4 March 2020

AIM: MPAC

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

Mpac Group plc

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

Mpac, the global packaging and automation solutions Group, today announces its results for the 12 months to 31 December 2019

- Excellent progress made on strategic initiatives resulting in a step change in financial performance
- Successful acquisition and integration of Lambert Automation
- Increase in order intake of 37% compared to 2018 and a closing order book of £52.2m (2018: £53.1m)
- Revenue growth of 52% to £88.8m (2018: £58.3m)
- Underlying profit before tax of £7.5m (2018: £1.4m) and statutory profit before tax of £5.4m (2018: loss £7.4m)
- Underlying earnings per share of 39.5p (2018: 4.5p)
- Basic earnings per share of 29.7p (2018: loss of 30.1p)
- Cash of £18.9m (2018: £27.9m)
- The Board has decided to recommend a final dividend payment of 1.5p per share (2018: nil)

Commenting on the performance and outlook, Tony Steels, Chief Executive, said:
''2019 was a transformational year for Mpac. The Group completed the acquisition of Lambert Automation and has successfully executed its integration into the organisation. Organic growth in order intake and revenue from Original Equipment and Service was in excess of management targets set in our strategic plans. We have ended the year with a high-quality closing order book and with an increasingly healthcare-orientated customer base. The management team are focused on building upon this platform to deliver further organic growth, to leverage an ambitious new product development roadmap and to provide an enhanced service offering to our customers. We continue to evaluate potential complementary acquisition opportunities.

The 2020 financial year has started well and in line with market expectations. The Group intends to continue the development of the ‘One Mpac’ business model and accordingly the Board believes that the Group’s future prospects remain positive''

For further information, please contact:

Mpac Group plc Tony Steels, Chief Executive Will Wilkins, Group Finance Director	Tel: +44 (0) 2476 421100
Shore Capital & Corporate Limited (Nominated Advisor & Broker) *Advisory* Patrick Castle Edward Mansfield Sarah Mather *Broking* Henry Willcocks	Tel: +44 (0) 20 7408 4050
Hudson Sandler Nick Lyon / Nick Moore	Tel: +44 (0) 20 7796 4133

OPERATING REVIEW
Tony Steels

I am pleased to present my report as Chief Executive of Mpac Group plc. Reflecting on the progress that was made in 2019, it can only be described as a transformational year for Mpac. We have made significant progress in our key strategic initiatives and have delivered order intake and revenue growth, the successful acquisition and integration of Lambert Automation Limited ("Lambert") alongside a significantly improved financial performance, underpinned by a high-quality order book.

The Group entered 2019 with an excellent orderbook which needed a combined 'One Mpac' approach in order to convert these orders into delivered solutions on time and to the projected margins. The global team delivered on this challenge, utilising the global supply chain and multi-site capability to ensure the customers' needs were met in full and the financial results were delivered for Mpac.

The acquisition of Lambert in May 2019 was a strategic milestone for the Group. Lambert is a compelling fit with Mpac's strategic intent of being a market leader in the provision of full-line packaging solutions for the pharmaceutical, healthcare and food and beverage sectors. Lambert typically works upstream in its customers' product and production lifecycle, its integration into the Group enables Mpac to offer a more comprehensive and broader range of automation and packaging solutions to its customers. Mpac now has a presence in the medical and healthcare product assembly and packaging market fulfilling the expected increase in demand for wellness products. The integration of Lambert into the Group is complete, with the initial synergies realised and has started to deliver commercial synergies through cross-selling of projects and in providing access to a wider global sales and service infrastructure. During the year the business was rebranded as Mpac Lambert.

The Board initiated an external mid-term review of the strategic plan, which confirmed the fundamentals are on track and guided to an increased focus on the healthcare sector with the ability to provide a full solution to our customers with the capabilities of Mpac Lambert added to the Group, together with further development of the service proposition embracing the Industry 4.0 potential.

