2 September 2021
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'', "Company" or "Group")

Strong H1 results with increasing profitability; full year results expected to be ahead of market expectations

Mpac, a global leader in high-speed packaging and automation solutions, today announces its unaudited results for the six months to 30 June 2021 (''the period'')

Financial Highlights

- Strong commercial rebound with a 69% increase in order intake to £51.7m (2020: £30.5m)
- Closing order book grew 12% to £62.0m (June 2020: £45.4m; Dec 2020: £55.5m)
- Group revenue of £44.2m (2020: £36.8m), with a 25% growth in Original Equipment revenue and continued progression in service revenues
- Underlying* profit before tax of £4.7m (2020: £2.5m)
- Underlying* earnings per share of 18.3p (2020: 11.0p)
- Statutory profit before tax of £2.8m (2020: £1.4m)
- Basic earnings per share of 10.6p (2020: 6.0p)
- Net cash of £10.3m (30 June 2020: £22.5m; 31 December 2020: £14.6m)

*Underlying results are stated before pension related charges of £0.5m (2020: £0.3m); amortisation of acquired intangible assets of £0.9m (2020: £0.8m); reorganisation in support of more closely integrating the acquired businesses £0.2m, and other non-underlying items of £0.3m.

Operational and Strategic Highlights

- All employees continue to demonstrate agility and customer focus during the pandemic, keeping themselves and their colleagues safe
- Strong momentum on order intake and enlarged order book with the Americas region driving performance and an improving outlook in EMEA
- Newly acquired Mpac Switchback business fully integrated and exceeding expectations
- Mpac Switchback relocating to a showcase facility which will also function as Mpac USA headquarters
- Regional Service strategy continues to develop with good progress in the USA and the use of digital solutions
- One Mpac unified business processes strategy reached a milestone with go-live of global ERP systems achieving early benefits of shared resources
- Uptick in sales of newly developed products and continuation of customer developed options
- Contract with FREYR, a developer of clean, next-generation, battery cell production capacity

Tony Steels, Chief Executive, commented:

"I am really pleased with the performance of the business in the first half of 2021. The strong momentum from H2 2020 has carried into 2021 with Original Equipment order intake up significantly. We made good progress with the implementation of our strategic objectives which provided the platform for the business to leverage the growth markets in which we operate. The Q3 2020 acquisition of Switchback is continuing to perform well and, with the move to a purpose built Mpac showcase facility, we can demonstrate to our US customers the full suite of Mpac brands, solutions, and services in this critical market. We remain well placed, serving markets with strong underlying demand and are pleased to be upgrading expectations for the full year results given the strength of current trading and our outlook for the second half. The Group's long-term prospects also remain positive''.

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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's business is focused on the high growth Healthcare, Food and Beverage and Pharmaceutical markets, which we expect to enjoy long term annual growth rates of between 4% and 5%.

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

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

Overview

We started 2021 with a good quality, diverse order book and are pleased that the momentum from the second half of 2020 has continued into 2021. Macro-economic factors, such as lengthening global supply chain lead times, materials price increases and availability of skilled labour remain a challenge. However, the Board anticipates that the results for full year 2021 will be above current market expectations, primarily as a result of the increase in the value of the closing half-year order book and the quality of the prospect pipeline for orders in the second half of 2021 and that the Group's long-term prospects are positive.

Strategic Progress

During the period we continued to make good progress in delivering upon our strategic plans. The rapid return to growth was underpinned by the prior investment in our commercial footprint in the Americas and EMEA, alongside market leading sales tools and acceleration of the use of digital technology. Our pipeline has continued to grow across all regions and the market fundamentals remain positive. In 2020 we acquired Switchback to further strengthen our position in the US market and to complement our existing Mpac Langen and Mpac Lambert brands and product portfolios. Since the acquisition, Switchback has been rebranded as Mpac Switchback and has performed ahead of expectations.

Our strategy to 'Make Service a Business' has progressed well with the development of a new combined Service team in the US, providing elevated levels of support to customers and to enhance the Service offering of Mpac Switchback. Our Service business continues to face challenges related to travel restrictions, particularly in EMEA and APAC, however we continue to work closely with customers to find innovative solutions where it has not been possible to provide 'in person' support.

