3 September 2020
AIM: MPAC

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No. 596/2014

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

Mpac, the global packaging and automation solutions Group, today announces its unaudited results for the six months to 30 June 2020

Resilient performance with strong cash generation in headwind of the COVID-19 pandemic

Financial Highlights

- Order book at 30 June 2020 up 14% compared to June 2019 to £45.4m (2019: £39.9m)
- H1 2020 order intake only 6% below comparable period despite several projects deferred due to COVID-19 pandemic
- Group revenue of £36.8m (2019: £45.8m), with a 29% decline in Original Equipment revenues partially offset by a 28% growth in Service revenues
- Underlying profit before tax of £2.5m (2019: £4.5m)
- Underlying earnings per share of 11.0p (2019: 21.3p)
- Statutory profit before tax of £1.4m (2019 £2.9m)
- Basic earnings per share of 6.0p (2019: 12.7p)
- Focused working capital management leading to an increase in net cash to £22.5m (30 June 2019: £9.6m; 31 December 2019: £18.0m)

Operational and Strategic Highlights

- Agility and ingenuity demonstrated by the global leadership to provide essential service support
- Increased use of technology to deploy digital service solutions, enable digital marketing and to develop the innovation roadmap
- Prior establishment of 'Make Service a Business' has benefited the Group with good progress made in growing Service business, despite travel restrictions. Remote Factory Acceptance Tests, prior to shipment, are now the norm
- Benefits accrued from the Group's focus to operate as a single entity under the 'One Mpac' business model with the implementation of common business processes and systems enabling the Group to effectively operate despite travel restrictions

Tony Steels, Chief Executive, commented:

"I am really pleased with the way in which the business responded to the COVID-19 pandemic, demonstrating agility, ingenuity and resilience which contributed to positive financial results and excellent cash generation in the first half of 2020. It further demonstrates the good progress and, in some cases, accelerated the positive impact and value of the strategic objectives we have been working on. During the pandemic we have taken steps to preserve cash, to reduce discretionary spend and focus on our digital marketing presence and on new product development. These measures will place the Group in a strong position going into the second half of the year to leverage the essential and COVID-19 resilient

Healthcare and Food and Beverage growth markets which we supply. We are well placed, serving markets with good underlying demand and therefore the Board believes that the Group's long-term prospects remain positive''.

For further information, please contact:

Mpac Group plc	Tel: +44 (0) 24 7642 1100
Tony Steels, Chief Executive	
Will Wilkins, Group Finance Director	
Shore Capital (Nominated Adviser & Broker)	Tel: +44 (0) 20 7468 7923
Patrick Castle	
Edward Mansfield	
Sarah Mather	
Hudson Sandler	Tel: +44 (0) 20 7796 4133
Nick Lyon	
Nick Moore	

HALF-YEAR MANAGEMENT REPORT

Introduction

Mpac serves customers' needs for ingenious, innovative packaging machinery and automation encompassing Make, Pack, Monitor and Service. We design, precision engineer, manufacture and support high speed automation and packaging solutions, with embedded process monitoring systems. In 2019 we acquired Lambert Automation (Lambert) to further strengthen our position in the market to deliver complete turnkey solutions including the design and integration of packaging systems and lifetime service of our machinery for factory automation and process innovation. Lambert, which has been rebranded Mpac Lambert, is now fully integrated into the Group.

The Group's packaging machinery and automation business is focused on the high growth Healthcare, Pharmaceutical and Food and Beverage markets, which we expect to enjoy long term growth rates of between 4% and 6%.

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

- Robust long-term growth drivers in our target markets
- Heritage of innovative, extensive high-speed packaging machinery and automation solutions
- Global reach with embedded local presence providing exceptional service to our customers
- A talented and engaged workforce

We started 2020 with a healthy and diverse order book. Whilst the pace of execution of these orders was impacted by the need to make our facilities COVID-19 secure, the build progress of the opening order book alongside new orders secured were key drivers behind the positive results for the first half of 2020.

COVID-19

Throughout the pandemic, the health and wellbeing of our employees and their families has remained the Board's primary concern. Implementing appropriate social distancing practices alongside increased emphasis on hygiene and the widespread use of PPE has ensured our facilities were made safe for use and COVID-19 secure early in the pandemic. These measures enabled Mpac to continue to provide essential support for our customers in critical Healthcare, Pharmaceutical and Food and Beverage sectors. Throughout, all sites have continued to operate, albeit at reduced operational levels. By the end of June 2020, almost all direct employees had returned to work and project execution and parts fulfilment activity had returned to pre-COVID-19 levels.

