

Geographical information

	Revenue (by location of customer)			
	2021	**2021**	2020	2020
	£m	**%**	£m	%
UK	**7.7**	**8**	9.7	12
Europe (excl. UK)	**17.2**	**18**	19.2	23
Africa & 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

3. Non-underlying items

	2021	2020
	£m	£m
Acquisition costs	**(0.4)**	(0.4)
Reorganisation costs		(0.5)
Amortisation of acquired intangible assets	**(1.6)**	(1.6)
Release of deferred consideration costs	**2.4**	-
Defined benefit pension scheme administration costs and interest	**(1.0)**	(0.6)
UK Defined benefit pension scheme – Past service cost for GMP equalisation	**-**	(0.2)
Profit on disposal of Coventry facility	**0.3**	-
Interest on deferred and contingent consideration	**(0.1)**	(0.1)
Total non-underlying expense before tax	**(0.4)**	(3.4)

4. Employee benefits

The Group accounts for pensions under IAS 19 Employee benefits. A formal valuation of the UK defined benefit pension scheme (Fund) was carried out as at 30 June 2018. 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 3 years are as follows:

- the Company will continue to pay a sum of £1.9m per annum to the Fund (increasing at 2.1% 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 Fund 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 above certain levels; and
- payments of dividends by Mpac Group plc will not exceed the value of payments being made to the Fund in any one year.

Formal valuations of the USA defined benefit schemes were carried out as at 1 January 2021, and their assumptions, updated to reflect actual experience and conditions at 31 December 2021 and modified as appropriate for the purposes of IAS 19, have been applied.

Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £1.2m (2020: £0.9m) and a net financing income on pension scheme balances of £0.2m (2020: £0.3m). In respect of the UK scheme, the Group 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. Contributions to the US scheme totalled £0.3m (2020: £0.3m)

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £35.7m (2020: £14.0m) and the net pension liability of the USA defined benefit pension schemes of £2.5m (2020: £3.0m), all figures before tax.

5. Earnings per share

Basic earnings per ordinary share is based upon the profit for the period of £7.8m (2020: £4.2m) and on a weighted average of 19,920,895 shares in issue during the year (2020: 19,955,307). The weighted average number of shares excludes shares held by the employee trust in respect of the Company's long-term incentive arrangements.

Underlying earnings per ordinary share amounted to 39.7p for the year (2020: 31.4p) and is based on underlying profit for the period of £7.9m (2020: £6.3m), which is calculated on profit before non-underlying items.

6. **Reconciliation of net cash flow to movement in net funds**

	2021 £m	2020 £m
Net decrease in cash and cash equivalents	**(1.3)**	(3.2)
Change in net funds resulting from cash flows	**(1.3)**	(3.2)
Translation movements	**0.3**	(0.2)
Movement in net funds in the period	**(1.0)**	(3.4)
Opening net funds	**10.4**	13.2
Movement in lease liabilities	**(1.8)**	0.6
Closing net funds	**7.6**	10.4

7. **Analysis of net funds**

	2021 £m	2020 £m
Cash and cash equivalents – current assets	**14.5**	15.5
Interest-bearing loans and borrowings – non-current liabilities	**(0.9)**	(0.9)
Lease liabilities	**(6.0)**	(4.2)
Closing net funds	**7.6**	10.4

8. **Contingent consideration**

Lambert

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 and the discounted provision of £2.4m has been released to non-underlying administrative expenses.

Switchback

The contingent consideration arrangement required the Group to pay the former owners of Switchback up to US$1.0m (£0.7m) in 2021 and 2022 with a minimum payment of US$0.5m in each if Switchback's annual adjusted EBITDA is at least $1.1m and 50% of the excess over US$1.1m, up to US$2.1m. The business achieved the target of US2.1m in the first year and consequently a payment of $1.0m (£0.6m) was paid and the maximum amount payable under the arrangement is also forecast to be paid in 2022.

9. **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	Adjustment	2020 restated	2019 as reported	Adjustment	2019 restated
	£m	£m	£m	£m	£m	£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	Adjustment	2020 restated
	£m	£m	£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.

10. Annual Report and Accounts

Shareholders will be notified, on or around 31 March 2022 of the availability of the Annual Report and Accounts, together with the Company's Notice of Annual General Meeting ("AGM"), via a Regulatory Information Service announcement. Copies of the documents will be available on the Group's website at www.mpac-group.com. Shareholders that have elected to receive a hard copy of the Annual Report and Accounts, together with the Notice of AGM will receive them shortly after. Details of arrangements for voting at the AGM will also be notified to shareholders at the same time. The AGM will be held at 12 noon on 4 May 2022 at the offices of Hudson Sandler LLP, 25 Charterhouse Square, London, EC1M 6AE.