Our aim to operate as a single entity business model, 'One Mpac', reached another milestone during the period and is underpinned by the implementation of common business processes and systems. We successfully completed the implementation of the global ERP system in the period to complement the previous deployment of common engineering, CRM and project management systems, which we anticipate will increase the Group's capacity to accommodate future growth and to increase operational leverage.

COVID-19

Mpac continue to provide uninterrupted essential support for our customers in critical Healthcare, Food and Beverage and Pharmaceutical sectors. Travel restrictions, particularly in EMEA and APAC, continue to restrict opportunities to complete on-site service work and install and commission equipment, however Mpac utilised digital solutions to provide services remotely to ensure high customer service levels are maintained. Mpac is well positioned to service these essential sectors and the business continues to act proactively to promote the range of newly developed products and to offer customers creative and flexible digital solutions for remote machine acceptance and servicing.

Financial results

The Group entered the year with a diverse and good quality order book and accordingly sales in the period were £44.2m (2020: £36.8m), a 20% increase on prior year. Gross margins increased to 33.4% (2020: 30.7%). Order intake in the period was particularly strong, 69% above the prior year, with strong momentum from the second half of 2020 continuing into the first half of 2021. Consequently, the value of our order book going into the second half of 2021 is 12% above the value of the opening order book.

Underlying profit before tax was £4.7m (2020: £2.5m). After a net tax charge of £1.0m (2020: £0.3m), underlying profit after tax for the period was £3.7m (2020: £2.2m). Underlying earnings per share was 18.3p (2020: 11.0p).

The underlying results are stated before pension related charges of £0.5m (2020: £0.3m), comprising charges in respect of administering the Group's defined benefit pension schemes of £0.6m (2020: £0.5m) and finance income on pension scheme balances of £0.1m (2020: £0.2m) and amortisation of acquired intangible assets of £0.9m (2020: £0.8m). In addition, the Group commenced a limited level of reorganisation to support the further integration of acquired businesses of which costs were recognised of £0.2m (2020: £nil).

On a statutory basis, the profit after tax for the period was £2.1m (2020: £1.2m). The basic earnings per share amounted to 10.6p (2020: 6.0p).

The financial results for the period include the results of Mpac Switchback, acquired in in September 2020.

Finances

Net cash on 30 June 2021 was £10.3m (30 June 2020: £22.5m; 31 December 2020: £14.6m). Cash balances reported are impacted by the timing of project order intake and associated working capital cycles. Working capital movements since June have increased net cash above the opening cash balance of January 2021.

Net cash outflow from operating activities in the first half of the year was £3.3m, after an increase in working capital levels of £7.2m, due mainly to the timing of project execution, and deficit recovery payments to the Group's defined benefit pension schemes of £1.6m. Capital and product development expenditure was a net £0.4m.

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 2021 and the outlook in the light of the COVID-19 pandemic, the Board has decided not to pay an interim dividend in respect of the period. No dividends were paid in 2020. 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.

Operating performance

Overall revenue increased by 20% supported by a strong orderbook and execution within the operating sites.

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

Revenue increased by 25% with progress made with delivering revenue growth in the period differing markedly by region.

Sales to the Food and Beverage sector increased by 35%, with several significant contracts secured in late 2020. Pharmaceutical and Healthcare sector revenue declined due to the timing of orders and delays due to reconsideration of investment priorities following the pandemic. The 'Other' category, which includes orders from more specialised industrial sectors and consumer products, grew by £2.7m over 2020 and included an initial order related to clean energy storage.

OE revenue in the Americas grew by 94% to £24.7m (2020: £12.8m) while in EMEA OE revenue declined by 31% to £8.3m (2020: £12.0m). Growth in the Americas was primarily due to the full six months trading of Mpac Switchback included within the period and from the conversion of the strong opening order book. 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 was strong in the period, up 10% on the prior year and driven mainly by order intake for upgrades. Restrictions to customer interaction and site-based service work continue to represent a headwind to business development, however as restrictions ease in our key markets, we expect service order intake growth to accelerate.