Travel and social distancing restrictions since March have limited the opportunity to complete on-site service work and install and commission equipment. Mpac has utilised digital solutions to provide services remotely to ensure high customer service levels are maintained. We anticipate that travel restrictions will remain a headwind to financial performance for the foreseeable future.

Whilst it remains difficult to predict the length and depth of the impact of the pandemic, measures have been put in place to ensure that Mpac is positioned to take advantage when the market establishes a new norm. Mpac is well positioned to service the essential Healthcare, Pharmaceutical and Food and Beverage sectors that we expect to remain relatively resilient in circumstances where consumers have less disposable income. Proactive measures include the launch of a new website, a virtual exhibition to demonstrate the range of newly developed products and offering customers creative and flexible digital solutions for remote machine acceptance and servicing.

Strategic Progress

We have made further progress in delivering upon our strategic plans, accelerating the use of digital technology, however, short term growth rates have been impacted by the pandemic and several significant prospects were deferred by customers until they have greater visibility on the overall impact. The value of prospects in our pipeline has continued to grow during the pandemic and the market fundamentals remain positive. We have focused our investment during the pandemic in digital marketing, innovative ways to service our customers and in our innovation roadmap.

Our Service business faced specific challenges related to travel and social distancing restrictions, however, there has been a notable increase in the level of spare parts order intake and revenue generation in the first half of the year as customers seek to protect their output. This has offset the reduction in on-site service and installation and commissioning revenue. The work done prior to the pandemic to establish 'Make Service a Business' has helped to ensure that we had the dedicated resource in place to fulfil our customers' requirements with innovative solutions in the period where it has not been possible to provide 'in person' support. Remote Factory Acceptance Tests, prior to shipment, are now the norm.

Our aim to operate as a single entity business model, 'One Mpac', continues to be underpinned by the implementation of common business processes and systems. We will complete the installation of the global ERP system at our first site in 2020 and at the same time Mpac Lambert will have completed the migration to common Mpac Project and Engineering systems.

Financial results

The Group entered the year with a strong order book and no orders have been cancelled in 2020 due to the pandemic. To protect the wellbeing of our employees and to ensure that our facilities were COVID-19 secure alongside appropriate social distancing measures, we were operating at reduced capacity levels. Further, the prior year included strong operational trading with several repeat build projects running in parallel. Consequently, revenue in the six months to 30 June 2020 was £36.8m (2019: £45.8m), a 20% reduction on the same period in the prior year. Order intake in the first half of 2020 was 6% below the same period in 2019 as certain customers are delaying committing to investment in projects until there is greater visibility on the wider economic impact of the crisis. The closing order book for June 2020 remains robust and is up 14% compared to the prior year.

Underlying profit before tax was £2.5m (2019: £4.5m), reflecting the factors which restricted revenue growth in the period. After a net tax charge of £0.3m (2019: £0.3m) underlying profit after tax for the period was £2.2m (2019: £4.2m). Underlying earnings per share was 11.0p (2019: 21.3p).

The underlying results are stated before pension related charges of £0.3m (2019: £0.2m), comprising charges in respect of administering the Group's defined benefit pension schemes of £0.5m (2019: £0.4m) and finance income on pension scheme balances of £0.2m (2019: £0.2m) and amortisation of acquired intangible assets of £0.8m.

On a statutory basis, the profit after tax for the period was £1.2m (2019: £2.6m). The basic earnings per share amounted to 6.0p (2019: 12.7p).

Finances

Net cash on 30 June 2020 was £22.5m (30 June 2019: £9.6m; 31 December 2019: £18.0m). Net cash inflow from operating activities in the first half of the year was £5.6m, after a decrease in working capital levels of £3.5m due to the timing of the Group's order book and after deficit recovery payments to the Group's defined benefit pension schemes of £1.1m. Tax paid in the period was £0.2m. Capital and product development expenditure was a net £0.8m.

The Group maintains bank facilities appropriate to its expected needs including currently undrawn committed borrowing facilities with HSBC UK Bank Plc of £10.0m. These facilities, which are committed until June 2022, 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 2020 and the lack of certainty on the short-term outlook in the light of the COVID-19 pandemic, the Board has decided not to pay an interim dividend. No dividends were paid in 2019. Future dividend payments will be considered by the Board in the context of trading performance and as and when the Board believes it is prudent to do so.

