

7 September 2023

AIM: MPAC



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

Half Year Results for the six months to 30 June 2023

Strong order intake and healthy prospects pipeline; remain confident in long term prospects

Mpac Group (AIM: MPAC), the global packaging and automation solutions Group, today announces its unaudited financial results for the six months to 30 June 2023 (the "period").

Financial Highlights

- Order intake of £62.4m (2022: £32.8m) contributing to a closing order book of £77.5m (30 June 2022: £62.6m; 31 Dec 2022: £67.2m)
- Group revenue of £52.8m, up 4% (2022: £50.6m)
- Underlying* profit before tax of £1.9m (2022: £1.1m)
- Statutory profit before tax of £0.2m (2022: loss of £0.4m)
- Underlying* earnings per share of 6.5p (2022: 3.6p)
- Basic loss per share of (2.2)p (2022: earnings per share of 3.6p)
- Net cash of £2.2m (30 June 2022: £8.6m; 31 December 2022: Net borrowings of £4.7m)

*Underlying results are stated before pension related credits of £0.3m (H1 2022: charges of £0.4m); amortisation of acquired intangible assets of £0.8m (H1 2022: £0.8m); restructuring costs of £1.1m (H1 2022: £0.1m) and other non-underlying items of £0.1m (H1 2022: £0.3m).

Operational and Strategic Highlights

- Shipment, installation, and commissioning of battery cell assembly Customer Qualification Plant ("CQP") automation line to FREYR Battery ("Freyr") progressing to schedule
- Commenced pre-engineering work to define specification of Giga America for Freyr
- Winning new customers in target sectors
- Strong growth in Service business, delivering on strategic focus to improve and sustain customer support
- Reduction of working capital progressing to plan
- Implementation of One Mpac business systems in our Cleveland, USA site
- Strengthened leadership team with new appointments in UK and North America
- Second year cohort joined Mpac Academy to develop future leaders and to retain talent
- Strong pipeline of potential acquisitions for future strategic growth

Current trading and outlook

- Current trading is in line with the Board's expectations and full year market guidance remains unchanged. Margins are normalising as anticipated and with a strong order book and prospects pipeline, Mpac is well positioned to deliver on the previously announced H2 weighting to the financial year, despite the challenging trading environment.

Adam Holland, Chief Executive Officer, commented:

“I am delighted to report my first set of interim results as Chief Executive Officer, which were in line with our expectations. I am pleased to be able to report significant progress in the first half of 2023, with increases in Original Equipment and Service order intake and a closing order book significantly up on the prior year. In addition, the prior year expansion of working capital has unwound in line with expectations, and we close H1 in a positive net cash position. We have a lot to do in the second half but are anticipating normalising margins in the period and are focused on delivering the strong order book for our customers. We have made good progress in developing the leadership team and I am confident that Mpac has the employee skillset to take advantage of the attractive markets in which we operate and deliver on our strategic objectives.”

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Notes to Editor

Mpac Group (AIM: MPAC) is a global leader in engineering and technology, designing, precision engineering, manufacturing, and supporting high-speed packaging equipment and solutions.

Mpac serves 80 countries across four key regions around the world including the Americas, EMEA, APAC and the UK. The Company operates in the attractive growth markets of Food & Beverage, Healthcare and Clean Energy. These targeted markets boast significant growth opportunities.

Through its three core product lines – Lambert, Langen and Switchback – the Company provides full line Original Equipment and Services for automated high-speed packaging, from assembly of products through to case packing and palletising. Mpac’s high margin Service offering ensures a stable and recurring revenue after the sale of Original Equipment.

Mpac is a people-driven business. It employs more than 500 colleagues around the world including 180 dedicated global engineers & designers. The business is also underpinned by innovation, as one of Mpac’s key strategic pillars which remains fundamental to the Company’s long-term sustainable growth.

Mpac is headquartered in Tadcaster, UK and operates sites in the US, Canada, the Netherlands and Singapore.

