10 September 2024
AIM: MPAC

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

Half Year Results for the six months to 30 June 2024

Significant revenue, margin and profit growth

Strong order intake and healthy prospects pipeline; confident in the full year and beyond

Mpac (AIM: MPAC), the global packaging and automation solutions Group, today announces its unaudited financial results for the six months to 30 June 2024 (the "Period").

Financial Highlights

£'m	H1 24	H1 23	Change
Total revenue	60.0	52.8	+14%
Statutory profit before tax	3.3	0.2	+3.1m
Basic earnings/(loss) per share	15.0p	(2.2)p	+17.2p
Underlying* profit before tax	4.0	1.9	+111%
Underlying* earnings per share	15.2p	6.5p	+134%
Return on capital employed[2]	18.1%	9.2%	+9%
Net cash/(debt)	(4.9)	2.2	(7.1m)
Order intake	59.7	62.4	(4%)

1) Non-underlying items include pension costs, acquisition-related items and reorganisation costs (note 5)
2) 12 months to 30 June 2024 (comparator 12 months to 30 June 2023)

Operational and Strategic highlights

- A strong financial performance in line with the Board's expectations, with significant revenue, margin and profit growth
- Further expansion of our global strategic key accounts and diversification of our customer base with >30% of OE orders from new customers including three new strategic accounts
- Underlying operating margin increased significantly to 7.5% (H1 2023: 4.2%), underpinned by improved operational efficiencies and project performance
- Good progress made in delivering upon our five-year product roadmap with the launch of our newly developed 'Ostro' mid range cartoner and 'Horizon', top load cartoner, to the market
- The first orders for Ostro cartoners were secured in H1, validating the Group's priorities for innovation to realise future growth
- Automated battery cell assembly achieved at the Freyr Customer Qualification Plant in Norway and good progress made on the Ilika SiSTEM pilot line in the UK
- Order book broadly unchanged from FY 2023

Current trading and outlook

- Current trading is in line with the Board's expectations and the Group has a diverse order book going into H2 2024, providing good revenue coverage supported by a strong prospect pipeline
- Confident in relation to the full year end and, with continued improvement in project margins, in achieving the H2 underlying profit weighting which was announced earlier in the year
- The Group's balance sheet remains strong and, as predicted, the timing of orders led to an expansion of working capital in H1 which is expected to unwind as the projects complete

Adam Holland, Chief Executive Officer, commented:

''I am pleased to report half year trading in line with our expectations. The sound foundations and momentum established in 2023 have continued into H1 2024 and we have seen substantial increases in revenue, gross margin and operating returns. We have made continued progress in our service support to existing customers, and in diversifying our customer base. I remain confident that Mpac is well positioned to take advantage of the attractive opportunities within the substantial markets in which we operate.

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Notes to Editor

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

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

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

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

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

HALF-YEAR MANAGEMENT REPORT

Introduction

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

The Group is focused on the high growth, resilient, Healthcare, Food and Beverage markets and emerging opportunities in the Clean Energy market.

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

- Robust long-term growth drivers in our substantial target Healthcare, Food and Beverage and Clean Energy markets
- Leadership in innovative, high-speed packaging machinery and automation solutions
- Global reach with embedded local presence providing exceptional service to our customers
- A talented and engaged workforce
- Extensive machine installed base to drive Service revenues

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

Overview

Year to date order intake has been strong at £59.7m and is broadly in line with our record prior year which benefited from orders deferred due to the 2022 supply chain disruption (H1 2023: £62.4m). The H1 2024 closing order book of £71.4m (H1 2023: £77.5m) provides extensive coverage over forecast revenue for the remainder of 2024.

We started 2024 with a good coverage over forecast revenue from the opening order book. Revenue generated from OE projects and Service was £60.0m in H1, significantly ahead of the prior year (H1 2023: £52.8m). Gross and operating margins have increased over the prior year, underpinned by increasing operational leverage and efficiency. As has been the case in prior years, operating returns are anticipated to be weighted to the second half due mainly to improved project margins.