Service revenue grew 4%, despite the challenges of the pandemic which continued to restrict on-site service provision. It represented just over 23% of group revenue, in the period under review, 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 2021 shows a surplus of £26.8m (£17.4m net of deferred tax), compared with a surplus of £14.0m (£9.1m net of deferred tax) at 31 December 2020. The main drivers of the increase in the surplus were the effectiveness of the liability matching programme and an increase in the discount rate, 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 2021, with total assets of £10.0m, showed a deficit of £2.3m, a decrease of £0.7m from 31 December 2020.

The aggregate expense of administering the pension schemes was £0.6m (2020: £0.5m). The net financing income on pension scheme balances was £0.1m (2020: £0.2m).

FREYR contract win

As announced on 26 July 2021, the Group signed a contract with FREYR Battery ("FREYR"), a developer of clean, next-generation battery cell production capacity, for the supply of casting and unit cell assembly equipment to the battery cell production line at FREYR's Customer Qualification Plant in Norway. The equipment to be supplied by Mpac Lambert will support FREYR in achieving its ambitious growth plans for a more sustainable future, providing equipment, services and know how to industrialise the battery cell production.

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 Pharmaceutical markets.

Outlook

It has been a positive start to the year with the momentum established in the second half of 2020 flowing through into 2021, resulting in an improved financial performance. Although the challenges of continued travel restrictions, lengthening supply chain lead times and general material and labour cost increases represents a risk to financial performance, the quality and increasing value of the order book going into the second half of 2021, alongside increasing operational efficiencies, will result in our financial results for the full year 2021 exceeding current market expectations. The Group's prospects remain strong, underpinned by long term growth factors in our target markets.

The acquisition of Mpac Switchback in September 2020 provided broader access to the important US market and by bringing all Mpac brands into one US showcase facility, we can further strengthen our support and offering to local customers.

More recently, securing the order for the supply of casting and unit cell assembly equipment to FREYR, a Norway based developer of clean, next-generation battery cell production capacity provides Mpac with an exciting opportunity to be at the forefront of a growing new market.

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.

Overall progress in the development of the Group's business is expected to continue and the Board believes that the Group's prospects remain positive.

Tony Steels
Chief Executive

1 September 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**6 months to 30 June 2021 (unaudited)**			6 months to 30 June 2020 (unaudited)		
		Underlying £m	**Non-underlying (note 5) £m**	**Total £m**	Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	4	**44.2**	**-**	**44.2**	36.8	-	36.8
Cost of sales		**(29.4)**	**-**	**(29.4)**	(25.5)	-	(25.5)
Gross profit		**14.8**	**-**	**14.8**	11.3	-	11.3
Distribution expenses		**(3.1)**	**-**	**(3.1)**	(3.3)	-	(3.3)
Administrative expenses		**(6.4)**	**(1.9)**	**(8.3)**	(4.9)	(1.3)	(6.2)
Other operating expenses		**(0.5)**	**-**	**(0.5)**	(0.5)	-	(0.5)
Operating profit	4, 5	**4.8**	**(1.9)**	**2.9**	2.6	(1.3)	1.3
Financial income	6	**-**	**0.1**	**0.1**	-	0.2	0.2
Financial expenses	6	**(0.1)**	**(0.1)**	**(0.2)**	(0.1)	-	(0.1)
Net financing (expense) / income	4, 6	**(0.1)**	**-**	**(0.1)**	(0.1)	0.2	0.1
Profit before tax	4	**4.7**	**(1.9)**	**2.8**	2.5	(1.1)	1.4
Taxation	8	**(1.0)**	**0.3**	**(0.7)**	(0.3)	0.1	(0.2)
Profit for the period		**3.7**	**(1.6)**	**2.1**	2.2	(1.0)	1.2
Earnings per ordinary share							
Basic	9			**10.6p**			6.0p
Diluted	9			**10.6p**			6.0p

