8 September 2022

AIM: MPAC

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

Mpac Group plc

(“Mpac”, “the Company” or “the Group”)

Mpac, the global packaging and automation solutions Group, today announces its unaudited financial results for the 6 months to 30 June 2022 (the “Period”)

Financial Highlights

- Order intake of £32.8m (2021: £51.7m) contributing to a closing order book of £62.6m (30 June 2021: £62.0m; 31 Dec 2021: £78.4m)
- Group revenue of £50.6m up 14% (2021: £44.2m), with Original Equipment up 17% and Service revenue up 6%
- Underlying* profit before tax of £1.1m (2021: £4.7m)
- Underlying* earnings per share of 3.6p (2021: 18.3p)
- Statutory loss before tax of £0.4m (2021: £2.8m profit)
- Basic loss per share of (3.6)p (2021: earnings 10.6p)
- Cash of £9.5m (30 June 2021: £11.2m; 31 Dec 2021: £14.5m)

*Underlying results are stated before pension related charges of £0.4m (2021: £0.5m); amortisation of acquired intangible assets of £0.8m (2021: £0.9m); and other non-underlying items of £0.3m (2021: £0.5m).

Operational and Strategic Highlights

- Positive discussions with FREYR Battery (‘’FREYR’’) towards agreeing a framework agreement for the exclusive supply of battery cell automation lines
- Good acquisition of new customers in healthcare and plant-based food
- Appointment of Group Procurement Director, providing senior management focus to our supply chain
- Implemented cost saving measures to offset impact of supply chain constraints
- Maximising benefits from common business systems to mitigate impact of supply chain disruption
- Launch of Mpac service product line, Mpac Cube – offering a comprehensive range of traditional and digital service products to enhance our customers connectivity, productivity, and sustainability
- Completion of continuous motion cardboard tray erector to support transition from single use plastic to cardboard in packaging
- Launch of Mpac Academy to develop future leaders and to retain talent

Tony Steels, Chief Executive, commented:

"We have made good progress in delivering on our existing customer commitments and managing short-term operational challenges. Consequently, revenue has grown but at lower margins due to cost inflationary pressures and ongoing disruption to global supply chains, in particular, relating to the sourcing of critical, customer-specified electronic components. As noted in our trading statement on 11 July, short-term operational challenges led to extended project build times which have impacted the Group's operational efficiencies and margins. Several actions and mitigations have been implemented to address these challenges.

All our colleagues have demonstrated ingenuity to find solutions to this industry-wide issue, including re-engineering solutions supported by our recently implemented group wide ERP system. I am confident that the momentum built in the previous years will enable the Group to recover its growth trajectory as supply chain issues unwind. Our order book and prospect pipeline remain robust in our resilient end markets, demonstrated by securing contracts from new customers and making progress towards concluding a commercial agreement for the supply of battery cell automation solutions to FREYR, which gives us further confidence that the strategic objectives will deliver long term revenue growth. The fundamentals of our business remain strong, we are well capitalised, and we are fully focused on executing our long-term strategic plan."

For further information, please contact:

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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 is working towards finalising 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

We started 2022 with a good quality, diverse order book. As previously advised, the opening order book included a significant value of orders brought forward by customers from 2022 into 2021 for the purpose of securing lead times. Consequently, while order intake in H1 was below the prior year, we are pleased with the value of the order book overall.

Macro-economic factors, such as the war in Ukraine, the recent lockdown in China, the continued impact of lengthening global supply chain lead times, widespread cost inflation including materials price increases and availability of skilled labour, remain a challenge and impacted both customer confidence and more acutely, our operative productivity in machine build during H1, leading to the Board reducing market forecasts for 2022. The Board believes that the Group is on track to meet the revised market expectations and the increase in the value of the order book since the half-year closing gives confidence that the Group's prospects remain positive.

FREYR progress

Mpac is in advanced discussions regarding an exclusive commercial framework agreement with FREYR, a developer of clean, next-generation battery cell production capacity, for the supply of casting and unit cell assembly equipment to the battery cell production line at FREYR's Gigaplant in Norway. The company will make further announcements, as appropriate, in relation to the framework agreement, and there can be no certainty that any agreement will be concluded.