Management changes

Marc Booth joined the Group as the Managing Director of Mpac Lambert ensuring a smooth transition of leadership with Warren Limbert, the former Managing Director and co-owner, scheduled to leave the Group at the end of the year. The board wishes to express their appreciation for Warren's support during the integration of Lambert into the Mpac Group.

Operating performance

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

Progress made in in delivering revenue growth in the period differed by region.

OE revenue in EMEA grew by 52% to £12.0m (2019: £7.9m) while in the Americas OE revenue declined by 53% to £12.8m (2019: £27.2m). Growth in EMEA is primarily due to the full 6 months trading of Lambert included within this half year compared to two months in the prior half year. In 2019, revenue growth in the Americas was driven by the timing of a significant value repeat line order received in late 2018 for execution mainly in the first half of 2019. Revenue development in EMEA and the Americas is heavily dependent upon the timing of individual large value order intake and customers' investment cycles. Sales in Asia Pacific, the first area to be affected by COVID-19, declined to £2.3m (2019: £3.1m).

Sales to the Food and Beverage sector increased by 17%, with several significant contracts secured in late 2019 and early 2020. Pharmaceutical and Healthcare sector revenue declined due to the timing of orders and the strong comparatives from 2019 in the Americas.

OE gross margin in the period was 25.8% (£7.0m) (2019: 27.2% (£10.4m)) with the decrease in profitability due to the process of making all sites COVID-19 secure and the reduction in capacity following the implementation of social distancing practices.

Service

Service order intake in the period was broadly unchanged compared to 2019, with strong growth in the early months of 2020 slowing thereafter as restrictions upon customer interaction and site-based work reduced our ability to deliver key parts of the service offering. As the restrictions ease in our key markets, we expect service order intake growth to return.

Service revenue, despite the challenges of the COVID-19 disruption, continued to show strong growth over 2019 of 28% to £9.7m, demonstrating the success of the 'Make Service a Business' strategy and the improved offering in conjunction with new machine sales. Growth was strong across each of the regions, with each region growing by at least 10% over 2019.

The increased revenue from Service generated a gross margin in the period of £4.3m (2019: £2.7m). Improved operational and supply chain efficiency led to an increase in service margin in the period to 44% (2019: 36%).

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 at 30 June 2020 shows a surplus of £25.7m (£16.9m net of deferred tax), compared with a surplus of £20.4m (£13.2m net of deferred tax) at 31 December 2019. The main drivers of the increase in the surplus was the effectiveness of the liability matching programme and strong growth in asset performance which was partially offset by a decrease in the discount rate.

The net valuation of the USA pension schemes at 30 June 2020, with total assets of £10.5m, showed a deficit of £4.9m, an increase of £1.8m from 31 December 2019.

The aggregate expense of administering the pension schemes was £0.5m (2019: £0.4m). The net financing income on pension scheme balances was £0.2m (2019: £0.2m). Administration of the UK scheme has been successfully outsourced which will enable consideration of targeted member options exercises.

Acquisition strategy

The Board continues to evaluate potential acquisition opportunities that strategically fit and which will enhance our global presence in packaging solutions serving the Healthcare, Pharmaceutical and Food and Beverage markets. An active pipeline of opportunities continues to be progressed.

Outlook

Mpac has demonstrated resilience, agility and ingenuity to navigate the impact of the pandemic, making significant progress with our digital and innovative marketing presence and progressing our new product development roadmap. Key development projects successfully completed include an updated standard module platform technology project and an advanced HMI (Human Machine Interface) to support customer efficiency. A new side load case packer, 'Alisio', was launched to the market along with a suite of Industry 4.0 products to augment our customers' productivity. A virtual trade show was held for customers from all regions. These initiatives have all contributed to both a strong start to the second half of 2020 and to a robust commercial prospect pipeline which we expect to generate further good quality OE project orders.

All facilities have remained open during the pandemic and no orders have been cancelled. Some prospective projects in our sales pipeline, which were expected to be secured in the first half of 2020, have been delayed due to the pandemic. However, as the essential Healthcare, Pharmaceutical and Food and Beverage sectors are expected to be broadly shielded from the impact of the economic crisis, we believe that we are well positioned to continue to meet our longer-term strategic growth objectives. A review of our current prospects indicates that approximately 75% are associated with essential consumer products.

The financial performance in the first half of the year was sound, positive cash was generated and we enter the second half of the year with a good quality and robust order book, underpinned by long-term growth factors in our target markets.