The timing of individual orders and project billing milestones has an impact on working capital and we closed H1 with elevated levels of unbilled revenue associated with projects expected to complete in H2 2024 and net debt of £4.9m. The build-up of working capital is expected to unwind as the projects complete.

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

Clean Energy progress

In H1 Mpac secured a further order with Ilika plc to provide assembly equipment for the SiSTEM battery pilot line, in partnership with Tata Group-owned company Agratas and the UK Battery Industrialisation Centre.

Also in H1, we announced that the first successful production trial of 24M technologies SemiSolidTM unit cells, completed at FREYR's Customer Qualification Plant ("CQP") in Mo I Rana, Norway. Mpac continues to take a conservative view of individual Clean Energy opportunities, noting that there remains no certainty around the timing or quantum of future production line orders.

Strategic update

Further good progress has been made on executing on our strategic initiatives, linked to our five-year financial plan under which we seek to accomplish double digit annual growth from the Group's existing businesses and achieve a sustainable double digit return on sales, with a goal of doubling total Group revenue. A key element of our growth strategy is to focus on extending our customer base with new global blue chip key accounts and in H1 2024 Mpac was successful in this regard. The Group secured £10.7m of orders from four new strategic accounts and overall more than 30% of Original Equipment orders were won with new global customers. The Group has also focused on increasing cross-selling into existing global customers and improving the baseline for future revenue growth. Our strategy remains focused on our core markets, but with a broadening customer base, an extended product portfolio and a well-executed Service offering.

Innovation remains one of Mpac's key strategic pillars and is fundamental to the Group's long-term sustainable growth. We made excellent progress in H1 2024 with the launch of two flagship new products to the market. The 'Ostro' is our new mid-range side-load cartoner with the capacity to produce up to 180 cartons per minute. 'Horizon' is our highly flexible first platform for top-load cartoners, offering outstanding performance and efficiency with an average throughput of 80 picks per minute. Both products open up new prospects and markets to Mpac and underpin our growth objectives.

Mpac operates as a single entity business model, 'One Mpac'. The Group continues to benefit from the prior investment in common business systems allowing for increased operational leverage. Resources are utilised across the businesses more effectively, leading to efficiency gains and customer benefits such as reduced project delivery timeframes.

Financial results

The Group entered 2024 with a diverse and good quality order book which, along with a strong H1 order intake resulted in sales in the Period of £60.0m (H1 2023: £52.8m), a 14% increase on prior year. Gross profit margins increased to 28.2% (H1 2023: 23.9%), driven by a stronger product mix in the Period.

Order intake in the Period decreased to £59.7m, 4% below the same Period in the prior year, but 6% above H2 2023, reflecting normal variation in the timing of order intake. We have a £71.4m order book going into the second half of 2024.

Underlying profit before tax was £4.0m (H1 2023: £1.9m). After a net tax charge of £0.9m (H1 2023: £0.5m), underlying profit after tax for the Period was £3.1m (H1 2023: £1.4m). Underlying earnings per share was 15.2p (H1 2023: 6.5p).

The underlying results are stated before pension-related credits/charges of £0.2m (H1 2023: £0.3m), comprising charges in respect of administering the Group's defined benefit pension schemes of £0.5m (H1 2023: £0.4m) and finance income on pension scheme balances of £0.7m (H1 2023: £0.7m), amortisation of acquired intangible assets of £0.8m (H1 2023: £0.8m) and acquisition costs of £0.1m (H1 2023: £nil). In H1 2023 the Group incurred reorganisation costs of £1.2m.

On a statutory basis, the profit after tax for the Period was £3.1m (H1 2023: loss of £0.4m). The basic earnings per share amounted to 15.0p (H1 2023: loss of 2.2p).

Operating performance

Overall revenue increased by 14% to £60.0m (H1 2023: £52.8m) supported by strong order intake and execution of projects.