To secure project lead times, FREYR has issued to Mpac with orders for long lead time parts and engineering capacity. The equipment to be supplied, will provide FREYR with battery cell production capacity to deliver on its ambitious growth plans for a more sustainable future, providing equipment, services and know how to industrialise battery cell production. Mpac has made good progress in the development of the customer qualification line which we are to deliver in December 2022.

Strategic progress

Innovation continues to be key to the Group's long term sustainable growth. We are on target to launch our newly developed continuous motion carton tray former at trade shows in the Americas in Q3 2022. Our tray former will enable customers in the biscuit market to replace existing plastic tray packaging for cardboard alternatives to meet their increasing drive towards sustainable packaging solutions. Previously announced progress made in the deployment of the Mpac Cube, which incorporates innovations, focused on improved machine performance, digital enhancements plus further Industry 4.0 enabled technology, has continued with the launch of the Cube factory dashboard, remote performance monitoring and customer access portal.

Supply chain disruption

As communicated on 11 July 2022, the increasing macro-economic uncertainty and unprecedented volatility in the global supply chain has impacted both the timing of customers' order placement and the Group's operations. The sourcing of critical, customer-specified electronic components has been particularly disrupted. Supply chain and operational challenges are expected to continue for the remainder of 2022, before easing in 2023. In the meantime, the Group has been proactive in implementing mitigation measures which include securing alternative sources of electronic component supply, increased focus on reliable planning data from our recently implemented ERP system, close management of our supply chain and implementing price increase and cost savings initiatives. The Group continues to respond dynamically to meet its customers' expectations by investing in inventory and work in progress to ensure we remain a reliable partner.

Financial results

The Group entered the year with a diverse and good quality order book and accordingly sales in the Period were £50.6m (2021: £44.2m), a 14% increase on prior year. Gross profit margins decreased to 21.1% (2021: 33.4%), due to several factors, which includes product and sector mix, investment in clean energy storage sector development line, supply chain disruption, impacting operational efficiency. Order intake in the Period decreased to £32.8m, 36% below the prior year, mainly due to customers placing orders earlier than anticipated in Q4 2021 to secure lead times. We have a £62.6m order book going into the second half of 2022.

Underlying profit before tax was £1.1m (2021: £4.7m). After a net tax charge of £0.4m (2021: £1.0m), underlying profit after tax for the Period was £0.7m (2021: £3.7m). Underlying earnings per share was 3.6p (2021: 18.3p).

The underlying results are stated before pension-related charges of £0.4m (2021: £0.5m), comprising charges in respect of administering the Group's defined benefit pension schemes of £0.7m (2021: £0.6m) and finance income on pension scheme balances of £0.3m (2021: £0.1m), amortisation of acquired intangible assets of £0.8m (2021: £0.9m) and acquisition costs of £0.2m (2021: £0.1m). In addition, the Group commenced a limited level of reorganisation to support the further integration of acquired businesses of which costs of £0.1m were recognised (2021: £0.2m).

On a statutory basis, the loss after tax for the Period was £0.7m (2021: £2.1m profit). The basic loss per share amounted to 3.6p (2021: earnings per share of 10.6p).

Finances

Net cash at 30 June 2022 was £9.5m (30 June 2021: £11.2m; 31 December 2021: £14.5m). Cash balances are impacted by the timing of project order intake and associated working capital cycles.

Net cash outflow from operating activities in the first half of the year was £3.5m, after an increase in working capital levels of £5.1m, due mainly to the timing of project execution, and deficit recovery payments to the Group's defined benefit pension schemes of £1.1m. Capital and product development expenditure in the first half of the year was £0.6m (2021: £0.4m).

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 policy

Having considered the trading results to 30 June 2022, 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 2021. 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 2022 and when the Board believes it is prudent to do so.

Operating performance

Overall revenue increased by 14% to £50.6m (2021: £44.2m) supported by a strong opening orderbook and execution of projects, despite of the operational challenges faced across the business.

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")

Revenue increased by 17% to £39.8m (2021: £34.0m) with progress made towards delivering revenue growth in the period differing markedly by region.

OE revenue in the Americas increased by 1% to £25.0m (2021: £24.7m) while in EMEA OE revenue increased by 55% to £12.9m (2021: £8.3m). Growth in EMEA was primarily due to the continuation of the 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 recovering from the effects of the COVID-19 pandemic at different rates.