HALF-YEAR MANAGEMENT REPORT

Introduction

Mpac serves customers' needs for ingenious, innovative automation and packaging machinery. We design, precision engineer, manufacture and support high-speed automation and packaging solutions, with embedded process monitoring systems.

The Group is focused on the high growth, resilient, Healthcare and Food and Beverage markets and benefits from an exclusive commercial framework agreement to supply a customer in the Clean Energy storage market.

The opportunities for the Group are based on the following fundamental strengths:

- Robust long-term growth drivers in our target Healthcare and Food and Beverage markets
- Exciting opportunity to become a key supplier of automation solutions for the Clean Energy storage market
- Leadership in innovative, high-speed packaging machinery and automation solutions
- Global reach with embedded local presence providing exceptional service to our customers
- A talented and engaged workforce
- Extensive machine installed base to drive Service revenues

The Board believes that these fundamental strengths place Mpac in a strong position for growth and that the Group continues to make good progress towards achieving its long-term strategic objectives.

Overview

2023 started with good revenue coverage from the opening order book, but with a project mix impacted by 2022 supply chain disruption. The effects of this have now largely cleared and accordingly, second half trading is anticipated at normalising margins, giving confidence to the second half earnings weighting which we indicated earlier in the year.

Year to date order intake of £62.4m is significantly ahead of the prior year (H1 2022: £32.8m) and the H1 2023 closing order book of £77.5m is above the 2023 opening order book of £67.2m, providing extensive coverage over forecast revenue for the remainder of 2023. Furthermore, the focus on developing our recurring, higher margin Service business continues with significant growth in order intake and revenue.

The prior year expansion of working capital has begun to unwind and is in line with expectations, and we closed the half year with a strong balance sheet and positive net cash.

Beyond the challenging trading environment, the outlook for the business remains positive. We carry forward a strong prospect pipeline and order book, concentrated on companies in our core, resilient, end markets of Healthcare and Food and Beverage. Our strong balance sheet provides us with the ability to invest for growth over the medium term and beyond.

FREYR progress

In 2022 Mpac signed a three-year exclusive commercial framework agreement with FREYR, a developer of battery cell production capacity, for the supply of casting and unit cell assembly equipment. Mpac is completing the commissioning of the CQP line for FREYR, which is progressing in line with the customer's planning and expectations. We anticipate that the line will be fully commissioned in H2 2023. In Q2 2023, we started work on the pre-engineering activities for FREYR's first intended production line order, Giga America, to define the specification and scoping. If the customer proceeds to order production series cell assembly units, Mpac is well positioned to be selected as the supplier of these lines. There remains no certainty around the timing or quantum of production line orders and Mpac remains focused on delivering the projects within the order book.

Working capital reduction

Due to extended supplier lead times, resulting in longer build times of Mpac equipment, there was a significant expansion of working capital in 2022 which resulted in the Group drawing down against its committed revolving credit facility and reporting net debt at the 2022 year end. As anticipated, with the wider project build portfolio from 2022 largely completing in H1 2023, working capital has fallen in 2023 and we closed the half year with a net cash position and a £7.3m reduction in working capital.

Strategic progress

Our focus in H1 2023 has been on our customers, deepening our relationship with them to establish their longer term investment plans and Service requirements. We have extended the bandwidth of our commercial, field service and back-office teams to ensure that Mpac continues to provide a long term sustainable, best in class, service to all our customers and an improved response time. The impact of this increased focus is already evident from the increased order intake from both existing and new key accounts, and improved Service performance in H1.

Continuing with our longer-term strategy to operate as a single entity business, we have deployed our common business systems to our site in Cleveland, USA to enhance operational leverage and we have made considerable progress in developing a product selector based customer website which will go live in Q3 2023.

Innovation remains one of Mpac's key strategic pillars and is fundamental to the Group's long-term sustainable growth. We made further progress in H1 2023 with the continued development of the Mpac Cube, which incorporates innovations focused on improved machine performance, digital enhancements plus further Industry 4.0 enabled technology. In addition, the next phase of product development has been defined in an updated roadmap with deployment commencing in H2 2023.