Whilst we continue the search for further complementary acquisition targets, management focus remains on delivering organic growth by extending our commercial reach to new customers and with new products and services, supported by a comprehensive development roadmap. The focus of our innovation initiatives in 2019 was directed towards enhancing our range of end-of-line packaging solutions and in developing a unique human machine interface ("HMI") to enhance customers' operational efficiency.

Industry 4.0 is the term coined for the fourth industrial revolution and marks the change of industry towards a more flexible approach to the supply of goods and automatic control of the production process. To meet our customers' demands and expectations, Mpac, as a leader in innovation is developing and delivering features such as 'overall equipment effectiveness' monitoring, predictive maintenance, video instructions and facilitating connectivity via multiple devices through an enhanced HMI. We expect to further showcase these developments at trade shows throughout 2020 and initial customer reaction has been extremely positive.

The nature of the business is project based and, by definition, variable month on month in terms of order intake. A strong focus on our prospects pipeline together with strategic initiatives of operating as a single entity business, 'One Mpac' and driving growth in recurring Service revenue is being implemented to mitigate against variable project demand and deliver consistent financial performance.

I am excited about the next phase for the Group and am extremely pleased about what has been accomplished so far. I believe that we are firmly on track to deliver our long-term strategic plans and to take advantage of our enhanced position in growth sectors.

Trading

The trading performance in 2019 was very strong. Overall order intake for the Group grew by 37% to £87.6m (18% growth excluding the effect of the Lambert acquisition ("like-for-like"), with a significant increase in order intake from our Service business.

The Group entered 2020 with an order book of £52.2m, broadly similar to the opening order book, but with a significantly diversified customer base, reducing our reliance on any individual customer. We remain vigilant to project execution risk and are confident that the 2019 closing order book can be delivered at sold margins. The timing of conversion of prospects to orders continues to vary based on our customers' investment plans. Conversion rates were strong in the second half of 2019 giving confidence in the future prospects of the Group.

Group revenues of £88.8m represented an increase of 52% compared to the previous year (24% like-for-like). Original Equipment revenue grew by 50% to £69.4m, supported by strong growth in the healthcare sector. Service revenue grew by 60% to £19.4m, with significant growth being generated in the Americas.

During 2019 market expectations were upgraded a number of times and, assisted by the earnings enhancing Lambert acquisition, I am delighted to report that underlying profit before tax for the year was £7.5m compared to £1.4m in 2018.

Following the acquisition of Lambert and investment in working capital to support the Group's continued growth the Group cash ended the year at £18.9m (2018: £27.9m) providing the Group with the financial resources required to invest in the strategic initiatives which will deliver profitable growth in future years.

Strategic developments

Further significant progress has been made during 2019 to deliver our five-year strategic plan, originally launched in 2017. As 2019 represented the mid-point in execution of the strategic plan, we commissioned a third-party review of the commercial strategy to assess progress to date and validate the longer term goals. The results confirmed that Mpac remains on track to meet its broader objectives and that the growth opportunity from the sectors in which we operate is aligned to its long-term goals.

I believe that it is due to the implementation of the strategic plans and our continued focus on increasing the scale and diversity of the Group that the business was able to deliver order intake, revenue and underlying profitability growth above previous years and that the recent trajectory is expected to continue into 2020.

Restructuring

During the year the Group took the necessary restructuring actions associated with the integration of Lambert to deliver profitable growth whilst ensuring financial performance across the Group met or exceeded expectations. The Group is committed to ensuring that all aspects of the organisation support the future growth of the business and the targets continue to be met.

Acquisition strategy

The Board continues to evaluate potential acquisition opportunities, the focus of which is to find businesses that will enhance our customer proposition in packaging solutions by extending our product range and our access to broader sectors and add value to the Group.