Service

Service order intake of £12.9m was level with the prior year and driven mainly by order intake for upgrades. Restrictions to customer interaction and site-based service work continue to impact business development, however as restrictions ease in our key markets, we expect Service order intake growth to accelerate.

Service revenue grew strongly, up 6% to £10.8m (2020: £10.2m) despite the challenges of the pandemic which continued to restrict on-site service provision. Service revenue represented approximately 21% of Group revenue in the Period, which demonstrates the success of the 'Make Service a Business' strategy and our continued investment in remote service provision.

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 2022 shows a surplus of £59.7m (£38.8m net of deferred tax), compared with a surplus of £35.7m (£23.2m net of deferred tax) at 31 December 2021. 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.

The net valuation of the USA pension schemes at 30 June 2022, with total assets of £8.8m, showed a deficit of £2.8m, an increase of £0.3m from 31 December 2021, caused entirely by exchange rate movements.

The aggregate expense of administering the pension schemes was £0.7m (2021: £0.6m). The net financing income on pension scheme balances was £0.3m (2021: £0.2m).

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, Food and Beverage and Clean Energy Storage markets.

Outlook

The Group has a strong order book and robust prospect pipeline and continues to focus on meeting existing customer commitments. We are implementing proactive measures to mitigate the impact of the short-term operational challenges of increasing inflation and supply chain disruption. Financial and managerial resources are available to develop the business, with the prime focus being on organic growth, delivered by leveraging the Group's global position, development of new products and through an improved service offering to customers. In addition, key innovation and development in battery cell automation and, if concluded, a commercial framework agreement with FREYR, will present the Group with an opportunity to be at the forefront of a growing new market.

As set out in the overview section above, the Board believes that the Group is on track to meet the revised market expectations.

While the macro-economic and geopolitical uncertainty looks set to continue, the Board are confident that, supported by long term growth factors in our resilient target end markets and the prior investment in innovation, which has established Mpac as a market leader in high-speed automation and packaging solutions, the development of the Group's business will continue. Accordingly, the Board remains confident in relation to the Group's longer-term prospects.

Tony Steels
Chief Executive

7 September 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**6 months to 30 June 2022 (unaudited)**			6 months to 30 June 2021 (unaudited)		
		Underlying £m	**Non-underlying (note 5) £m**	**Total £m**	Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	4	**50.6**	**-**	**50.6**	44.2	-	44.2
Cost of sales		**(39.9)**	**-**	**(39.9)**	(29.4)	-	(29.4)
Gross profit		**10.7**	**-**	**10.7**	14.8	-	14.8
Distribution expenses		**(3.4)**	**-**	**(3.4)**	(3.1)	-	(3.1)
Administrative expenses		**(5.8)**	**(1.8)**	**(7.6)**	(6.4)	(1.9)	(8.3)
Other operating expenses		**(0.3)**	**-**	**(0.3)**	(0.5)	-	(0.5)
Operating profit/(loss)	4, 5	**1.2**	**(1.8)**	**(0.6)**	4.8	(1.9)	2.9
Financial income		**-**	**0.3**	**0.3**	-	0.1	0.1
Financial expenses		**(0.1)**	**-**	**(0.1)**	(0.1)	(0.1)	(0.2)
Net financing income/(expense)		**(0.1)**	**0.3**	**0.2**	(0.1)	-	(0.1)
Profit/(loss) before tax	4	**1.1**	**(1.5)**	**(0.4)**	4.7	(1.9)	2.8
Taxation		**(0.4)**	**0.1**	**(0.3)**	(1.0)	0.3	(0.7)
Profit/(loss) for the period		**0.7**	**(1.4)**	**(0.7)**	3.7	(1.6)	2.1
Earnings/(loss) per ordinary share							
Basic	7			**(3.6p)**			10.6p
Diluted	7			**(3.6p)**			10.6p