Financial results

The Group entered 2023 with a diverse and good quality order book which, along with a strong H1 order intake resulted in sales in the period of £52.8m (H1 2022: £50.6m), a 4% increase on prior year. Gross profit margins increased to 23.9% (H1 2022: 21.1%), driven by a stronger product mix in the period. Order intake in the period increased to £62.4m, 90% above the prior year. We have a £77.5m order book going into the second half of 2023.

Underlying profit before tax was £1.9m (H1 2022: £1.1m). After a net tax charge of £0.5m (H1 2022: £0.4m), underlying profit after tax for the period was £1.4m (H1 2022: £0.7m). Underlying earnings per share was 6.5p (H1 2022: 3.6p).

The underlying results are stated before pension-related credits of £0.3m (H1 2022: charges of £0.4m), comprising charges in respect of administering the Group's defined benefit pension schemes of £0.4m (H1 2022: £0.7m) and finance income on pension scheme balances of £0.7m (H1 2022: £0.3m), amortisation of acquired intangible assets of £0.8m (H1 2022: £0.8m) and reorganisation costs of £1.2m (H1 2022: £0.2m),

On a statutory basis, the loss after tax for the period was £0.4m (H1 2022: £0.7m). The basic loss per share amounted to 2.2p (H1 2022: 3.6p).

Operating performance

Overall revenue increased by 4% to £52.8m (H1 2022: £50.6m) supported by strong order intake and execution of projects.

The Group manages the business in two parts, Original Equipment (OE) and Service, and across three regions (Americas, EMEA and Asia Pacific). Individual contracts received by the OE business can be sizeable. Accordingly, one significant order can have a disproportionate impact on the growth rates seen in individual markets year on year.

Original Equipment ("OE")

OE order intake increased by 131% to £46.0m (H1 2022: £19.9m). Our customers in the Healthcare and Food & Beverages markets continue to demonstrate resilient performance despite rising interest rates, fuelling demand for Mpac's products.

Revenue decreased by 12% to £35.2m (H1 2022: £39.8m) with the reduction being primarily in the Americas and driven by the timing of the orders received last year as customers sought acceleration of capital investment into 2021, supported by post-covid tax incentives.

OE revenue in the Americas decreased by 34% to £16.4m (H1 2022: £25.0m) while in EMEA OE revenue increased by 12% to £14.5m (2022: £12.9m). Growth in EMEA was primarily due to a stronger performance across our traditional markets in healthcare and food & beverage, supported by the continuing development of the customer qualification battery cell assembly line for FREYR.

Revenue development in all regions is dependent upon the timing of customers' investment cycles, with differing industries and regions experiencing differing effects from global inflationary pressures.

Service

Service order intake of £16.4m represents a 25% increase on the prior year and has been driven mainly by order intake for upgrades and spares as a result of the Group's focus on developing the Service business.

Service revenue grew strongly, up 63% to £17.6m (H1 2022: £10.8m) as our customers look to increase their productivity by enhancing their existing machines and reducing downtime. Service revenue represented approximately 33% of Group revenue in the period, which demonstrates the success of Mpac's 'Make Service a Business' strategy.

Finances

Gross cash at 30 June 2023 was £8.1m (30 June 2022: £9.5m; 31 December 2022: £4.2m) after utilisation of the Revolving Credit Facility of £5.0m (30 June 2022: £nil, 31 December 2022: £8.0m). Cash balances are impacted by the timing of project order intake and associated working capital cycles.

Net cash inflow from operating activities in the first half of the year was £9.4m, after a decrease in working capital levels of £7.3m, due mainly to the timing of project execution, partially offset by deficit recovery payments to the Group's defined benefit pension schemes of £0.9m. Capital and product development expenditure in the first half of the year was £1.1m (2022: £0.6m).

The Group maintains bank facilities appropriate to its expected needs including committed borrowing facilities with HSBC UK Bank Plc of £20.0m. These facilities, which are committed until July 2025, are subject to covenants covering interest cover and adjusted leverage and are both sterling and multi-currency denominated.

