

Company Registration No. 05869828 (England and Wales)

MVG Industries UK Limited

Previously trading as 'Rainford EMC Systems Limited'

**Annual report and financial statements
for the year ended 31 December 2021**

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Company information

Directors	John Noonan William McFadden Per Iverson Philippe Garreau
Company number	05869828
Registered office	Unit 400 Haydock Lane Haydock Industrial Estate St Helens Merseyside WA11 9TH
Independent auditor	Saffery Champness LLP Trinity 16 John Dalton Street Manchester M2 6HY

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
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MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Strategic report
For the year ended 31 December 2021

The directors present the strategic report for the year ended 31 December 2021.

Overview

The Directors of MVG Industries UK Ltd (MVG UK) have pleasure in presenting the strategic report for year ending 2021 results.

MVG UK business is the design, manufacture installation & testing of shielded facilities and shielded anechoic facilities. MVG UK is part of the Microwave Vision Group (MVG) of companies. Being part of MVG continues to provide benefits for MVG UK providing access to global markets and customers with marketing support which otherwise would be either very difficult or impossible for MVG UK to access alone. MVG expertise in electromagnetic wave measurement tools and constant R+D to keep ahead of customers' needs has been a driving force in the company's continued growth. The wireless market is constantly evolving and growing with increasingly sophisticated and diversified products. The rollout of 5G and IOT technology is aiding MVG global expansion with continued growth of new space satellites, planes & drones, mobile phones, computers, tablets, GPS navigators, medical instruments or wireless home technology, autonomous and technically advanced vehicles, etc. All of these depend heavily on the capabilities of wireless technology as they require antennas that are designed to convert electrical signals into radio signals. This is the heart of the market that MVG UK & MVG address, providing the tools and environment for these devices to be developed and tested.

Reciprocally MVG UK provide MVG with inhouse support for our products and service helping MVG to offer a comprehensive service to their customers.

Despite the challenges and restrictions provided by the Covid-19 global pandemic and the uncertainties and late agreement of the terms for Brexit, MVG UK continue trading effectively minimising disruptions to help achieve our best year to date in respect of margin and profit with a modest £535k weakening in turnover.

The acquisition of MVG by HLD Europe (HLD) was successfully concluded in 2021. With HLD backing MVG is expected to make one or more acquisitions in 2022 and to continue significant investment in R+D of new innovative products that should result in more orders from which MVG UK should also benefit.

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Strategic report (continued)
For the year ended 31 December 2021

Fair review of the Business

MVG UK Revenue for 2021 was slightly down at £14.028m (£14.563m in 2020) with PBT up £615k on 2020 at £2.5m. The order book was down £2.4m to £5.281m at the end of 2021.

MVG UK specifically addresses and manufactures the shielding aspect as part of providing the required environment, plus has the responsibility for the project management and delivery of the complete shielded anechoic chamber packages. In addition, MVG UK also addresses shielding only applications such as:

- Electro Magnetic Pulse Protection (EMPP) & Nuclear Electro Magnetic Pulse Protection (NEMP)
- Security, comms and data protection
- Health & safety protection

The market is broadly evenly split between Civil Telecommunications with consumer products and Aerospace/Defence. Both sectors have and continue to be buoyant and expanding.

Our continued growth reflects that MVG & MVG UK strategic aligning with the demands of the marketplace and flexibility to act quickly when required. For example, providing test systems and allied chamber products for new space exploration with Amazon, Facebook and Space X. Also for supporting existing and reoccurring customers such as TUV, Nokia, Ericsson, Samsung, Apple, Lockheed Martin, Raytheon, etc.

Investment in obtaining List X status in 2019 helping to secure orders with defence security related customers.

MVG UK head count remains steady with a low turnover of people providing stability, continuity whilst retaining expertise, skills and experience.

Investment in SAP in previous years is now paying off, both for local financial management and for group integration & reporting.

Covid-19 restrictions did have a negative albeit limited impact on MVG UK business in 2020 & 2021 as we reacted quickly and well to the restrictions and challenges imposed. However, the global impact of Covid-19 was more of an issue in 2021 over 2020 with interruptions in supply chains and the availability of shipping. These issues were further compounded by the adverse weather in Texas earlier in the year, Brexit, and the blocking of the Suez Canal with the subsequent impounding of the Ever Given ship. These various issues resulted in price increases in raw materials across the board, however for MVG UK the availability of international shipping was the most disruptive, combined with the greatest cost increases. This impacted the progress on several orders, particularly in the USA. However, we also had significant savings on travel costs as staff movements were significantly curtailed and restricted.