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Notes	12 months to 31 December 2021 (audited) Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	4	94.3	-	94.3
Cost of sales		(65.4)	-	(65.4)
Gross profit		28.9	-	28.9
Distribution expenses		(6.8)	-	(6.8)
Administrative expenses		(12.4)	(0.5)	(12.9)
Other operating expenses		(0.9)	-	(0.9)
Operating profit	4, 5	8.8	(0.5)	8.3
Financial income		-	0.2	0.2
Financial expenses		(0.2)	(0.1)	(0.3)
Net financing expense		(0.2)	0.1	(0.1)
Profit before tax	4	8.6	(0.4)	8.2
Taxation		(0.7)	0.3	(0.4)
Profit for the period		7.9	(0.1)	7.8
Earnings per ordinary share				
Basic	7			39.1p
Diluted	7			38.1p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2022 (unaudited) £m	6 months to 30 June 2021 (unaudited) £m	12 months to 31 Dec 2021 (audited) £m
Profit for the period	**(0.7)**	2.1	7.8
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses)	**23.5**	12.4	20.7
Tax on items that will not be reclassified to profit or loss	**(8.4)**	(4.6)	(7.9)
	15.1	7.8	12.8
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments	**1.2**	-	(0.2)
Effective portion of changes in fair value of cash flow hedges	**(1.0)**	(0.3)	(1.0)
Reclassified to income statement from hedge reserve	**(0.1)**	(0.1)	(0.3)
	0.1	(0.4)	(1.5)
Other comprehensive income for the period	**15.2**	7.4	11.3
Total comprehensive income for the period	**14.5**	9.5	19.1

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 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**
Equity-settled share-based transactions	-	-	-	-	-	**0.3**	**0.3**
Purchase of own shares	-	-	-	-	-	**(0.1)**	**(0.1)**
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**
6 months to 30 June 2021							
Balance at 1 January 2021 on previous basis	5.0	26.0	0.5	3.9	0.8	8.2	44.4
Impact of restatement (note 14)	-	-	-	-	-	1.8	1.8
Balance at 1 January 2021 restated	5.0	26.0	0.5	3.9	0.8	10.0	46.2
Profit for the period	-	-	-	-	-	2.1	2.1
Other comprehensive (expense) / income for the period	-	-	-	-	(0.4)	7.8	7.4
Total comprehensive (expense) / income for the period	-	-	-	-	(0.4)	9.9	9.5
Total transactions with owners, recorded directly in equity	-	-	-	-	-	0.1	0.1
Balance at 30 June 2021	5.0	26.0	0.5	3.9	(0.4)	20.0	55.8
12 months to 31 December 2021							
Balance at 1 January 2021 on previous basis	5.0	26.0	0.5	3.9	0.8	8.2	44.4
Impact of restatement (note 14)	-	-	-	-	-	1.8	1.8
Balance at 1 January 2021 restated	5.0	26.0	0.5	3.9	0.8	10.0	46.2
Profit for the period	-	-	-	-	-	7.8	7.8
Other comprehensive (expense) / income for the period	-	-	(0.2)	-	(1.3)	12.8	11.3
Total comprehensive (expense) / income for the period	-	-	(0.2)	-	(1.3)	20.6	19.1
Equity-settled share-based transactions	-	-	-	-	-	0.3	0.3
Purchase of own shares	-	-	-	-	-	(0.2)	(0.2)
Total transactions with owners, recorded directly in equity	-	-	-	-	-	0.1	0.1
Balance at 31 December 2021	5.0	26.0	0.3	3.9	(0.5)	30.7	65.4

CONDSENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2022 (unaudited) £m**	31 Dec 2021 (audited) £m
Non-current assets			
Intangible assets		**25.4**	25.3
Property, plant and equipment		**4.2**	4.0
Investment property		**0.8**	0.8
Right of use assets		**5.8**	5.8
Employee benefits	6	**59.7**	35.7
Deferred tax assets		**1.5**	1.4
		97.4	73.0
Current assets			
Inventories		**6.3**	5.5
Trade and other receivables		**33.8**	34.5
Current tax assets		**0.2**	0.6
Cash and cash equivalents		**9.5**	14.5
		49.8	55.1
Current liabilities			
Lease liabilities		**(1.8)**	(1.8)
Trade and other payables		**(35.1)**	(39.5)
Current tax liabilities		**(1.2)**	(0.7)
Provisions		**(0.7)**	(0.6)
		(38.8)	(42.6)
Net current assets		**11.0**	12.5
Total assets less current liabilities		**108.4**	85.5
Non-current liabilities			
Interest-bearing loans and borrowings		**(0.9)**	(0.9)
Employee benefits	6	**(2.8)**	(2.5)
Deferred tax liabilities		**(20.6)**	(12.5)
Lease liabilities		**(4.0)**	(4.2)
Deferred contingent consideration		**-**	-
		(28.3)	(20.1)
Net assets		**80.1**	65.4
Equity			
Issued capital		**5.0**	5.0
Share premium		**26.0**	26.0
Reserves		**3.8**	3.7
Retained earnings		**45.3**	30.7
Total equity		**80.1**	65.4