Dividend

Having considered the trading results to 30 June 2023, together with the opportunities for investment in the growth of the Group, the Board has decided that it is appropriate not to pay an interim dividend in respect of the period. No dividends were paid in 2022. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of the trading performance for 2023 and when the Board believes it is prudent to do so.

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 Company is responsible for the payment of a statutory levy to the Pension Protection Fund.

The IAS 19 valuation of the UK scheme as at 30 June 2023 shows a surplus of £35.2m (£22.9m net of deferred tax), compared with a surplus of £31.5m (£20.4m net of deferred tax) at 31 December 2022. The main driver of the increase in the surplus was the increase in the discount rate required by IAS19, partially offset by the effect of the liability matching programme on asset values when discount rates rise and by increases in anticipated inflation on future benefits.

The net valuation of the USA pension schemes at 30 June 2023, with total assets of £7.9m, showed a deficit of £1.6m, a decrease of £0.5m from 31 December 2022, caused entirely by exchange rate movements.

The aggregate expense of administering the pension schemes was £0.4m (H1 2022: £0.7m). The net financing income on pension scheme balances was £0.7m (H1 2022: £0.3m).

Acquisition strategy

The Board continues to evaluate potential acquisition opportunities that strategically fit the Group, and which will enhance our global presence in packaging solutions serving the Healthcare and Food and Beverage markets. Good progress was made during the period in developing the pipeline of potential acquisition opportunities. The Company will provide updates on acquisitions whenever appropriate to do so.

Outlook

Current trading is in line with the Board's expectations and full year market guidance remains unchanged. Margins are normalising as anticipated and with a strong order book and prospects pipeline, Mpac is well positioned to deliver on the previously announced H2 weighting to the financial year despite the challenging trading environment.

We continue to be focused on executing our long-term strategy of delivering OE and Service growth, broadening our customer base, and delivering on our exciting new product development roadmap.

Our balance sheet remains healthy and provides us with the ability to invest in the Group for growth. Accordingly, the Board remains confident in the Group's longer-term prospects.

Adam Holland
Chief Executive

6 September 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	6 months to 30 June 2023 (unaudited)			6 months to 30 June 2022 (unaudited)		
		Underlying £m	Non- underlying (note 5) £m	Total £m	Underlying £m	Non- underlying (note 5) £m	Total £m
Revenue	4	52.8	-	52.8	50.6	-	50.6
Cost of sales		(40.2)	-	(40.2)	(39.9)	-	(39.9)
Gross profit		12.6	-	12.6	10.7	-	10.7
Distribution expenses		(3.6)	-	(3.6)	(3.4)	-	(3.4)
Administrative expenses		(6.2)	(2.4)	(8.6)	(5.8)	(1.8)	(7.6)
Other operating expenses		(0.6)	-	(0.6)	(0.3)	-	(0.3)
Operating profit/(loss)	4, 5	2.2	(2.4)	(0.2)	1.2	(1.8)	(0.6)
Financial income		-	0.7	0.7	-	0.3	0.3
Financial expenses		(0.3)	-	(0.3)	(0.1)	-	(0.1)
Net financing income/(expense)		(0.3)	0.7	0.4	(0.1)	0.3	0.2
Profit/(loss) before tax	4	1.9	(1.7)	0.2	1.1	(1.5)	(0.4)
Taxation		(0.5)	(0.1)	(0.6)	(0.4)	0.1	(0.3)
Profit/(loss) for the period		1.4	(1.8)	(0.4)	0.7	(1.4)	(0.7)
Earnings/(loss) per ordinary share							
Basic	7			(2.2p)			(3.6p)
Diluted	7			(2.2p)			(3.6p)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

12 months to 31 December 2022 (audited)