Description of the principal risks and uncertainties

The directors confirm that we have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties facing the business are as follows:

Covid-19 and Brexit risks:

The main risk for the business in 2022 and possibly beyond is likely to be related to Covid-19 and Russia's invasion of Ukraine. Both these issues are expected to have a negative impact in 2022, again reducing the availability of raw materials, disrupted shipping resulting in increased costs, in particular, there is currently a surge in the price of gas & oil.

In respect of Brexit this is no longer considered a significant risk for MVG UK however going forward routing new European orders via more local MVG entities might be practical and necessary to avoid paying VAT that cannot be recovered to maintain competitiveness. In these instances, it would likely reduce the revenue share that MVG-UK would otherwise have seen from the same order.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing the cash generation of its operations with strong focus on cash collection and regular and detailed forecasting. The business has no material exposure to non-basic financial instruments.

Foreign currency risk:

The results of operations and financial position are measured using the functional currency of the primary economic environment in which the entity operates. Transactions are conducted in British Pounds, Euros and US Dollars. The company is exposed to exchange rate fluctuations and hence, currency rates changes are monitored to minimize the effect on results of operations.

Credit risk:

Credit risk is the risk that customers or counterparties will not be able to meet their obligations to the company. The company has policies aimed at minimising such losses and require that deferred payment terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Opportunities

The line of sight of the marketplace and potential orders for the next few years looks good. The global demand for development & testing of wireless products intensified. Movement & continued development with 5G will continue this trend. US defence spending (orders typically via MVG US company OATI) is expected to continue with OATI in negotiation for 3 further large Hercules projects with the design order being placed for one of these.

HLD has completed the acquisition of 100% of MVG shares. MVG/HLD is currently looking at 3 potential acquisitions to compliment MVG business to help increase the MVG revenue and worth, plus to support further R+D into new products. Both areas should benefit MVG UK with new customers and potentially new products.

The management of different currencies across MVG by MVG is an area where some future saving could be made and we anticipate some positive action on this risk from HLD/MVG in 2022.

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Strategic report (continued)
For the year ended 31 December 2021

Analysis based on Key Performance Indicators

Financial results are the main KPI for the business as embodies buoyancy of the marketplace, MVG UK performance with orders, customer satisfaction via repeat business & minimal warranty claims and continued expansion in developing territories and securing new customers.

Enquiries received during the year increased from £55m in 2020 to £57m in 2021. With a 17% increase in the number of enquiries reflecting the growth in the marketplace and MVG UK access to it.

On behalf of the board

John Noonan
Director

16 May 2022

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Directors' responsibilities statement
For the year ended 31 December 2021

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the company and of the profit or loss of the company 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 accounting estimates that are reasonable and prudent;
- 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Directors' report
For the year ended 31 December 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of manufacturing metal structures and parts.

Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £2,000,000. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

John Noonan
William McFadden
Per Iverson
Philippe Garreau

Financial instruments

The directors have assessed the risk of financial instruments in the strategic report contained on pages 1 - 4 in the financial statements.

Auditor

Saffery Champness LLP have expressed their willingness to continue in office.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

John Noonan
Director

16 May 2022

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Independent auditor's report
To the members of MVG Industries UK Limited

Opinion

We have audited the financial statements of MVG Industries UK Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

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Independent auditor's report (continued)
To the members of MVG Industries UK Limited

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Simon Kite BSc FCA (Senior Statutory Auditor)
For and on behalf of Saffery Champness LLP

17 May 2022

Chartered Accountants
Statutory Auditors

Trinity
16 John Dalton Street
Manchester
M2 6HY

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Statement of comprehensive income
For the year ended 31 December 2021

		2021	2020
	Notes	£	£
Turnover	3	14,028,303	14,563,029
Cost of sales		(8,570,744)	(9,656,859)
Gross profit		<u>5,457,559</u>	<u>4,906,170</u>
Administrative expenses		(3,002,986)	(3,081,537)
Other operating income		58,102	84,702
Operating profit	4	<u>2,512,675</u>	<u>1,909,335</u>
Interest payable and similar expenses	8	(2,225)	(8,321)
Profit before taxation		<u>2,510,450</u>	<u>1,901,014</u>
Tax on profit	9	(485,393)	(386,986)
Profit for the financial year		<u><u>2,025,057</u></u>	<u><u>1,514,028</u></u>

The income statement has been prepared on the basis that all operations are continuing operations.