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

Original Equipment ("OE")

OE order intake decreased by 4% to £44.1m (H1 2023: £46.0m). Our customers in the Healthcare and Food & Beverages markets continue to demonstrate resilient performance despite rising interest rates, fuelling demand for Mpac's products.

Revenue increased by 19% to £44.6m (H1 2023: £37.5m) with the increase being global and driven by the timing of the orders received last year.

OE revenue increased in all geographies with OE revenue in the Americas increasing by 23% to £20.7m (H1 2023: £16.8m) while in EMEA OE revenue increased by 9% to £18.0m (2023: £16.5m) and APAC growing 40% to £5.9m (H1 2023: £4.2m). Growth in EMEA was primarily due to a stronger performance across our traditional markets in healthcare and food & beverage, and the continuing development of the customer qualification battery cell assembly line for FREYR.

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

Service

Service order intake of £15.6m represents a 5% decrease on the strong prior half year, which was 25% up on H1 22.

Service revenue remained in line with prior year at £15.4m (H1 2023: £15.3m) with the prior half year revenue representing a significant increase over previous Periods. Service revenue represented approximately 26% of Group revenue in the Period, which demonstrates the success of Mpac's 'Make Service a Business' strategy.

Finances

Gross cash at 30 June 2024 was £6.0m (30 June 2023: £8.1m; 31 December 2023: £11.0m) after utilisation of the Revolving Credit Facility of £10.0m (30 June 2023: £5.0m, 31 December 2023: £8.0m). Cash balances are impacted by the timing of project order intake and associated working capital cycles.

Net cash outflow from operating activities in the first half of the year was £4.6m, after an increase in working capital levels of £9.8m, due mainly to the timing of deposits from new orders and project execution milestones, with deficit recovery payments to the Group's defined benefit pension schemes of £1.2m. Capital and product development expenditure in the first half of the year was £1.4m (30 June 2023: £1.1m).

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

Dividend

Having considered the trading results to 30 June 2024, together with the opportunities for investment in the growth of the Group, the Board has decided that it is appropriate not to pay an interim dividend in respect of the Period. No dividends were paid in 2023. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of trading performance and when the Board believes it is prudent to do so.

Pension schemes

The Group is responsible for defined benefit pension schemes in the UK and the USA in which there are no active members. The Company is responsible for the payment of a statutory levy to the Pension Protection Fund.

The IAS 19 valuation of the UK scheme as at 30 June 2024 shows a surplus of £33.0m (£24.8m net of deferred tax), compared with a surplus of £32.2m (£20.8m net of deferred tax) at 31 December 2023. The main driver of the increase in the surplus was the contributions made by the Group.

The deferred tax liability related to the scheme surplus fell from £11.4m at 31 December 2023 to £8.2m in the Period, primarily due to the UK tax rate on returned pension scheme surpluses reducing from 35% to 25% from 5 April 2024.

The net valuation of the USA pension schemes at 30 June 2024, with total assets of £7.4m, showed a deficit of £1.6m, a decrease of £0.2m from 31 December 2023, caused primarily by asset performance.

The aggregate expense of administering the pension schemes was £0.5m (H1 2023: £0.4m). The net financing income on pension scheme balances was £0.7m (H1 2023: £0.7m).

Acquisition strategy

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

Outlook

Current trading is in line with the Board's expectations. Margins continue to improve as anticipated and with a strong order book and prospects pipeline, Mpac is well positioned to achieve the previously announced H2 weighting to the financial year.