	Notes	Underlying £m	Non- underlying (note 5) £m	Total £m
Revenue	4	97.7	-	97.7
Cost of sales		(73.3)	-	(73.3)
Gross profit		24.4	-	24.4
Distribution expenses		(8.0)	-	(8.0)
Administrative expenses		(11.9)	(3.9)	(15.8)
Other operating expenses		(0.5)	-	(0.5)
Operating profit	4, 5	3.9	(3.9)	-
Financial income		-	0.6	0.6
Financial expenses		(0.4)	-	(0.4)
Net financing expense		(0.4)	0.6	0.2
Profit before tax	4	3.5	(3.3)	0.2
Taxation		(0.8)	0.2	(0.6)
Profit / (Loss) for the period		2.7	(3.1)	(0.4)
Earnings / (Loss) per ordinary share				
Basic	7			(2.0p)
Diluted	7			(2.0p)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2023 (unaudited) £m	6 months to 30 June 2022 (unaudited) £m	12 months to 31 Dec 2022 (audited) £m
Loss for the period	(0.4)	(0.7)	(0.4)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses)	2.9	23.5	(5.0)
Tax on items that will not be reclassified to profit or loss	(1.2)	(8.4)	1.3
	1.7	15.1	(3.7)
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments	(1.0)	1.2	2.1
Effective portion of changes in fair value of cash flow hedges	0.5	(1.0)	(1.0)
Reclassified to income statement from hedge reserve	0.3	(0.1)	(0.3)
	(0.2)	(0.1)	0.8
Other comprehensive income for the period	1.5	15.2	(2.9)
Total comprehensive income for the period	1.1	14.5	(3.3)
All income for the period was derived from continuing operations			