Moving forward

We continue to pursue our strategic goals, which were recalibrated during the year, and build on the strong foundations made towards achieving the three strategic priorities: Going for Growth, Make Service a Business and Operational Efficiency. Further information on these strategic priorities is provided in the Strategic Update.

Sustainability

At Mpac our sustainability vision is broadening and growing with us. We promise to do our part in protecting the planet's future; partnering with our customers to support their reduction in packaging materials usage and the effective adoption of biodegradable and recyclable materials. Mpac's evolving flexibility and innovative solution designs offer our customers opportunities to achieve their sustainability goals. Mpac encourages internal activities which support the culture and adoption of continuous improvement in sustainability.

Business review

The Group aims to achieve double digit percentage revenue growth over the medium-term, culminating in delivering an improved return on sales, targeted at 10%. To support this intent, we manage the business in two parts, Original Equipment ('OE') and Service and across three regions, Americas, EMEA and Asia.

Individual contracts received by the OE business, and to a lesser extent the Service business, can be large. Accordingly, a few significant orders can have a disproportionate impact on the growth rates seen in individual sectors from year to year.

Revenue by region was split as follows; Americas £56.8m (2018: £26.9m), EMEA £24.8m (2018: £24.7m) and Asia £7.2m (2018: £6.7m).

Revenue by sector was split as follows; food & beverage £19.8m (2018: £32.5m), healthcare £66.1m (2018: £20.2m) and pharmaceutical £2.9m (2018: £5.6m).

Original Equipment

OE revenues of £69.4m were 50% and £23.2m ahead of prior year (20% on a like for like basis). OE order intake of £65.0m was 25% and £13.0m ahead of prior year (£4.2m and 8% higher on a like for like basis).

Our focus on our three key sectors continued to drive our success, with an outstanding performance in the healthcare sector as well as revenue in the region from Mpac Lambert contributing to Americas OE revenue in the period increasing to £45.8m from £20.5m in 2018.

EMEA revenue in the period was £17.6m compared to £20.1m in 2018. Revenue from first of a kind equipment showed a reduction in the year, reflecting a lower proportion of revenue from projects to the mainly UK customer base.

Asia revenue, predominantly driven by the food and beverage sector, increased 7% to £6.0m compared to £5.6m in 2018.

Overall order prospects remain strong, especially in the healthcare sector and activity levels across the OE business remain high, such that the business is well positioned moving into 2020.

Service

Order intake for the Service division grew significantly in 2019 to £22.6m from £11.9m in the prior year. The growth in order intake predominantly originated from the Americas and healthcare sector where we extended our Service offering to include production support agreements.

Revenue in 2019 of £19.4m was £7.3m or 60% above the prior year, again driven by the Americas and healthcare sector. As revenue from OE continues to grow, further commercial opportunities arise to offer customers revenue generating support for our equipment.

Americas revenue in the year was £11.0m compared to £6.4m in 2018. EMEA revenue in the year was £7.2m compared to £4.6m in 2018. Asia revenue of £1.2m was unchanged compared to 2018.

Coronavirus

We remain in close contact with our supply chain in China and, whilst there was a delayed return to work after the national holidays, production has restarted and we do not currently expect a delay to the supply of parts. Our supply chain from China currently represents a small element of our global supply chain. Travel restrictions to Asia have been put in place for our own employees.

We continue to monitor the situation carefully across our customer, supplier and employee base to understand the risk, especially with our key OEM suppliers and the impact of delays in their supply chain, particularly relating to electronic and other specialist components originating from China or other affected areas.

Certain customers with sites in Asia are implementing travel restrictions for their staff which has the potential to impact on the timing of order placement or project acceptance for a small number of projects.

Outlook

Significant progress has been made in the execution of our long-term strategy and we continue to focus on the growth sectors in which the Group currently operates: the pharmaceutical, healthcare and food and beverage sectors. The Group has both the financial and managerial resource available to develop the business, with the prime focus being on organic growth. This will be delivered through the leveraging of its global position, development of its products and an improved and expanded service offering to its customers. We continue to evaluate potential complementary acquisition opportunities.