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Notes	Underlying £m	Non-underlying (note 5) £m	Total £m
		12 months to 31 December 2020 (audited)		
Revenue		83.7	-	83.7
Cost of sales	4	(59.4)	-	(59.4)
Gross profit		24.3	-	24.3
Distribution expenses		(6.8)	-	(6.8)
Administrative expenses		(9.9)	(3.6)	(13.5)
Other operating expenses		(1.1)	-	(1.1)
Operating profit	4, 5	6.5	(3.6)	2.9
Financial income	6	-	0.3	0.3
Financial expenses	6	(0.2)	(0.1)	(0.3)
Net financing income	4, 6	(0.2)	0.2	-
Profit before tax	4	6.3	(3.4)	2.9
Taxation	8	-	0.4	0.4
Profit for the period		6.3	(3.0)	3.3
Earnings per ordinary share				
Basic	9			16.3p
Diluted	9			16.2p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2021 (unaudited) £m	6 months to 30 June 2020 (unaudited) £m	12 months to 31 Dec 2020 (audited) £m
Profit for the period	**2.1**	1.2	3.3
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses)	**12.4**	3.0	(8.8)
Tax on items that will not be reclassified to profit or loss	**(4.6)**	(1.5)	2.2
	7.8	1.5	(6.6)
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments	**-**	0.1	(0.5)
Effective portion of changes in fair value of cash flow hedges	**(0.4)**	(0.3)	0.5
	(0.4)	(0.2)	-
Other comprehensive income for the period	**7.4**	1.3	(6.6)
Total comprehensive income for the period	**9.5**	2.5	(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 2021							
Balance at 1 January 2021	5.0	26.0	0.5	3.9	0.8	8.2	44.4
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**
Equity-settled share-based transactions	-	-	-	-	-	**0.3**	**0.3**
Purchase of own shares	-	-	-	-	-	**(0.2)**	**(0.2)**
Equity settled share-based transactions, being 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**	**18.2**	**54.0**
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
12 months to 31 December 2020							
Balance at 1 January 2020	5.0	26.0	1.0	3.9	0.3	11.3	47.5
Profit for the period	-	-	-	-	-	3.3	3.3
Other comprehensive (expense) / income for the period	-	-	(0.5)	-	0.5	(6.6)	(6.6)
Total comprehensive (expense) / income for the period	-	-	(0.5)	-	0.5	(3.3)	(3.3)
Equity-settled share-based transactions	-	-	-	-	-	0.4	0.4
Purchase of own shares	-	-	-	-	-	(0.2)	(0.2)
Equity settled share-based transactions, being total transactions with owners, recorded directly in equity	-	-	-	-	-	0.2	0.2
Balance at 31 December 2020	5.0	26.0	0.5	3.9	0.8	8.2	44.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2021 (unaudited) £m**	31 Dec 2020 (audited) £m
Non-current assets			
Intangible assets		**26.3**	27.4
Property, plant and equipment		**3.4**	5.1
Asset held for resale		**1.4**	-
Investment property		**0.8**	0.8
Right of use assets		**3.6**	4.0
Employee benefits	7	**26.8**	14.0
Deferred tax assets		**1.0**	1.8
		63.3	53.1
Current assets			
Inventories		**4.9**	3.5
Trade and other receivables		**26.5**	32.2
Current tax assets		**0.8**	0.8
Cash and cash equivalents		**11.2**	15.5
		43.4	52.0
Current liabilities			
Trade and other payables		**(32.3)**	(41.1)
Current tax liabilities		**(0.4)**	(0.4)
Provisions		**(1.2)**	(1.4)
Lease liabilities		**(0.7)**	(0.8)
		(34.6)	(43.7)
Net current assets		**8.8**	8.3
Total assets less current liabilities		**72.1**	61.4
Non-current liabilities			
Interest-bearing loans and borrowings		**(0.9)**	(0.9)
Lease liabilities		**(3.2)**	(3.4)
Employee benefits	7	**(2.3)**	(3.0)
Deferred tax liabilities		**(11.1)**	(6.8)
Deferred acquisition consideration		**(0.6)**	(2.9)
		(18.1)	(17.0)
Net assets	4	**54.0**	44.4
Equity			
Issued capital		**5.0**	5.0
Share premium		**26.0**	26.0
Reserves		**4.8**	5.2
Retained earnings		**18.2**	8.2
Total equity		**54.0**	44.4