CONDENSED 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
6 months to 30 June 2023							
Balance at 1 January 2023	5.1	26.0	2.4	3.9	(1.8)	26.6	62.2
Profit for the period	-	-	-	-	-	(0.4)	(0.4)
Other comprehensive (expense) / income for the period	-	-	(1.0)	-	0.8	1.7	1.5
Total comprehensive (expense) / income for the period	-	-	(1.0)	-	0.8	1.3	1.1
Equity-settled share-based transactions	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Balance at 30 June 2023	5.1	26.0	1.4	3.9	(1.0)	27.9	63.3
6 months to 30 June 2022							
Balance at 1 January 2022	5.0	26.0	0.3	3.9	(0.5)	30.7	65.4
Profit for the period	-	-	-	-	-	(0.7)	(0.7)
Other comprehensive (expense) / income for the period	-	-	1.2	-	(1.1)	15.1	15.2
Total comprehensive (expense) / income for the period	-	-	1.2	-	(1.1)	14.4	14.5
Total transactions with owners, recorded directly in equity	-	-	-	-	-	0.2	0.2
Balance at 30 June 2022	5.0	26.0	1.5	3.9	(1.6)	45.3	80.1
12 months to 31 December 2022							
Balance at 1 January 2022	5.0	26.0	0.3	3.9	(0.5)	30.7	65.4
Profit for the period	-	-	-	-	-	(0.4)	(0.4)
Other comprehensive (expense) / income for the period	-	-	2.1	-	(1.3)	(3.7)	(2.9)
Total comprehensive (expense) / income for the period	-	-	2.1	-	(1.3)	(4.1)	(3.3)
Equity-settled share-based transactions	-	-	-	-	-	0.1	0.1
Purchase of own shares	0.1	-	-	-	-	(0.1)	-
Total transactions with owners, recorded directly in equity	0.1	-	-	-	-	-	0.1
Balance at 31 December 2022	5.1	26.0	2.4	3.9	(1.8)	26.6	62.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2023 (unaudited) £m	31 Dec 2022 (audited) £m
Non-current assets			
Intangible assets		24.3	25.4
Property, plant and equipment		4.0	4.0
Investment property		0.8	0.8
Right of use assets		4.5	5.0
Employee benefits	6	35.2	31.5
Deferred tax assets		1.0	1.3
		69.8	68.0
Current assets			
Inventories		10.2	9.6
Trade and other receivables		44.0	47.3
Current tax assets		0.8	0.6
Cash and cash equivalents		8.1	4.2
		63.1	61.7
Current liabilities			
Lease liabilities		(1.3)	(1.4)
Trade and other payables		(43.6)	(39.0)
Current tax liabilities		(0.3)	(0.1)
Provisions		(1.0)	(1.0)
Interest-bearing loans and borrowings		(5.0)	(8.0)
		(51.2)	(49.5)
Net current assets		11.9	12.2
Total assets less current liabilities		81.7	80.2
Non-current liabilities			
Interest-bearing loans and borrowings		(0.9)	(0.9)
Employee benefits	6	(1.7)	(2.1)
Deferred tax liabilities		(12.4)	(11.1)
Lease liabilities		(3.4)	(3.9)
		(18.4)	(18.0)
Net assets		63.3	62.2
Equity			
Issued capital		5.1	5.1
Share premium		26.0	26.0
Reserves		2.9	2.1
Retained earnings		29.3	29.0
Total equity		63.3	62.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 June 2023 (unaudited) £m	6 months to 30 June 2022 (unaudited) £m	12 months to 31 Dec 2022 (audited) £m
Operating activities			
Operating loss	(0.2)	(0.6)	-
Non-underlying items included in operating profit / (loss)	2.4	1.8	3.9
Amortisation	0.3	0.3	0.9
Depreciation	0.9	1.0	2.0
Other non-cash items	-	0.4	0.2
Pension payments	(0.9)	(1.1)	(2.1)
Working capital movements:			
- increase in inventories	(0.8)	(0.5)	(2.2)
- decrease / (increase) in trade and other receivables	3.7	6.1	(6.3)
- increase in contract assets	(0.6)	(4.7)	(5.9)
- increase in trade and other payables	1.7	1.5	1.7
- increase / (decrease) in contract liabilities	3.4	(7.6)	(4.0)
- increase/(decrease) in provisions	(0.1)	0.1	0.5
Cash flows from continuing operations before reorganisation	9.8	(3.3)	(12.8)
Acquisition and reorganisation costs paid	(0.4)	-	(0.8)
Cash flows from operations	9.4	(3.3)	(13.6)
Taxation paid	(0.3)	(0.2)	(0.4)
Cash flows (used in) / from operating activities	9.1	(3.5)	(14.0)
Investing activities			
Proceeds from sale of property, plant and equipment	-	0.1	-
Acquisition of property, plant and equipment	(0.5)	(0.6)	(1.4)
Capitalised development expenditure	(0.6)	(0.1)	(1.0)
Payment of deferred consideration	-	-	(0.8)
Cash flows from investing activities	(1.1)	(0.6)	(3.2)
Financing activities			
Interest paid	(0.3)	(0.1)	(0.3)
Purchase of own shares	-	-	(0.2)
Proceeds from borrowings	(3.0)	-	8.0
Principal elements of lease payments	(0.4)	(0.6)	(1.1)
Cash flows from financing activities	(3.7)	(0.7)	6.6
Net increase/(decrease) in cash and cash equivalents	4.3	(4.8)	(10.6)
Cash and cash equivalents at 1 January	4.2	14.5	14.5
Effect of exchange rate fluctuations on cash held	(0.4)	(0.2)	0.3
Cash and cash equivalents at period end	8.1	9.5	4.2

NOTES TO ANNOUNCEMENT

1. General information

The half-year results for the current and comparative period are unaudited but have been reviewed by the auditors, PKF Littlejohn LLP, and their report is set out after the notes. The comparative information for the year ended 31 December 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's statutory accounts have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's statutory accounts for the year ended 31 December 2022 are available from the Company's registered office at Station Estate, Station Road, Tadcaster, North Yorkshire, LS24 9SG or from the Group's website at www.mpac-group.com.

The Directors have considered the trading outlook of the Group for an 18-month period ending 31 December 2024, its financial position, including its cash resources and access to borrowings, and its continuing obligations, including to its defined benefit pension schemes. Having made appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed set of financial statements.

The condensed set of interim financial statements was approved by the Board of directors on 6 September 2023.