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

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

Adam Holland
Chief Executive
9 September 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**6 months to 30 June 2024 (unaudited)**			6 months to 30 June 2023 (unaudited)		
		Underlying £m	**Non-underlying (note 5) £m**	**Total £m**	Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	4	60.0	-	60.0	52.8	-	52.8
Cost of sales		(43.1)	-	(43.1)	(40.2)	-	(40.2)
Gross profit		**16.9**	**-**	**16.9**	12.6	-	12.6
Distribution expenses		(5.1)	-	(5.1)	(3.6)	-	(3.6)
Administrative expenses		(7.3)	(1.4)	(8.7)	(6.2)	(2.4)	(8.6)
Other operating expenses		-	-	-	(0.6)	-	(0.6)
Operating profit/(loss)	4, 5	**4.5**	**(1.4)**	**3.1**	2.2	(2.4)	(0.2)
Financial income		**-**	0.7	0.7	-	0.7	0.7
Financial expenses		(0.5)	-	(0.5)	(0.3)	-	(0.3)
Net financing income/(expense)		**(0.5)**	**0.7**	**0.2**	(0.3)	0.7	0.4
Profit/(loss) before tax	4	**4.0**	**(0.7)**	**3.3**	1.9	(1.7)	0.2
Taxation		(0.9)	0.7	(0.2)	(0.5)	(0.1)	(0.6)
Profit/(loss) for the Period		**3.1**	**-**	**3.1**	1.4	(1.8)	(0.4)
Earnings/(loss) per ordinary share							
Basic	7			**15.0p**			(2.2p)
Diluted	7			15.0p			(2.2p)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Notes	12 months to 31 December 2023 (audited)		
		Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	4	114.2	-	114.2
Cost of sales		(82.6)	-	(82.6)
Gross profit		31.6	-	31.6
Distribution expenses		(8.8)	-	(8.8)
Administrative expenses		(14.6)	(3.9)	(18.5)
Other operating expenses		(0.4)	-	(0.4)
Operating profit	4, 5	7.8	(3.9)	3.9
Financial income		-	1.5	1.5
Financial expenses		(0.7)	-	(0.7)
Net financing expense		(0.7)	1.5	0.8
Profit before tax	4	7.1	(2.4)	4.7
Taxation		(1.8)	(0.2)	(2.0)
Profit / (Loss) for the Period		5.3	(2.6)	2.7
Earnings / (Loss) per ordinary share				
Basic	7			13.1p
Diluted	7			13.1p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2024 (unaudited) £m	6 months to 30 June 2023 (unaudited) £m	12 months to 31 Dec 2023 (audited) £m
Profit/(loss) for the Period	**3.1**	(0.4)	2.7
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains	**(0.2)**	2.9	(1.7)
Tax on items that will not be reclassified to profit or loss	**2.3**	(1.2)	-
	2.1	1.7	(1.7)
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments	**(0.5)**	(1.0)	(0.9)
Effective portion of changes in fair value of cash flow hedges	**(0.1)**	0.5	0.4
Reclassified to income statement from hedge reserve	**(0.1)**	0.3	1.3
	(0.7)	(0.2)	0.8
Other comprehensive income for the Period	**1.4**	1.5	(0.9)
Total comprehensive income for the Period	**4.5**	1.1	1.8