The global marketplace is beginning to be influenced by the requirements associated with Industry 4.0 and customer demands associated with these developments fit well with the value that Mpac has to offer and the technology Mpac has in development. Through the 'One Mpac' business model and a rich history of innovative packaging machinery and automation solutions, we are in an enviable position to serve our customers with efficient, connected and reliable solutions.

The Group entered 2020 with a similar scale of order book to the previous year but with a broader portfolio of customers, alongside an updated technology and product portfolio delivered by our innovation roadmap. 2020 has started well with this foundation and a strong operational and management team, and after taking into consideration our view of the impact of the spread of the coronavirus, the Group's future prospects remain positive.

Strategic Update

Our strategic review identified three key initiatives to drive growth:

Going for Growth – Offering customers comprehensive "Make, Pack, Monitor, Service" solutions in our target sectors.

Make Service a Business – Providing customers with a comprehensive portfolio of service products to ensure they maximise their return on investment.

Operational Efficiency – Operational excellence and flexibility of supply chain to increase responsiveness to investment cycles.

<u>Going for Growth</u>

Our five-year strategic plan is to develop the business through organic growth in our target growth sectors of pharmaceutical, healthcare and food and beverage. To enable this, we created a global sales approach under our single entity model, 'One Mpac', offering innovative packaging machinery solutions from our extensive portfolio of engineered modules. The strategy and objectives were validated during 2019 with the support of a third-party assessment of our approach. We remain confident that the overall growth targets remain accessible, underpinned by the execution of our technology and innovation roadmap which will accelerate progress in achieving our strategic aims in the growth sectors of pharmaceutical, healthcare and food and beverage.

Order intake and revenues increased in 2019, providing the necessary scale for the Group. We have continued to deploy our commercial excellence programme to new members of our sales team and further development of strategic selling to key accounts. The Group made a major investment in the USA sales team during the year which has already positively impacted growth and improved prospects. The acquisition of Mpac Lambert provides a step change opportunity to cross sell automation and packaging solutions to common customers and our commercial teams from across the Group are generating qualified opportunities to leverage the Group's extended product, solutions and technology offering. Cross selling of the existing product and service offering to new and existing customers is a clear target, ensuring we better understand their evolving needs and extend our customer proposition with a broader solution approach.

The Group has undertaken a review of our market approach and digital platform customer proposition and as a result, Mpac Lambert has launched an Mpac branded website (www.mpac-lambert.com) and aligned its commercial approach to the wider Mpac Group which has been positively received. Further investment in our online presence will continue in 2020.

We will continue our commercial excellence programme with further training modules aimed at increasing our win ratio and expanding our customer base through our geographic reach.

Innovation remains the key to long term sustainable growth and during the year we developed equipment to expand our end of line packaging offering alongside innovations focussed on improved machine performance together with the Industry 4.0 enabled technology.

<u>Make Service a Business</u>

Our customers have an extensive globally installed base which they expect to run continuously at high levels of overall equipment efficiency. The trends towards Industry 4.0 and its enabling technological platforms support our strategy to work with our customers to ensure they maximise their return on investment throughout the life-cycle of the equipment. We offer comprehensive service, monitoring and maintenance programmes to maximise uptime and minimise cost of production through our global service business.

The focus remains to ensure that the Service business teams work closely with every customer to understand their current and future needs and to tailor contracted service programme agreements aimed at customer productivity improvements. Working across our strategic lines, our Excellence in Service programme is an initiative focused on quick response and high spare part availability for our global customers, which has already begun to increase service revenue.

Service business growth will be supported by new OE product launches during the year, the technology within which will enable customers to optimise their production processes and improve product quality through greater equipment connectivity, data extraction and interpretation as well as enable Mpac to deliver a wider range of more planned service.