The Group has both the financial and managerial resources available to develop its business, with the prime focus being on organic growth, through leveraging of its global position, development of its products and most particularly through an improved service offering to its customers. In conjunction with this, we are looking at a number of acquisition opportunities which will be complementary to the Group's existing operations.

We anticipate that current general market uncertainty will remain for the foreseeable future and whilst the current order book and prospect pipeline provide assurance for trading in the short term, the longer-term outlook remains difficult to predict. We are, however, well placed, serving markets with good underlying demand and therefore the Board believes that the Group's long-term prospects remain positive.

Tony Steels
Chief Executive

3 September 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**6 months to 30 June 2020 (unaudited)**			6 months to 30 June 2019 (unaudited)		
		Underlying £m	**Non-underlying (note 5) £m**	**Total £m**	Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	4	**36.8**	**-**	**36.8**	45.8	-	45.8
Cost of sales		**(25.5)**		**(25.5)**	(32.7)	-	(32.7)
Gross profit		**11.3**	**-**	**11.3**	13.1	-	13.1
Distribution expenses		**(3.3)**	**-**	**(3.3)**	(3.1)	-	(3.1)
Administrative expenses		**(4.9)**	**(1.3)**	**(6.2)**	(5.0)	(1.8)	(6.8)
Other operating expenses		**(0.5)**	**-**	**(0.5)**	(0.4)	-	(0.4)
Operating profit	4, 5	**2.6**	**(1.3)**	**1.3**	4.6	(1.8)	2.8
Financial income	6	**-**	**0.2**	**0.2**	-	0.2	0.2
Financial expenses	6	**(0.1)**	**-**	**(0.1)**	(0.1)	-	(0.1)
Net financing income	4, 6	**(0.1)**	**0.2**	**0.1**	(0.1)	0.2	0.1
Profit before tax	4	**2.5**	**(1.1)**	**1.4**	4.5	(1.6)	2.9
Taxation	8	**(0.3)**	**0.1**	**(0.2)**	(0.3)	-	(0.3)
Profit for the period		**2.2**	**(1.0)**	**1.2**	4.2	(1.6)	2.6
Earnings per ordinary share							
Basic	9			**6.0p**			12.7p
Diluted	9			**6.0p**			12.6p

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

		12 months to 31 December 2019 (audited)		
	Notes	Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue				
Cost of sales	4	88.8	-	88.8
		(62.8)	-	(62.8)
Gross profit		26.0	-	26.0
Distribution expenses		(7.2)	-	(7.2)
Administrative expenses		(10.3)	(2.4)	(12.7)
Other operating expenses		(0.8)	-	(0.8)
Operating profit	4, 5	7.7	(2.4)	5.3
Financial income	6	-	0.4	0.4
Financial expenses	6	(0.2)	(0.1)	(0.3)
Net financing income	4, 6	(0.2)	0.3	0.1
Profit before tax	4	7.5	(2.1)	5.4
Taxation	8	0.3	0.2	0.5
Profit for the period		7.8	(1.9)	5.9
Earnings per ordinary share				
Basic	9			29.7p
Diluted	9			29.4p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2020 (unaudited) £m	6 months to 30 June 2019 (unaudited) £m	12 months to 31 Dec 2019 (audited) £m
Profit for the period	**1.2**	2.6	5.9
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains	**3.0**	7.9	(0.3)
Tax on items that will not be reclassified to profit or loss	**(1.5)**	(2.7)	0.1
	1.5	5.2	(0.2)
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments	**0.1**	0.4	(0.1)
Effective portion of changes in fair value of cash flow hedges	**(0.3)**	0.6	1.1
	(0.2)	1.0	1.0
Other comprehensive income for the period	**1.3**	6.2	0.8
Total comprehensive income for the period	**2.5**	8.8	6.7