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 2024							
Balance at 1 January 2024	5.1	26.0	1.5	3.9	(0.1)	27.6	64.0
Profit for the Period	**-**	**-**	**-**	**-**	**-**	**3.1**	**3.1**
Other comprehensive (expense) / income for the Period	**-**	**-**	**(0.5)**	**-**	**(0.2)**	**2.1**	**1.4**
Total comprehensive (expense) / income for the Period	**-**	**-**	**(0.5)**	**-**	**(0.2)**	**5.2**	**4.5**
Equity-settled share-based transactions	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2024	**5.1**	**26.0**	**1.0**	**3.9**	**(0.3)**	**32.8**	**68.5**
6 months to 30 June 2023							
Balance at 1 January 2023	5.1	26.0	2.4	3.9	(1.8)	26.6	62.2
Profit for the Period	-	-	-	-	-	(0.4)	(0.4)
Other comprehensive (expense) / income for the Period	-	-	(1.0)	-	0.8	1.7	1.5
Total comprehensive (expense) / income for the Period	-	-	(1.0)	-	0.8	1.3	1.1
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Balance at 30 June 2023	5.1	26.0	1.4	3.9	(1.0)	27.9	63.3
12 months to 31 December 2023							
Balance at 1 January 2023	5.1	26.0	2.4	3.9	(1.8)	26.6	62.2
Profit for the Period	-	-	-	-	-	2.7	2.7
Other comprehensive (expense) / income for the Period	-	-	(0.9)	-	1.7	(1.7)	(0.9)
Total comprehensive (expense) / income for the Period	-	-	(0.9)	-	1.7	1.0	1.8
Equity-settled share-based transactions	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Balance at 31 December 2023	5.1	26.0	1.5	3.9	(0.1)	27.6	64.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2024 (unaudited) £m**	31 Dec 2023 (audited) £m
Non-current assets			
Intangible assets		**23.3**	24.0
Property, plant and equipment		**4.4**	4.1
Investment property		**0.8**	0.8
Right of use assets		**5.7**	5.9
Employee benefits	6	**33.0**	32.2
Deferred tax assets		**0.9**	0.9
		68.1	67.9
Current assets			
Inventories		**11.6**	11.1
Trade and other receivables		**52.6**	46.8
Current tax assets		**-**	1.1
Cash and cash equivalents		**6.0**	11.0
		70.2	70.0
Current liabilities			
Lease liabilities		**(1.3)**	(1.3)
Trade and other payables		**(41.1)**	(43.8)
Current tax liabilities		**(1.3)**	(0.9)
Provisions		**(0.7)**	(0.9)
Interest-bearing loans and borrowings		**(10.0)**	(8.0)
		(54.4)	(54.9)
Net current assets		**15.8**	15.1
Total assets less current liabilities		**83.9**	83.0
Non-current liabilities			
Interest-bearing loans and borrowings		**(0.9)**	(0.9)
Employee benefits	6	**(1.6)**	(1.8)
Deferred tax liabilities		**(8.3)**	(11.4)
Lease liabilities		**(4.6)**	(4.9)
		(15.4)	(19.0)
Net assets		**68.5**	64.0
Equity			
Issued capital		**5.1**	5.1
Share premium		**26.0**	26.0
Reserves		**3.6**	3.8
Retained earnings		**33.8**	29.1
Total equity		**68.5**	64.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 June 2024 (unaudited) £m	6 months to 30 June 2023 (unaudited) £m	12 months to 31 Dec 2023 (audited) £m
Operating activities			
Operating profit/(loss)	**3.1**	(0.2)	3.9
Non-underlying items included in operating profit / (loss)	**1.4**	2.4	3.9
Amortisation	**0.4**	0.3	0.8
Depreciation	**1.0**	0.9	2.1
Other non-cash items	**-**	-	-
Pension payments	**(1.2)**	(0.9)	(2.3)
Working capital movements:			
- increase in inventories	**(0.7)**	(0.8)	(1.7)
- (increase) / decrease in trade and other receivables	**(0.7)**	3.7	(0.3)
- (increase) / decrease increase in contract assets	**(6.0)**	(0.6)	1.7
- increase in trade and other payables	**(0.1)**	1.7	1.8
- (decrease) / increase in contract liabilities	**(2.2)**	3.4	3.3
- decrease in provisions	**(0.1)**	(0.1)	(0.1)
Cash flows from continuing operations before reorganisation	**(5.1)**	9.8	13.1
Acquisition and reorganisation costs paid	**(0.1)**	(0.4)	(0.8)
Cash flows from operations	**(5.2)**	9.4	12.3
Taxation received / (paid)	**0.6**	(0.3)	(1.1)
Cash flows (used in) / from operating activities	**(4.6)**	9.1	11.2
Investing activities			
Proceeds from sale of property, plant and equipment	**0.2**	-	-
Acquisition of property, plant and equipment	**(1.0)**	(0.5)	(1.1)
Capitalised development expenditure	**(0.6)**	(0.6)	(1.5)
Payment of deferred consideration	**-**	-	-
Cash flows from investing activities	**(1.4)**	(1.1)	(2.6)
Financing activities			
Interest paid	**(0.3)**	(0.3)	(0.7)
Purchase of own shares	**-**	-	-
Proceeds from borrowings	**2.0**	(3.0)	-
Principal elements of lease payments	**(0.6)**	(0.4)	(1.1)
Cash flows from financing activities	**1.1**	(3.7)	(1.8)
Net increase/(decrease) in cash and cash equivalents	**(4.9)**	4.3	6.8
Cash and cash equivalents at 1 January	**11.0**	4.2	4.2
Effect of exchange rate fluctuations on cash held	**(0.1)**	(0.4)	-
Cash and cash equivalents at Period end	**6.0**	8.1	11.0