MVG Industries UK Limited
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Statement of financial position
As at 31 December 2021

			2021	2020
	Notes	£	£	£
Fixed assets				
Goodwill	11		482,062	568,833
Tangible assets	12		180,462	170,375
			<u>662,524</u>	<u>739,208</u>
Current assets				
Stocks	13	275,035	422,977	
Debtors	14	5,849,903	5,608,472	
Cash at bank and in hand		3,100,206	2,798,931	
		<u>9,225,144</u>	<u>8,830,380</u>	
Creditors: amounts falling due within one year	15	(4,681,521)	(4,623,392)	
Net current assets			<u>4,543,623</u>	<u>4,206,988</u>
Total assets less current liabilities			<u>5,206,147</u>	<u>4,946,196</u>
Creditors: amounts falling due after more than one year	16	(16,135)	(8,269)	
Provisions for liabilities				
Provisions	19	302,198	62,797	
Deferred tax liability	20	17,698	30,071	
		<u>(319,896)</u>	<u>(92,868)</u>	
Net assets			<u><u>4,870,116</u></u>	<u><u>4,845,059</u></u>
Capital and reserves				
Called up share capital	23	151,001	151,001	
Share premium account	24	154,010	154,010	
Profit and loss reserves	25	4,565,105	4,540,048	
Total equity			<u><u>4,870,116</u></u>	<u><u>4,845,059</u></u>

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Statement of financial position (continued)
As at 31 December 2021

The financial statements were approved by the board of directors and authorised for issue on 16 May 2022 and are signed on its behalf by:

John Noonan
Director

Company Registration No. 05869828

MVG Industries UK Limited
Previously trading as 'Rainford EMC Systems Limited'
Statement of changes in equity
For the year ended 31 December 2021

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 January 2020		151,001	154,010	3,026,020	3,331,031
Year ended 31 December 2020:					
Profit and total comprehensive income for the year		-	-	1,514,028	1,514,028
Balance at 31 December 2020		151,001	154,010	4,540,048	4,845,059
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	2,025,057	2,025,057
Dividends	10	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2021		151,001	154,010	4,565,105	4,870,116

1 Accounting policies

Company information

MVG Industries UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 400 Haydock Lane, Haydock Industrial Estate, St Helens, Merseyside, WA11 9TH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel and transactions with wholly owned subsidiaries in the group.

The financial statements of the company are consolidated in the financial statements of Microwave Vision Group SA. These consolidated financial statements are available from the group website <https://investor.mvg-world.com/fr>. The registered office is Microwave Vision SA, 13 rue du Zéphyr, Parc d'Activités de l'Océane, 91140 VILLEJUST, FRANCE.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies (continued)

1.3 Turnover

Turnover is taken into account progressively and in accordance with UK applicable accounting standards relating to long term contracts.

Revenue is based on the estimated total turnover (contract value) and the degree of estimated progress (total costs realised at the year end date compared to the total cost forecast at the end of the contract) for each individual contract. Accrued revenue (unbilled work) or deferred revenue is the difference between the revenue as calculated above and the value which has been invoiced.

The amount of revenue recognised on contracts completed or in progression is shown on the turnover line. In cases where a contract loss is foreseen, this loss is recognised through a provision for estimated total contract loss net of loss on the progress already recorded.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

1.5 Intangible fixed assets - goodwill

Goodwill arising on the acquisition and then subsequent hive up of subsidiary trade and assets represents the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Period of lease
Plant and equipment	7 years straight line
Fixtures and fittings	3-7 years straight line
Motor vehicles	3-5 years straight line

1 Accounting policies (continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to net realisable value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies (continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1 Accounting policies (continued)

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1 Accounting policies (continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1 Accounting policies (continued)

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Long term contract accounting

Revenue recognition on the long term contracts requires an estimate of the stage of completion of a contract, this is inherently judgemental. Stage of completion is measured by comparison of costs incurred against total anticipated costs on a contract. The senior management team regularly review the progress of all its major projects considering technical and operational issues, progress against plan and external factors such as foreign exchange movements. The senior management team use their significant experience to assess the financial implications of these factors on the projects in determining the percentage completion at the year end.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Rendering of services	14,028,303	14,563,029
	<u> </u>	<u> </u>

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3 Turnover and other revenue (continued)

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	7,976,960	7,899,055
Europe	2,384,256	1,531,549
Rest of world	3,667,087	5,132,425
	<u>14,028,303</u>	<u>14,563,029</u>
	2021	2020
	£	£
Other significant revenue		
Grants received	58,102	84,702
	<u>58,102</u>	<u>84,702</u>

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	15,897	203,663
Research and development costs	10,330	-
Government grants	(58,102)	(84,702)
Fees payable to the company's auditor for the audit of the company's financial statements	20,500	16,500
Depreciation of owned tangible fixed assets	66,239	70,827
Profit on disposal of tangible fixed assets	(12,792)	-
Amortisation of intangible assets	86,771	86,771
Operating lease charges	168,628	152,996
	<u>168,628</u>	<u>152,996</u>