2. Basis of preparation

(a) Statement of compliance

The condensed set of interim financial statements for the 6 months ended 30 June 2023 has been prepared in accordance with UK-adopted international accounting standards, and in particular IAS 34 Interim financial reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2022.

(b) Judgements and estimates

The preparation of the condensed set of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed set of financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were of the same type as those that applied to the financial statements for the year ended 31 December 2022.

Mpac is subject to a number of risks which could have a serious impact on the performance of the business. The Board regularly considers the principal risks that the Group faces and how to mitigate their potential impact. The key risks to which the business is exposed are set out on pages 17 to 21 of the Group's 2022 Annual Report and Accounts.

3. Significant accounting policies

The accounting policies, presentation and methods of computation applied by the Group in this condensed set of interim financial statements are the same as those applied in the Group's latest audited financial statements. No new accounting standards have been applied for the first time in these condensed interim financial statements.

4. Operating segments

It is the Group's strategic intention to develop "One Mpac", accordingly segmental reporting reflects the split of sales by both Original Equipment (OE) and Service together with the regional split, Americas, EMEA and Asia. The Group's operating segments reflect the basis of the Group's management and internal reporting structure.

Unallocated costs include distribution and administrative expenditure. Further details in respect of the Group structure and performance of the segments are set out in the half-year management report.

	6 months to 30 Jun 2023			6 months to 30 Jun 2022			12 months to 31 Dec 2022		
	OE £m	Service £m	Total £m	OE £m	Service £m	Total £m	OE £m	Service £m	Total £m
Revenue									
Americas	16.1	8.3	24.4	25.0	5.1	30.1	40.9	11.9	52.8
EMEA	14.9	8.3	23.2	12.9	5.1	18.0	27.8	9.7	37.5
Asia Pacific	4.2	1.0	5.2	1.9	0.6	2.5	5.9	1.5	7.4
Total	35.2	17.6	52.8	39.8	10.8	50.6	74.6	23.1	97.7
Gross profit			12.6			10.7			24.4
Selling, distribution & administration			(10.4)			(9.5)			(20.5)
Underlying operating profit			2.2			1.2			3.9
Unallocated non-underlying items included in operating profit			(2.4)			(1.8)			(3.9)
Operating profit			(0.2)			(0.6)			-
Net financing income / (expense)			0.4			0.2			0.2
Profit before tax			0.2			(0.4)			0.2

5. Non-underlying items and alternative performance measures

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 administration charges and interest, significant reorganisation costs, acquisition or disposal costs, amortisation of acquired intangible assets, profits or losses arising on discontinued operations, significant impairments of tangible and intangible assets and related taxation 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 measure reviewed by key stakeholders.

The Group elects to include costs relating to the defined benefit pension scheme in non-underlying as the costs would be immaterial to the Group should the scheme not exist.

	6 months to 30 June 2023 £m	6 months to 30 June 2022 £m	12 months to 31 Dec 2022 £m
Defined benefit pension scheme administration costs (note 6)	(0.4)	(0.7)	(1.1)
Reorganisation costs	(1.2)	(0.1)	(0.6)
Amortisation of intangibles from business combinations	(0.8)	(0.8)	(1.6)
Acquisition costs	-	(0.2)	(0.3)
Total non-underlying operating expenditure	(2.4)	(1.8)	(3.6)
Net financing income on pension scheme balances	0.7	0.3	0.3
 Total non-underlying expense before tax	 (1.7)	 (1.5)	 (3.3)

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

6. Employee benefits

The Group accounts for pensions under IAS 19 Employee benefits. The most recent formal valuation of the UK defined benefit pension scheme (Fund) was completed as at 30 June 2021, which identified a deficit of £28.4m. The deficit funding agreement focusses the scheme on achieving risk transfer to an alternative arrangement which the company would not be liable for the performance of. The principal terms of the deficit funding agreement, which is effective until 31 December 2035 and is subject to reassessment every 3 years, are as follows:

- the Company will continue to pay a sum of £2.0m per annum to the Fund (increasing at 2.1% per annum) in deficit recovery payments;
- Once the funding level on a technical provisions basis exceeds 103% (based upon an annual test), contributions will be redirected to an escrow account which can only be used to either enable risk transfer, remedy a deficit arising or be returned to the Group should risk transfer be achieved without the funds being required; and
- Should the funding level (including the escrow account) reach 110% on a technical provisions basis (based upon an annual test), contributions will cease.