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**6 months to 30 June 2021 (unaudited) £m**	6 months to 30 June 2020 (unaudited, restated – Note 18) £m	12 months to 31 Dec 2020 (audited) £m
Operating activities				
Operating profit		**2.9**	1.3	2.9
Non-underlying items included in operating profit		**1.9**	1.3	3.6
Amortisation		**0.4**	0.1	0.3
Depreciation		**0.5**	0.6	1.1
Other non-cash items		**0.3**	0.2	0.4
Pension payments		**(1.6)**	(1.1)	(3.0)
Working capital movements:				
- (increase)/decrease in inventories		**(1.4)**	2.8	0.2
- decrease/(increase) in trade and other receivables		**5.0**	5.3	(0.6)
- increase in contract assets / contract fulfilment assets		**-**	(5.4)	(1.7)
- (decrease)/increase in trade and other payables		**(4.8)**	(5.5)	4.1
- (decrease)/increase in contract liabilities		**(5.9)**	6.4	5.4
- (decrease)/increase in provisions		**(0.1)**	(0.1)	0.1
Cash flows from continuing operations before reorganisation		**(2.8)**	5.9	12.8
Acquisition and reorganisation costs paid		**(0.3)**	(0.1)	(0.9)
Cash flows from operations		**(3.1)**	5.8	11.9
Taxation paid		**(0.2)**	(0.2)	(0.7)
Cash flows (used in) / from operating activities		**(3.3)**	5.6	11.2
Investing activities				
Proceeds from sale of property, plant and equipment		**0.1**	0.1	0.2
Acquisition of property, plant and equipment		**(0.3)**	(0.5)	(1.2)
Capitalised development expenditure		**(0.2)**	(0.1)	(1.8)
Net cash flow on acquisition		**-**	-	(10.3)
Acquisition of assets under construction		**-**	(0.3)	-
Cash flows from investing activities		**(0.4)**	(0.8)	(13.1)
Financing activities				
Interest paid		**(0.1)**	(0.1)	(0.2)
Purchase of own shares		**(0.2)**	-	(0.2)
Principal elements of lease payments		**(0.3)**	(0.4)	(0.9)
Cash flows from financing activities		**(0.6)**	(0.5)	(1.3)
Net (decrease)/increase in cash and cash equivalents	11	**(4.3)**	4.3	(3.2)
Cash and cash equivalents at 1 January		**15.5**	18.9	18.9
Effect of exchange rate fluctuations on cash held		**-**	0.2	(0.2)
Cash and cash equivalents at period end		**11.2**	23.4	15.5

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 2020 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 2020 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 2022, 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 financial statements was approved by the Board of directors on 26 August 2021.

2. Basis of preparation

(a) Statement of compliance

The condensed set of financial statements for the 6 months ended 30 June 2021 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 2020.

(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 2020.

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 2020 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 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 2021			6 months to 30 Jun 2020			12 months to 31 Dec 2020		
	OE	**Service**	**Total**	OE	Service	Total	OE	Service	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue									
Americas	**24.7**	**5.4**	**30.1**	12.8	5.4	18.2	36.2	10.5	46.7
EMEA	**8.3**	**4.1**	**12.4**	12.0	3.4	15.4	23.7	7.6	31.3
Asia Pacific	**1.0**	**0.7**	**1.7**	2.3	0.9	3.2	4.2	1.5	5.7
Total	**34.0**	**10.2**	**44.2**	27.1	9.7	36.8	64.1	19.6	83.7
Gross profit			**14.8**			11.3			24.3
Selling, distribution & administration			**(10.0)**			(8.7)			(17.8)
Underlying operating profit			**4.8**			2.6			6.5
Unallocated non-underlying items included in operating profit			**(1.9)**			(1.3)			(3.6)
Operating profit			**2.9**			1.3			2.9
Net financing (expense) / income			**(0.1)**			0.1			-
Profit before tax			**2.8**			1.4			2.9

Disaggregation of revenue – Sales by Market sector	**30 June 2021 £m**	30 June 2020 £m	31 Dec 2020 £m
Pharmaceutical	**1.0**	1.2	3.9
Healthcare	**16.3**	17.2	37.7
Food and Beverage	**22.4**	16.6	34.8
Other	**4.5**	1.8	7.3
Total	**44.2**	36.8	83.7

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 2020.