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**6 months to 30 June 2022 (unaudited) £m**	6 months to 30 June 2021 (unaudited) £m	12 months to 31 Dec 2021 (audited) £m
Operating activities				
Operating profit		**(0.6)**	2.9	8.3
Non-underlying items included in operating profit		**1.8**	1.9	0.5
Amortisation		**0.3**	0.4	0.6
Depreciation		**1.0**	0.5	1.8
Other non-cash items		**0.4**	0.3	0.4
Pension payments		**(1.1)**	(1.6)	(2.6)
Working capital movements:				
- increase in inventories		**(0.5)**	(1.4)	(2.2)
- decrease in trade and other receivables		**6.1**	5.0	1.0
- increase in contract assets		**(4.7)**	-	(4.4)
- increase/(decrease) in trade and other payables		**1.5**	(4.8)	(1.1)
- decrease in contract liabilities		**(7.6)**	(5.9)	(0.7)
- increase/(decrease) in provisions		**0.1**	(0.1)	(0.8)
Cash flows from continuing operations before reorganisation		**(3.3)**	(2.8)	0.8
Acquisition and reorganisation costs paid		-	(0.3)	(0.3)
Cash flows from operations		**(3.3)**	(3.1)	0.5
Taxation paid		**(0.2)**	(0.2)	(0.1)
Cash flows (used in) / from operating activities		**(3.5)**	(3.3)	0.4
Investing activities				
Proceeds from sale of property, plant and equipment		**0.1**	0.1	2.0
Acquisition of property, plant and equipment		**(0.6)**	(0.3)	(1.5)
Capitalised development expenditure		**(0.1)**	(0.2)	(0.2)
Payment of deferred consideration		-	-	(0.6)
Cash flows from investing activities		**(0.6)**	(0.4)	(0.3)
Financing activities				
Interest paid		**(0.1)**	(0.1)	(0.3)
Purchase of own shares		-	(0.2)	(0.2)
Principal elements of lease payments		**(0.6)**	(0.3)	(0.9)
Cash flows from financing activities		**(0.7)**	(0.6)	(1.4)
Net decrease in cash and cash equivalents		**(4.8)**	(4.3)	(1.3)
Cash and cash equivalents at 1 January		**14.5**	15.5	15.5
Effect of exchange rate fluctuations on cash held		**(0.2)**	-	0.3
Cash and cash equivalents at period end		**9.5**	11.2	14.5

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 2021 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 2021 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 2023, 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 5 September 2022.

2. Basis of preparation

(a) Statement of compliance

The condensed set of interim financial statements for the 6 months ended 30 June 2022 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 2021.

(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 2021.

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 19 to 23 of the Group's 2021 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 2022			6 months to 30 Jun 2021			12 months to 31 Dec 2021		
	OE	**Service**	**Total**	OE	Service	Total	OE	Service	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue									
Americas	**25.0**	**5.1**	**30.1**	24.7	5.4	30.1	53.4	9.9	63.3
EMEA	**12.9**	**5.1**	**18.0**	8.3	4.1	12.4	17.4	9.3	26.7
Asia Pacific	**1.9**	**0.6**	**2.5**	1.0	0.7	1.7	3.3	1.0	4.3
Total	**39.8**	**10.8**	**50.6**	34.0	10.2	44.2	74.1	20.2	94.3
Gross profit			**10.7**			14.8			28.9
Selling, distribution & administration			**(9.5)**			(10.0)			(20.1)
Underlying operating profit			**1.2**			4.8			8.8
Unallocated non-underlying items included in operating profit			**(1.8)**			(1.9)			(0.5)
Operating profit			**(0.6)**			2.9			8.3
Net financing income / (expense)			**0.2**			(0.1)			(0.1)
Profit before tax			**(0.4)**			2.8			8.2

	30 June 2022	31 Dec 2021
	£m	£m
Segment assets		
Americas	**32.8**	36.9
EMEA	**33.3**	28.7
Asia Pacific	**0.7**	0.5
Total segment assets	**66.8**	64.3
Segment liabilities		
Americas	**(20.9)**	(22.2)
EMEA	**(22.5)**	(25.2)
Asia Pacific	**(0.5)**	(0.3)
Total segment liabilities	**(43.9)**	(45.9)
Segment net assets	**22.9**	18.4
Unallocated net assets	**57.2**	47.0
Total net assets	**80.1**	65.4