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 2020							
Balance at 1 January 2020	5.0	26.0	1.0	3.9	0.3	11.3	47.5
Profit for the period	-	-	-	-	-	**1.2**	**1.2**
Other comprehensive income/(expense) for the period	-	-	**0.1**	-	**(0.3)**	**1.5**	**1.3**
Total comprehensive income/(expense) for the period	-	-	**0.1**	-	**(0.3)**	**2.7**	**2.5**
Equity settled share based transactions, being total transactions with owners, recorded directly in equity	-	-	-	-	-	**0.2**	**0.2**
Balance at 30 June 2020	**5.0**	**26.0**	**1.1**	**3.9**	**-**	**14.2**	**50.2**
6 months to 30 June 2019							
Balance at 1 January 2019	5.0	26.0	1.1	3.9	(0.8)	5.4	40.6
Profit for the period	-	-	-	-	-	2.6	2.6
Other comprehensive income for the period	-	-	0.4	-	0.7	5.2	6.3
Total comprehensive income for the period	-	-	0.4	-	0.7	7.8	8.9
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Balance at 30 June 2019	5.0	26.0	1.5	3.9	(0.1)	13.2	49.5
12 months to 31 December 2019							
Balance at 1 January 2019	5.0	26.0	1.1	3.9	(0.8)	5.4	40.6
Profit for the period	-	-	-	-	-	5.9	5.9
Other comprehensive income/(expense) for the period	-	-	(0.1)	-	1.1	(0.2)	0.8
Total comprehensive (expense)/income for the period	-	-	(0.1)	-	1.1	5.7	6.7
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 31 December 2019	5.0	26.0	1.0	3.9	0.3	11.3	47.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 (unaudited) £m**	30 June 2019 (unaudited) £m	31 Dec 2019 (audited) £m
Non-current assets				
Intangible assets		**17.1**	17.1	16.9
Property, plant and equipment		**5.3**	6.2	5.6
Investment property		**0.8**	0.8	0.8
Leased assets		**4.5**	5.1	4.7
Other receivables		**-**	0.1	-
Employee benefits	7	**25.7**	29.3	20.4
Deferred tax assets		**1.8**	1.7	1.7
		55.2	60.3	50.1
Current assets				
Inventories		**6.7**	7.3	7.1
Trade and other receivables		**11.8**	23.5	17.2
Contract assets		**10.4**	9.7	4.7
Current tax assets		**0.1**	0.8	0.4
Cash and cash equivalents		**23.4**	10.5	18.9
		52.4	51.8	48.3
Current liabilities				
Trade and other payables		**(21.3)**	(27.2)	(22.9)
Contract liabilities		**(10.9)**	(7.1)	(5.8)
Current tax liabilities		**(0.6)**	(0.4)	(0.7)
Provisions		**(1.2)**	(1.2)	(1.3)
Lease liabilities		**(0.8)**	(0.9)	(0.9)
		(34.8)	(36.8)	(31.6)
Net current assets		**17.6**	15.0	16.7
Total assets less current liabilities		**72.8**	75.3	66.8
Non-current liabilities				
Interest-bearing loans and borrowings		**(0.9)**	(0.9)	(0.9)
Lease liabilities		**(3.8)**	(4.2)	(3.9)
Employee benefits	7	**(4.9)**	(6.2)	(3.1)
Deferred tax liabilities		**(10.3)**	(11.9)	(8.8)
Deferred acquisition consideration		**(2.7)**	(2.6)	(2.6)
		(22.6)	(25.8)	(19.3)
Net assets	4	**50.2**	49.5	47.5
Equity				
Issued capital		**5.0**	5.0	5.0
Share premium		**26.0**	26.0	26.0
Reserves		**5.0**	5.3	5.2
Retained earnings		**14.2**	13.2	11.3
Total equity		**50.2**	49.5	47.5

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**6 months to 30 June 2020 (unaudited) £m**	6 months to 30 June 2019 (unaudited) £m	12 months to 31 Dec 2019 (audited) £m
Operating activities				
Operating profit		**1.3**	2.8	5.3
Non-underlying items included in operating profit		**1.3**	1.8	2.4
Amortisation		**0.1**	0.1	0.2
Depreciation		**0.6**	0.7	1.9
Other non-cash items		**0.2**	(0.2)	0.3
Pension payments		**(1.1)**	(1.3)	(2.9)
Working capital movements:				
- decrease/(increase) in inventories		**0.7**	(3.2)	(3.2)
- decrease/(increase) in trade and other receivables		**5.3**	(1.3)	1.8
- (decrease)/increase in contract assets		**(5.4)**	(3.2)	5.2
- (decrease)/increase in trade and other payables		**(1.9)**	8.0	4.7
- increase/(decrease) in contract liabilities		**4.9**	(9.6)	(11.0)
- (decrease)/increase in provisions		**(0.1)**	0.3	0.4
Cash flows from continuing operations before reorganisation		**5.9**	(5.1)	5.1
Acquisition and reorganisation costs paid		**(0.1)**	(0.3)	(1.0)
Cash flows from operations		**5.8**	(5.4)	4.1
Taxation paid		**(0.2)**	(0.3)	1.0
Cash flows from/ (used in) operating activities		**5.6**	(5.7)	5.1
Investing activities				
Proceeds from sale of property, plant and equipment		**0.1**	-	0.2
Acquisition of property, plant and equipment		**(0.5)**	(1.1)	(1.4)
Capitalised development expenditure		**(0.1)**	(0.1)	(0.3)
Net cash flow on acquisition		**-**	(10.6)	(10.6)
Acquisition of assets under construction		**(0.3)**	-	(0.6)
Cash flows from investing activities		**(0.8)**	(11.8)	(12.7)
Financing activities				
Interest paid		**(0.1)**	(0.1)	(0.1)
Purchase of own shares		**-**	-	(0.1)
Principal elements of lease payments		**(0.4)**	-	(1.0)
Cash flows from financing activities		**(0.5)**	(0.1)	(1.2)
Net decrease in cash and cash equivalents	11	**4.3**	(17.6)	(8.8)
Cash and cash equivalents at 1 January		**18.9**	27.9	27.9
Effect of exchange rate fluctuations on cash held		**0.2**	0.2	(0.2)
Cash and cash equivalents at period end		**23.4**	10.5	18.9