NOTES TO ANNOUNCEMENT

1. General information

The half-year results for the current and comparative Period are unaudited but have been reviewed by the auditors, PKF Littlejohn LLP, and their report is set out after the notes. The comparative information for the year ended 31 December 2023 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 2023 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 2025, its financial position, including its cash resources and access to borrowings, and its continuing obligations, including to its defined benefit pension schemes. Having made appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed set of financial statements.

The condensed set of interim financial statements was approved by the Board of directors on 9 September 2024.

2. Basis of preparation

(a) Statement of compliance

The condensed set of interim financial statements for the 6 months ended 30 June 2024 has been prepared in accordance with UK-adopted international accounting standards, and in particular IAS 34 Interim financial reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2023.

(b) Judgements and estimates

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

In preparing the condensed set of financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were of the same type as those that applied to the financial statements for the year ended 31 December 2023.

Mpac is subject to a number of risks which could have a serious impact on the performance of the business. The Board regularly considers the principal risks that the Group faces and how to mitigate their potential impact. The key risks to which the business is exposed are set out on pages 17 to 21 of the Group's 2023 Annual Report and Accounts.

3. Significant accounting policies

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

4. Operating segments

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

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

	6 months to 30 Jun 2024			6 months to 30 Jun 2023			12 months to 31 Dec 2023		
	OE	**Service**	**Total**	OE	Service	Total	OE	Service	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue									
Americas	**20.7**	**7.2**	**27.9**	16.8	7.6	24.4	40.8	15.9	56.7
EMEA	**18.0**	**6.7**	**24.7**	16.5	6.7	23.2	34.0	13.8	47.8
Asia Pacific	**5.9**	**1.5**	**7.4**	4.2	1.0	5.2	7.6	2.1	9.7
Total	**44.6**	**15.4**	**60.0**	37.5	15.3	52.8	82.4	31.8	114.2
Gross profit			**16.9**			12.6			31.6
Selling, distribution & administration			**(12.4)**			(10.4)			(23.8)
Underlying operating profit			**4.5**			2.2			7.8
Unallocated non-underlying items included in operating profit			**(1.4)**			(2.4)			(3.9)
Operating profit			**3.1**			(0.2)			3.9
Net financing income / (expense)			**0.2**			0.4			0.8
Profit before tax			**3.3**			0.2			4.7

5. Non-underlying items and alternative performance measures

Non-underlying items merit separate presentation in the consolidated income statement to allow a better understanding of the Group's financial performance, by facilitating comparisons with prior Periods and assessments of trends in financial performance. Pension administration charges and interest, significant reorganisation costs, acquisition or disposal costs, amortisation of acquired intangible assets, profits or losses arising on discontinued operations, significant impairments of tangible and intangible assets and related taxation are considered non-underlying items as they are not representative of the core trading activities of the Group and are not included in the underlying profit measure reviewed by key stakeholders.

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

	6 months to 30 June 2024 £m	6 months to 30 June 2023 £m	12 months to 31 Dec 2023 £m
Defined benefit pension scheme administration costs (note 6)	**(0.5)**	(0.4)	(1.1)
Reorganisation costs	-	(1.2)	(1.2)
Amortisation of intangibles from business combinations	**(0.8)**	(0.8)	(1.6)
Acquisition costs	**(0.1)**	-	-
Total non-underlying operating expenditure	**(1.4)**	(2.4)	(3.9)
Net financing income on pension scheme balances	**0.7**	0.7	1.5
Total non-underlying expense before tax	**(0.7)**	(1.7)	(2.4)

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

6. Employee benefits

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

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

Formal valuations of the USA defined benefit schemes were carried out as at 1 January 2023, and their assumptions, updated to reflect actual experience and conditions at 31 December 2023 and modified as appropriate for the purposes of IAS 19, have been applied in this set of financial statements.

Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £0.5m (30 June 2023: £0.4m) and a net financing income on pension scheme balances of £0.7m (30 June 2023: £0.7m). In respect of the UK scheme, the Group paid deficit recovery contributions of £1.1m (30 June 2023: £0.9m). Contributions to the US scheme totalled £0.1m (30 June 2023: £0.1m)

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £33.0m (30 June 2023: £35.2m) and the net pension liability of the USA defined benefit pension schemes of £1.6m (30 June 2023: £1.0m), all figures before tax.

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

	30 June 2024 £m	31 Dec 2023 £m
UK scheme		
Fair value of assets	**290.2**	309.0
Present value of defined benefit obligations	**(257.2)**	(276.8)
Defined benefit asset	**33.0**	32.2
USA schemes		
Fair value of assets	**7.4**	7.7
Present value of defined benefit obligations	**(9.0)**	(9.5)
Defined benefit liability	**(1.6)**	(1.8)
Total net defined benefit asset	**31.4**	30.4

7. Earnings per share

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

	6 months to 30 June 2024	6 months to 30 June 2023	12 months to 31 Dec 2023
Basic – weighted average number of ordinary shares	**20,474,424**	20,474,424	20,474,424
Diluting effect of shares held by the employee trust	-	-	-
Effect of shares conditionally granted under the LTIP	**-**	94,849	-
Diluted – weighted average number of ordinary shares	**20,474,424**	20,569,273	20,474,424

Underlying earnings per share, which is calculated on the earnings before non-underlying items, for the 6 months to 30 June 2024 amounted to 15.2p (6 months to 30 June 2023: 6.5p; 12 months to 31 December 2023: 26.2p).

In the 6 months to 30 June 2024 and 30 June 2023 the effect of dilution was nil pence per share. The effect of the dilution at 31 December 2023 was nil pence per share.

8. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2023.

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

9. Related parties

The Group has related party relationships with its directors and with the UK and USA defined benefit pension schemes. There has been no material change in the nature of the related party transactions described in note 30 of the 2023 Annual Report and Accounts.

10. Dividends

Having considered the trading results to 30 June 2024, 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 2023. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2024 trading performance and when the Board believes it is prudent to do so.

11. Half-year report

A copy of this announcement will be made available to shareholders from 10 September 2024 on the Group's website at www.mpac-group.com. This announcement will not be made available in printed form.

12. Future accounting policies

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

13. Subsequent events

On 15th August 2024, Mpac Group plc acquired the trade and certain assets of SIGA Vision Limited ("SIGA"), a UK-based provider of machine vision solutions to the food, beverage and healthcare markets.

Mpac and SIGA have a long history of working together to provide vision solutions to Mpac's packaging machines as well as providing aftermarket support to our customers. The acquisition provides a platform from which Mpac can provide fully integrated support to its existing and future customers with vision-related solutions, a key component in full line packaging automation.

INDEPENDENT REVIEW REPORT TO MPAC GROUP PLC

Conclusion

We have been engaged by the group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprise the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 “Interim Financial Reporting,” and the requirements of the AIM Rules for Companies.

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Responsibilities of directors

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

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

Auditor’s responsibilities for the review of financial information

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

Use of our report

This report is made solely to the company’s directors, as a body, in accordance with the terms of our engagement letter dated 7 August 2024. Our review has been undertaken so that we might state to the company’s directors those matters we have agreed to state to them in a reviewer’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's directors as a body, for our work, for this report, or for the conclusions we have formed.

PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

9 September 2024