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 2022 £m	6 months to 30 June 2021 £m	12 months to 31 Dec 2021 £m
Defined benefit pension scheme administration costs (note 6)	**(0.7)**	(0.6)	(1.2)
Reorganisation costs	**(0.1)**	(0.2)	-
Amortisation of intangibles from business combinations	**(0.8)**	(0.9)	(1.6)
Acquisition costs	**(0.2)**	(0.1)	(0.4)
Deferred and contingent acquisition consideration	**-**	(0.1)	2.4
Profit on disposal of Coventry facility	**-**	-	0.3
Total non-underlying operating expenditure	**(1.8)**	(1.9)	(0.5)
Interest on deferred and contingent acquisition consideration	**-**	(0.1)	(0.1)
Net financing income on pension scheme balances	**0.3**	0.1	0.2
Total non-underlying expense before tax	**(1.5)**	(1.9)	(0.4)

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 2018. The formal valuation of the scheme as at 30 June 2021 is underway and will be completed prior to the year-end. The principal terms of the deficit funding agreement between the Company and the Fund's Trustees, which is effective until 31 July 2024, and is subject to reassessment every 3 years in line with the deficit funding agreement are as follows:

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

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

Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £0.7m (2021: £0.6m) and a net financing income on pension scheme balances of £0.3m (2021: £0.1m). In respect of the UK scheme, the Group paid deficit recovery contributions of £1.0m (2021: £1.0m). No contribution (2021: £0.4m), in accordance with the profit-sharing arrangement in the schedule of contributions, was paid. Contributions to the US scheme totalled £0.1m (2021: £0.3m)

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £59.7m (2021: £26.8m) and the net pension liability of the USA defined benefit pension schemes of £2.8m (2021: £2.3m), all figures before tax.

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

	30 June 2022 £m	31 Dec 2021 £m
UK scheme		
Fair value of assets	**376.2**	453.1
Present value of defined benefit obligations	**(316.5)**	(417.4)
Defined benefit asset	**59.7**	35.7
USA schemes		
Fair value of assets	**8.8**	9.9
Present value of defined benefit obligations	**(11.6)**	(12.4)
Defined benefit liability	**(2.8)**	(2.5)
Total net defined benefit asset	**56.9**	33.2

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 2022	6 months to 30 June 2021	12 months to 31 Dec 2021
Basic – weighted average number of ordinary shares	**20,035,439**	19,898,866	19,920,895
Diluting effect of shares held by the employee trust	**261,568**	63,734	531,118
Diluted – weighted average number of ordinary shares	**20,297,007**	19,962,600	20,452,013

Underlying earnings per share, which is calculated on the earnings before non-underlying items, for the 6 months to 30 June 2022 amounted to 3.6p (6 months to 30 June 2021: 18.3p; 12 months to 31 December 2021: 39.7p).

In the 6 months to 30 June 2022 and 30 June 2021 the effect of dilution was nil pence per share. The effect of the dilution at 31 December 2021 was (1.0)p.

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 2021.

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 2021 Annual Report and Accounts.

10. Contingent consideration

Switchback

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

11. Dividends

Having considered the trading results to 30 June 2022, 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 2021. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2022 trading performance and when the Board believes it is prudent to do so.

12. Half-year report

A copy of this announcement will be made available to shareholders from 8 September 2022 on the Group's website at www.mpac-group.com. This announcement will not be made available in printed form.

13. Future accounting policies

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

14. 2021 restated condensed consolidated statement of changes in equity

Restatements were made at 31 December 2021 following a review of the Group's compliance with certain technical aspects of IAS 12 where additional deferred tax assets were recognised in relation to acquired intangible assets.

As a result of this the condensed consolidated statement of changes in equity was changed to reflect the increase in the opening retained earnings balance as at 1 January 2021 by £1.8m to £10.0m with the corresponding increase flowing through to the closing balance.

These changes had no impact on any of the other statements reported within these condensed consolidated financial statements. These adjustments do not affect the future anticipated performance of the Group.

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 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the 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 2022 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 15 July 2022. 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

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7th September 2022