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

1. General information

The half-year results for the current and comparative period are unaudited but have been reviewed by the auditors, Grant Thornton UK LLP, and their report is set out after the notes. The comparative information for the year ended 31 December 2019 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 2019 are available from the Company's registered office at 13 Westwood Way, Westwood Business Park, Coventry, CV4 8HS or from the Group's website at www.mpac-group.com.

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 financial statements was approved by the Board of directors on 1 September 2020.

2. Basis of preparation

(a) Statement of compliance

The condensed set of financial statements for the 6 months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the EU. 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 2019.

(b) Judgements and estimates

The preparation of the condensed set of 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 2019.

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 18 to 20 of the Group's 2019 Annual Report and Accounts and have subsequently been updated to further address the emergent COVID-19 impact.

3. Significant accounting policies

The accounting policies, presentation and methods of computation applied by the Group in this condensed set of 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 financial statements.

4. Operating segments

It is the Group's strategic intention to develop "Make Service a Business", 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 2020			6 months to 30 Jun 2019			12 months to 31 Dec 2019		
	OE	**Service**	**Total**	OE	Service	Total	OE	Service	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue									
Americas	**12.8**	**5.4**	**18.2**	27.2	3.9	31.1	45.8	11.0	56.8
EMEA	**12.0**	**3.4**	**15.4**	7.9	3.1	11.0	17.6	7.2	24.8
Asia Pacific	**2.3**	**0.9**	**3.2**	3.1	0.6	3.7	6.0	1.2	7.2
Total	**27.1**	**9.7**	**36.8**	38.2	7.6	45.8	69.4	19.4	88.8
Gross profit	**7.0**	**4.3**	**11.3**	10.4	2.7	13.1	18.2	7.8	26.0
Selling, distribution & administration			**(8.7)**			(8.5)			(18.3)
Underlying operating profit			**2.6**			4.6			7.7
Unallocated non-underlying items included in operating profit			**(1.3)**			(1.8)			(2.4)
Operating profit			**1.3**			2.8			5.3
Net financing income			**0.1**			0.1			0.1
Profit before tax			**1.4**			2.9			5.4

Disaggregation of revenue – Sales by Market sector	**30 June 2020 £m**	30 June 2019 £m	31 Dec 2019 £m
Pharmaceutical	**1.2**	2.0	2.9
Healthcare	**17.2**	25.3	62.5
Food and Beverage	**16.6**	14.2	19.8
Other	**1.8**	4.3	3.6
Total	**36.8**	45.8	88.8

Net financing expense includes dividends paid on preference shares and the net interest receivable in respect of the defined benefit pension schemes. The Company has in issue 900,000 6% fixed cumulative preference shares. The preference dividend is payable on 30 June and 31 December and amounted to £0.1m in the 12 months ended 31 December 2019.

	30 June 2020 £m	30 June 2019 £m	31 Dec 2019 £m
Segment assets			
Americas	**13.7**	26.2	16.4
EMEA	**27.2**	26.6	25.6
Asia Pacific	**1.1**	0.6	0.5
Total segment assets	**42.0**	53.4	42.5
Segment liabilities			
Americas	**(14.0)**	(19.3)	(12.4)
EMEA	**(25.2)**	(20.3)	(23.0)
Asia Pacific	**(0.4)**	(0.2)	(0.2)
Total segment liabilities	**(39.6)**	(39.8)	(35.6)
Segment net assets	**2.4**	13.6	6.9
Unallocated net assets	**47.8**	35.9	40.6
Total net assets	**50.2**	49.5	47.5

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 costs, restructuring costs, acquisition costs, amortisation of intangibles arising on consolidation and profit on disposal of surplus property are considered non-underlying items as they are not representative of the core trading activities of the Group and are not included in the underlying profit before tax measure reviewed by key stakeholders.