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	20,500	16,500
	<u>20,500</u>	<u>16,500</u>

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6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
Directors	2	2
Administration	23	24
Production	30	26
	<hr/>	<hr/>
Total	55	52
	<hr/> <hr/>	<hr/> <hr/>

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	2,030,835	2,058,081
Social security costs	232,606	208,086
Pension costs	48,372	45,541
	<hr/>	<hr/>
	2,311,813	2,311,708
	<hr/> <hr/>	<hr/> <hr/>

7 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	265,211	302,944
Company pension contributions to defined contribution schemes	3,863	3,853
	<hr/>	<hr/>
	269,074	306,797
	<hr/> <hr/>	<hr/> <hr/>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2).

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7 Directors' remuneration (continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021	2020
	£	£
Remuneration for qualifying services	153,173	178,384
Company pension contributions to defined contribution schemes	1,320	1,313
	=====	=====

8 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and loans	2,225	8,321
	=====	=====

9 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	514,826	386,573
Adjustments in respect of prior periods	(17,062)	-
	=====	=====
Total current tax	497,764	386,573
	=====	=====
Deferred tax		
Origination and reversal of timing differences	(12,371)	413
	=====	=====
Total tax charge	485,393	386,986
	=====	=====

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9 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£	£
Profit before taxation	2,510,450	1,901,014
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	476,986	361,193
Tax effect of expenses that are not deductible in determining taxable profit	1,104	6,961
Amortisation on assets not qualifying for tax allowances	-	16,486
Other non-reversing timing differences	22,414	(255)
Under/(over) provided in prior years	(17,062)	-
Fixed asset timing differences	14,322	2,188
Deferred tax impact on current year	(12,371)	413
	<u> </u>	<u> </u>
Taxation charge for the year	485,393	386,986
	<u> </u>	<u> </u>

10 Dividends

	2021	2020
	£	£
Final paid	2,000,000	-
	<u> </u>	<u> </u>

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11 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 January 2021 and 31 December 2021	1,735,420
Amortisation and impairment	
At 1 January 2021	1,166,587
Amortisation charged for the year	86,771
At 31 December 2021	1,253,358
Carrying amount	
At 31 December 2021	482,062
At 31 December 2020	568,833

12 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2021	40,541	344,855	146,086	85,790	617,272
Additions	5,036	12,335	2,123	56,832	76,326
Disposals	-	-	-	(31,979)	(31,979)
At 31 December 2021	45,577	357,190	148,209	110,643	661,619
Depreciation and impairment					
At 1 January 2021	23,811	244,206	112,583	66,297	446,897
Depreciation charged in the year	2,132	33,117	11,163	19,827	66,239
Eliminated in respect of disposals	-	-	-	(31,979)	(31,979)
At 31 December 2021	25,943	277,323	123,746	54,145	481,157
Carrying amount					
At 31 December 2021	19,634	79,867	24,463	56,498	180,462
At 31 December 2020	16,730	100,649	33,503	19,493	170,375

Included within the net book value of motor vehicles is £24,503 (2020: £15,700) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £12,848 (2020: £16,482).

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13 Stocks

	2021	2020
	£	£
Finished goods and goods for resale	275,035	422,977

An impairment loss release of £65,699 (2020: gain of £16,582) was recognised in cost of sales during the year due to slow-moving and obsolete stock.

14 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	1,854,035	1,762,038
Amounts owed by group undertakings	3,454,994	3,402,818
Other debtors	7,106	18,015
Prepayments and accrued income	533,768	425,601
	<u>5,849,903</u>	<u>5,608,472</u>

15 Creditors: amounts falling due within one year

	Notes	2021	2020
		£	£
Bank loans and overdrafts	17	-	158,469
Obligations under finance leases	18	9,598	2,947
Trade creditors		1,150,423	1,074,487
Amounts owed to group undertakings		2,129,057	1,602,412
Corporation tax		523,028	378,264
Other taxation and social security		162,481	260,990
Other creditors		2,052	14,094
Accruals and deferred income		704,882	1,131,729
		<u>4,681,521</u>	<u>4,623,392</u>

16 Creditors: amounts falling due after more than one year

	Notes	2021	2020
		£	£
Obligations under finance leases	18	16,135	8,269

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17 Loans and overdrafts

	2021	2020
	£	£
Bank overdrafts	-	158,469
	<u> </u>	<u> </u>
Payable within one year	-	158,469
	<u> </u>	<u> </u>

The bank facilities are secured by way of:

Debenture including a fixed charge over all present freehold and leasehold property; a fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a first floating charge over all assets and undertaking both present and future dated 23 January 2015; and

An unlimited guarantee dated 14 January 2015 given by MVG Industries UK Limited and the parent company, Microwave Vision Group SA.