Formal valuations of the USA defined benefit schemes were carried out as at 1 January 2022, and their assumptions, updated to reflect actual experience and conditions at 31 December 2022 and modified as appropriate for the purposes of IAS 19, have been applied in this set of financial statements.

Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £0.4m (2022: £0.7m) and a net financing income on pension scheme balances of £0.7m (2022: £0.3m). In respect of the UK scheme, the Group paid deficit recovery contributions of £0.9m (2022: £1.0m). Contributions to the US scheme totalled £0.1m (2022: £0.1m)

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £35.2m (2022: £59.7m) and the net pension liability of the USA defined benefit pension schemes of £1.0m (2022: £2.8m), all figures before tax.

Employee benefits as shown in the condensed consolidated statement of financial position were:

	30 June 2023 £m	31 Dec 2022 £m
UK scheme		
Fair value of assets	295.8	311.1
Present value of defined benefit obligations	(260.6)	(279.7)
Defined benefit asset	35.2	31.5
USA schemes		
Fair value of assets	7.9	8.1
Present value of defined benefit obligations	(9.5)	(10.2)
Defined benefit liability	(1.6)	(2.1)
Total net defined benefit asset	33.6	29.4

7. Earnings per share

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period excluding shares held by the employee trust in respect of the Company's long-term incentive arrangements. For diluted earnings per ordinary share, the weighted average number of shares includes the diluting effect, if any, of own shares held by the employee trust and the effect of the Company's long-term incentive arrangements.

	6 months to 30 June 2023	6 months to 30 June 2022	12 months to 31 Dec 2022
Basic – weighted average number of ordinary shares	20,474,424	20,035,439	20,261,505
Diluting effect of shares held by the employee trust	-	261,568	41,304
Effect of shares conditionally granted under the LTIP	94,849	-	-
Diluted – weighted average number of ordinary shares	20,569,273	20,297,007	20,302,809

Underlying earnings per share, which is calculated on the earnings before non-underlying items, for the 6 months to 30 June 2023 amounted to 6.5p (6 months to 30 June 2022: 3.6p; 12 months to 31 December 2022: 13.3p).

In the 6 months to 30 June 2023 and 30 June 2022 the effect of dilution was nil pence per share. The effect of the dilution at 31 December 2022 was nil pence per share.

8. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2022.

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

9. Related parties

The Group has related party relationships with its directors and with the UK and USA defined benefit pension schemes. There has been no material change in the nature of the related party transactions described in note 31 of the 2022 Annual Report and Accounts.

10. Dividends

Having considered the trading results to 30 June 2023, together with the opportunities for investment in the growth of the Company, the Board has decided that it is appropriate not to pay an interim dividend. No dividends were paid in 2022. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2023 trading performance and when the Board believes it is prudent to do so.

11. Half-year report

A copy of this announcement will be made available to shareholders from 7 September 2023 on the Group's website at www.mpac-group.com. This announcement will not be made available in printed form.

12. Future accounting policies

There are no changes anticipated to the Group's accounting policies in the foreseeable future.

INDEPENDENT REVIEW REPORT TO MPAC GROUP PLC

Conclusion

We have been engaged by the group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprise the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the AIM Rules for Companies.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2a, the annual financial statements of the group are prepared in accordance with UK adopted IASs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of financial information

In reviewing the half-yearly report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the company's directors, as a body, in accordance with the terms of our engagement letter dated 8 August 2023. Our review has been undertaken so that we might state to the company's directors those matters we have agreed to state to them in a reviewer'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 directors as a body, for our work, for this report, or for the conclusions we have formed.

PKF Littlejohn LLP
Statutory Auditor

6th September 2023

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