	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	12 months to 31 Dec 2019 £m
Defined benefit pension scheme administration costs (note 7)	**(0.5)**	(0.4)	(1.2)
Reorganisation costs	**-**	(0.1)	(0.3)
Amortisation of intangibles from business combinations	**(0.8)**	(0.2)	(0.9)
Acquisition costs	**-**	(0.8)	(0.9)
Provision in respect of discontinued operations	**-**	(0.3)	(0.2)
US defined benefit pension scheme – Past service gain	**-**	-	1.1
Total non-underlying operating expenditure	**(1.3)**	(1.8)	(2.4)
Interest on deferred and contingent acquisition consideration	**-**	-	(0.1)
Net financing income on pension scheme balances	**0.2**	0.2	0.4
Total non-underlying expense before tax	**(1.1)**	(1.6)	(2.1)

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 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. Net financing income

	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	12 months to 31 Dec 2019 £m
Financial income			
Net interest received on pension scheme balances	**0.2**	0.2	0.4
	0.2	0.2	0.4
Financial expenses			
Preference dividends and interest paid	**-**	(0.1)	(0.1)
Interest on deferred contingent consideration	**-**	-	(0.1)
Lease interest (IFRS 16)	**(0.1)**	-	(0.1)
	(0.1)	(0.1)	(0.3)
Net financing income	**0.1**	0.1	0.1

7. Employee benefits

The Group accounts for pensions under IAS 19 *Employee benefits*. A formal valuation of the UK defined benefit pension scheme (Fund) was carried out as at 30 June 2018. The principal terms of the deficit funding agreement between the Company and the Fund's Trustees, which is effective until 31 July 2024 but subject to reassessment every 3 years, are as follows:

- the Company will continue to pay a sum of £1.9m per annum to the Fund (increasing at 2.1% per annum) in deficit recovery payments;
- if underlying operating profit (operating profit before non-underlying items) in any year is in excess of £5.5m, the Company will pay to the Fund an amount of 33% of the difference between the annual underlying operating profit and £5.5m, subject to a cap on underlying operating profit of £10.0m for the purpose of calculating this payment; this part of the agreement will fall away in 2021 if the funding deficit is below 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 2017, and their assumptions, updated to reflect actual experience and conditions at 31 December 2019 and modified as appropriate for the purposes of IAS 19, have been applied in the condensed set of financial statements.

Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £0.5m (2019: £0.4m) and a net financing income on pension scheme balances of £0.2m (2019: £0.2m). Payments to the Group's UK defined benefit pension scheme in the period included £1.0m (2019: £0.9m) in respect of the agreed deficit recovery plan. Payments to the US defined benefit pension plan were £0.1m (2019: £0.1m).

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £25.7m (2019: £29.3m) and the net pension liability of the USA defined benefit pension schemes of £4.9m (2019: £6.2m), all figures before tax.

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

	30 June 2020 £m	30 June 2019 £m	31 Dec 2019 £m
UK scheme			
Fair value of assets	**441.0**	427.4	423.6
Present value of defined benefit obligations	**(415.3)**	(398.1)	(403.2)
Defined benefit asset	**25.7**	29.3	20.4
USA schemes			
Fair value of assets	**10.5**	17.6	10.4
Present value of defined benefit obligations	**(15.4)**	(23.8)	(13.5)
Defined benefit liability	**(4.9)**	(6.2)	(3.1)
Total net defined benefit asset	**20.8**	23.1	17.3

8. Taxation

The tax charge for the 6 months to 30 June 2020 amounted to £0.2m (6 months to 30 June 2019: £0.3m; 12 months to 31 December 2019: £0.5m credit) and is calculated as follows:

	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	12 months to 31 Dec 2019 £m
Current tax	**0.3**	0.3	(0.3)
Deferred tax	**(0.1)**	-	(0.2)
Total tax charge/(credit)	**0.2**	0.3	(0.5)

The main rate of UK corporation tax is 19% and is now expected to remain at that level for the foreseeable future. The rate of deferred tax liability arising from the surplus in respect of the UK defined benefit pension scheme is 35%.