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

18 Finance lease obligations

	2021	2020
	£	£
Future minimum lease payments due under finance leases:		
Within one year	9,598	2,947
In two to five years	16,135	8,269
	<u> </u>	<u> </u>
	25,733	11,216
	<u> </u>	<u> </u>

19 Provisions for liabilities

	2021	2020
	£	£
Warranty provision	302,198	62,797
	<u> </u>	<u> </u>

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19 Provisions for liabilities (continued)

Movements on provisions:

	Warranty provision £
At 1 January 2021	62,797
Movement in the year	239,401
	<hr/>
At 31 December 2021	302,198
	<hr/> <hr/>

This provision relates to warranties provided in respect of contracts agreed with customers.

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	40,010	30,555
Other short term timing differences	(22,312)	(484)
	<hr/>	<hr/>
	17,698	30,071
	<hr/> <hr/>	<hr/> <hr/>
		2021 £
Movements in the year:		
Liability at 1 January 2021		30,071
Credit to profit or loss		(12,373)
		<hr/>
Liability at 31 December 2021		17,698
		<hr/> <hr/>

Of the deferred tax liability set out above £15,950 is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

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21 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	48,372	45,541

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £12,519 (2020: £10,277) were payable to the fund as at 31 December 2021 and are included within creditors due less than one year.

22 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2021	2020	2021	2020
	Number	Number	£	£
Outstanding at 1 January 2021	5,000	5,000	-	-
Exercised	(5,000)	-	-	-
Outstanding at 31 December 2021	-	5,000	-	-
Exercisable at 31 December 2021	-	5,000	-	-

In the year to 31 December 2021 there was only one share based payment scheme active in the financial statements. The scheme was in respect of shares in the ultimate parent company Microwave Visions Group SA. The options were valued using the Black-Scholes option pricing model with the following inputs:

Date of grant	18 November 2019
Number of options granted	5,000
Exercise price	€0.00
Risk free investment rate	5%
Dividend yield	0%
Volatility	30%
Expected life	1 year

There were vesting conditions associated with this scheme however all were deemed to have been met at the end of the vesting period. The vesting period of the scheme was ended in the year to 31 December 2020 and all options were exercised. Hence a charge of £Nil (2020: £32,931) has been recognised within administrative expenses in the statement of comprehensive income.

22 Share-based payment transactions (continued)

Liabilities and expenses

In the year to 31 December 2020, the cost of the benefit of the share option scheme was invoiced from the ultimate parent company to the Company. Since the Company was required to repay the cost of the scheme to the ultimate parent it was deemed to have substantially taken on a liability at the commencement of the second scheme. Therefore, the scheme was accounted for as a cash settled scheme recognising a cost and a liability over the vesting period. The cost of the scheme was measured using the Black-Scholes option pricing model as noted above and this was the amount that was ultimately invoiced by the parent company. As noted above the expense was recognised over the vesting period within administrative expenses and the corresponding liability of £Nil (2020: £63,598) now sits within amounts due to group undertakings within current liabilities as at 31 December 2021, as this was repaid in the year.

23 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary Shares of £1 each	151,001	151,001	151,001	151,001

All shares have equal voting rights and equal rights to participate in dividends and other distributions.

24 Share premium account

	2021 £	2020 £
At the beginning and end of the year	154,010	154,010

Share premium represents the amounts received above the nominal value for shares issued less transactions costs.

25 Profit and loss reserves

	2021 £	2020 £
At the beginning of the year	4,540,048	3,026,020
Profit for the year	2,025,057	1,514,028
Dividends declared and paid in the year	(2,000,000)	-
At the end of the year	4,565,105	4,540,048

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	147,925	166,174
Between two and five years	277,600	416,400
	<u>425,525</u>	<u>582,574</u>
	<u><u>425,525</u></u>	<u><u>582,574</u></u>

27 Ultimate controlling party

The ultimate parent company and the ultimate controlling party is considered to be Microwave Vision Group SA a company incorporated in France by virtue of its 100% shareholding. This is the smallest and largest group in which the Company financial statements are consolidated. A copy of the consolidated financial are available from the MVG website at <https://investor.mvg-world.com/fr>. The registered office is Microwave Vision SA, 13 rue du Zéphyr, Parc d'Activités de l'Océane, 91140 VILLEJUST, FRANCE.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.