	30 June 2021 £m	31 Dec 2020 £m
Segment assets		
Americas	**28.6**	28.2
EMEA	**26.0**	30.7
Asia Pacific	**0.5**	0.5
Total segment assets	**55.1**	59.4
Segment liabilities		
Americas	**(15.8)**	(20.7)
EMEA	**(19.6)**	(26.6)
Asia Pacific	**(0.2)**	(0.2)
Total segment liabilities	**(35.6)**	(47.5)
Segment net assets	**19.5**	11.9
Unallocated net assets	**34.5**	32.5
Total net assets	**54.0**	44.4

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 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 2021 £m	6 months to 30 June 2020 £m	12 months to 31 Dec 2020 £m
Defined benefit pension scheme administration costs (note 7)	**(0.6)**	(0.5)	(0.9)
Reorganisation costs	**(0.2)**	-	(0.5)
Amortisation of intangibles from business combinations	**(0.9)**	(0.8)	(1.6)
Acquisition costs	**(0.1)**	-	(0.4)
Deferred and contingent acquisition consideration	**(0.1)**	-	-
UK defined benefit pension scheme – GMP equalisation	**-**		(0.2)
Total non-underlying operating expenditure	**(1.9)**	(1.3)	(3.6)
Interest on deferred and contingent acquisition consideration	**(0.1)**	-	(0.1)
Net financing income on pension scheme balances	**0.1**	0.2	0.3
Total non-underlying expense before tax	**(1.9)**	(1.1)	(3.4)

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 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 2021 £m	6 months to 30 June 2020 £m	12 months to 31 Dec 2020 £m
Financial income			
Net interest received on pension scheme balances	**0.1**	0.2	0.3
	0.1	0.2	0.3
Financial expenses			
Preference dividends and interest paid	**-**	-	(0.1)
Interest on deferred contingent consideration	**(0.1)**	-	(0.1)
Lease interest (IFRS 16)	**(0.1)**	(0.1)	(0.1)
	(0.2)	(0.1)	(0.3)
Net financing (expense) /income	**(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 2020, and their assumptions, updated to reflect actual experience and conditions at 31 December 2020 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 £0.6m (2020: £0.5m) and a net financing income on pension scheme balances of £0.1m (2020: £0.2m). Payments to the Group's UK defined benefit pension scheme in the period included £1.0m (2020: £1.0m) in respect of the agreed deficit recovery plan and £0.3m in respect of the profit-sharing arrangement. Payments to the US defined benefit pension plan were £0.3m (2020: £0.1m).

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £26.8m (2020: £25.7m) and the net pension liability of the USA defined benefit pension schemes of £2.3m (2020: £4.9m), all figures before tax.

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

	30 June 2021 £m	31 Dec 2020 £m
UK scheme		
Fair value of assets	**429.4**	440.9
Present value of defined benefit obligations	**(402.6)**	(426.9)
Defined benefit asset	**26.8**	14.0
USA schemes		
Fair value of assets	**10.0**	10.1
Present value of defined benefit obligations	**(12.3)**	(13.1)
Defined benefit liability	**(2.3)**	(3.0)
Total net defined benefit asset	**24.5**	11.0

8. Taxation – income statement

The tax charge for the 6 months to 30 June 2021 amounted to £0.7m (6 months to 30 June 2020: £0.2m; 12 months to 31 December 2020: £0.4m credit) and is calculated as follows:

	6 months to 30 June 2021 £m	6 months to 30 June 2020 £m	12 months to 31 Dec 2020 £m
Current tax	**0.4**	0.3	0.6
Deferred tax	**0.3**	(0.1)	(1.0)
Total tax charge/(credit)	**0.7**	0.2	(0.4)

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 2021	6 months to 30 June 2020	12 months to 31 Dec 2020
Basic – weighted average number of ordinary shares	**19,898,866**	19,971,967	19,955,307
Diluting effect of shares held by the employee trust	**63,734**	217,944	135,254
Diluted – weighted average number of ordinary shares	**19,962,600**	20,189,911	20,090,561

Underlying earnings per share, which is calculated on the earnings before non-underlying items, for the 6 months to 30 June 2021 amounted to 18.3p (6 months to 30 June 2020: 11.0p; 12 months to 31 December 2020: 31.4p).

In the 6 months to 30 June 2021 and 30 June 2020 the effect of dilution was nil pence per share.

10. Dividends

Having considered the trading results to 30 June 2021, 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 2020. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2021 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 2021 £m	6 months to 30 June 2020 £m	12 months to 31 Dec 2020 £m
Net (decrease)/increase in cash and cash equivalents	**(4.3)**	4.3	(3.2)
Principal elements of lease payments net of new leases recognised	**0.3**	0.2	0.6
Translation movements	**-**	0.2	(0.2)
Movement in net funds in the period	**(4.0)**	4.7	(2.6)
Opening net funds	**10.4**	13.2	13.2
Closing net funds	**6.4**	17.9	10.4
Analysis of net funds			
Cash and cash equivalents – current assets	**11.2**	23.4	15.5
Interest-bearing loans and borrowings – non-current liabilities	**(0.9)**	(0.9)	(0.9)
Closing net cash	**10.3**	22.5	14.6
Lease liabilities	**(3.9)**	(4.6)	(4.2)
Closing net funds	**6.4**	17.9	10.4

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 2020.

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.

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 2020 Annual Report and Accounts.

14. Half-year report

A copy of this announcement will be made available to shareholders from 2 September 2021 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. Contingent consideration

Switchback - £1.4m outstanding, prior to discounting.
The contingent consideration arrangement requires the Group to pay the former owners of Switchback up to US$1.0m (£0.7m) in each of the next two years, 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 $2.1m.

There is no minimum amount payable.

Lambert - £2.5m outstanding, prior to discounting
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.

17. Post balance sheet event

The contract for the sale of the Group's vacant Coventry site exchanged on 23 July for a total consideration of £1.8m. The consideration is being paid to the Group in three equal stages, with the final payment and completion of the property transfer expected in December 2021. The Group received £0.6m on 23 July. Should any of the subsequent payments not be received on time, the building will revert to the Group and no refund of the stage payments made will be due. The site is shown in the statement of financial position as an 'Asset held for sale' at its carrying value of £1.4m. The costs related to the sale have not been finalised but are not expected to exceed £0.2m.

18. 2020 restated cash flow statement

In line with the restatements made at 31 December 2020 to the prior periods, the Group has restated certain balances previously reported, in accordance with IAS 8, to align the treatment of contract assets, contract liabilities and work in progress recognised in relation to contracts more closely to the demands of IFRS 15. This changed the 30 June 2020 cash flow statement, with an increase in the inflows from decreased inventories of £2.1m and contract liabilities of £1.5m, together with an increase to the outflow from a decrease in trade and other payables of £3.6m. These changes do not change any of the key metrics used by the Group, with gross profit, operating profit, profit before and after tax, earnings per share, net current assets and retained earnings remaining unchanged. These adjustments do not affect the future anticipated performance of the Group.

INDEPENDENT REVIEW REPORT TO Mpac Group plc

Introduction

We have reviewed the condensed set of financial statements in the half year management report of Mpac Group plc (the 'Group') for the six months ended 30 June 2021 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 year management 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 year management report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year management report in accordance with the AIM rules.

The annual financial statements of the Group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The condensed set of financial statements included in this half year management report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Our responsibility

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half year management 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 year management report requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as 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 for 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 company 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 year management report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

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
1 September 2021