9. 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.

	6 months to 30 June 2020	6 months to 30 June 2019	12 months to 31 Dec 2019
Basic – weighted average number of ordinary shares	**19,971,967**	19,963,922	19,968,000
Diluting effect of shares held by the employee trust	**217,944**	92,857	178,256
Diluted – weighted average number of ordinary shares	**20,189,911**	20,056,779	20,146,256

Underlying earnings per share, which is calculated on the earnings before non-underlying items, for the 6 months to 30 June 2020 amounted to 11.0p (6 months to 30 June 2019: 21.3p; 12 months to 31 December 2019: 39.5p).

In the 6 months to 30 June 2020 the effect of dilution was nil pence per share.

10. Dividends

Having considered the trading results to 30 June 2020, 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 2019. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2020 trading performance and when the Board believes it is prudent to do so.

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

	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	12 months to 31 Dec 2019 £m
Net increase/(decrease) in cash and cash equivalents	**4.3**	(17.6)	(8.8)
Funds flow from movement in leases	**0.2**	-	-
Change in net funds resulting from cash flows	**4.5**	(17.6)	(8.8)
Translation movements	**0.2**	0.2	(0.2)
Movement in net funds in the period	**4.7**	(17.4)	(9.0)
Opening net funds	**13.2**	27.0	27.0
Recognised on adoption of IFRS16	**-**	-	(4.8)
Closing net funds	**17.9**	9.6	13.2
Analysis of net funds			
Cash and cash equivalents – current assets	**23.4**	10.5	18.9
Interest-bearing loans and borrowings – non-current liabilities	**(0.9)**	(0.9)	(0.9)
Closing net cash	**22.5**	9.6	18.0
Lease liabilities	**(4.6)**	-	(4.8)
Closing net funds	**17.9**	9.6	13.2

12. 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 2019.

At 1 January 2020 and 30 June 2020, the Group held all financial instruments at Level 2 (as defined in IFRS 7 *Financial instruments: disclosures*) and there have been no transfers of assets or liabilities between levels of the fair value hierarchy.

Categories of financial instruments	**30 June 2020 £m**	30 June 2019 £m	31 Dec 2019 £m
Financial assets			
Derivative instruments in designated hedge accounting relationship	**-**	-	0.3
Loans and receivables (including cash and cash equivalents)	**33.5**	34.0	35.3
	33.5	34.0	35.6
Financial liabilities			
Derivative instruments in designated hedge accounting relationship	**-**	0.1	-
Amortised cost	**20.2**	27.0	18.6
Fair value through income statement	**2.7**	2.6	2.6
	22.9	29.7	21.2

Amortised cost comprises interest-bearing loans and borrowings and trade and other payables, excluding foreign currency derivatives.

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

The fair value is the gain/loss on all open forward foreign exchange contracts at the period end. These amounts are based on the market values of equivalent instruments at the period end date and all relate to those forward foreign exchange contracts that have been designated as effective cash flow hedges under IAS 39 *Financial instruments – recognition and measurement*.

13. 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 32 of the 2019 Annual Report and Accounts.

14. Half-year report

A copy of this announcement will be made available to shareholders from 3 September 2020 on the Group's website at www.mpac-group.com. This announcement will not be available in printed form.

15. Future accounting policies

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

16. Business combination

There were no acquisitions in 2020. The acquisition of Lambert in 2019 included the following items:

Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owners of Lambert five times the average EBITDA of Lambert in excess of £2.5m for three years ending 31 December 2021, up to a maximum payment of £2.5m. There is no minimum amount payable.

A further £0.5m of consideration is contingent upon certain tax receipts from HMRC. This balance, along with the associated receivable, are expected to be settled over the next two years.

Revenue and profit contribution

The acquired business contributed revenues of £5.5m and net profit of £1.3m to the group for the period from 1 May 2019 to 30 June 2019. If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2019 would have been £53.9m and £3.5m respectively.

INDEPENDENT REVIEW REPORT TO Mpac Group plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of Mpac Group plc (the 'Group') for the six months ended 30 June 2020 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the related explanatory 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.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. 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.

The impact of macro-economic uncertainties on our review

Our review of the condensed set of financial statements in the half-yearly financial report requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Covid-19 and Brexit. Such reviews assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no review of interim financial information should be expected to predict the unknowable factors or all possible future implications for a Group associated with these particular events.

Conclusion

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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Use of our report

This report is made solely to the company, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham, UK
2 September 2020