<u>Operational Efficiency</u>

Our consistent aim is to be a customer focused, responsive and flexible Group achieved through organisational excellence, underpinned by a global supply chain and supported by a single business model, 'One Mpac'. The cross utilisation of resources is now the norm as opposed to an exception.

During 2019 we commenced a project to harmonise our global ERP landscape and to leverage the work previously completed in deploying common engineering design platforms to our manufacturing sites. Additionally, operational integration of Lambert's project management and engineering systems and processes has started, for completion in 2020.

The acquisition of Lambert presented an opportunity to access an established low-cost supply chain in our existing businesses, the benefits of which started to be realised in 2019.

Mpac business model 'One Mpac'

We have operations around the world and industry-leading technologies. None of that is possible, of course, without the intelligence and commitment of our people. Having a highly skilled, technical workforce in place and ensuring everyone can contribute at their highest level and grow in their position over the long term enables us to win as a team. Through 'One Mpac', we are developing leaders, whilst engaging and empowering our global workforce. With strong leaders, engaged people and common processes we strengthen the organisation and create value for our customers and shareholders.

Tony Steels

Chief Executive

FINANCIAL REVIEW

Will Wilkins

Revenue and operating results

Group revenue in the year was £88.8m (2018: £58.3m). Revenue in the Original Equipment ('OE') division was £69.4m (2018: £46.2m) and revenue in the Service division was £19.4m (2018: £12.1m). Gross profit was £26.0m (2018: £14.0m) and underlying selling, distribution and administration costs were £18.3m (2018: £12.6m).

Underlying operating profit was £7.7m (2018: £1.4m). Underlying profit after tax was £7.8m (2018: £0.9m) and statutory profit for the period was £5.9m (2018: £6.0m loss).

Non-underlying items

The loss before tax for the year from non-underlying items was £2.1m (2018: £8.8m). This comprised £1.9m of costs, interest and amortisation relating to the acquisition of Lambert (2018: £nil), a credit of £1.1m (2018: £nil) relating to past service gains following an exercise to offer members of the US pension scheme alternative options, £0.8m (2018: £0.7m) of administration costs and interest relating to the Group's defined benefit pension schemes, a provision of £0.2m (2018: £nil) relating to the 2017 disposal of the tobacco business and restructuring costs of £0.3m (2018: £0.8m). In 2018, £7.3m of past service costs for GMP pension scheme equalisation were recognised.

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 costs, restructuring costs and acquisition related charges 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.

Reconciliation of underlying profit before tax to profit /(loss) before tax

	2019	**2019**	2018	2018
	£m	**£m**	£m	£m
Underlying profit before tax		**7.5**		1.4
Non-underlying items				
Defined benefit pension scheme – past service cost GMP equalisation	**-**		(7.3)	
Defined benefit pension scheme – US pension past service gain	**1.1**		-	
Defined benefit pension scheme – other costs and interest	**(0.8)**		(0.7)	
Reorganisation costs	**(0.3)**		(0.8)	
Acquisition costs and acquired intangible asset amortisation	**(1.9)**		-	
Provision in respect of discontinued operation	**(0.2)**		-	
Non-underlying items total		**(2.1)**		(8.8)
Profit / (loss) before tax		**5.4**		(7.4)

Restructuring

The Group undertook a limited number of restructuring initiatives during the year to reshape the Group to achieve its strategic objectives and support its ongoing growth, with changes made within the UK Head Office and Coventry site.

Interest and taxation

Net financing income was £0.1m (2018: £0.2m), which includes a net financing income of £0.4m (2018: £0.2m) on pension scheme balances. Underlying financing costs increased by £0.1m during the year as a result of the adoption of IFRS16 Leases. The tax credit on underlying profit before tax was £0.3m (2018: tax charge £0.5m), mainly due to a number of one-off events and the relative changes in the global location of Group revenue. The total tax credit on the Group's profit before tax was £0.5m (2018: £1.4m).

Dividends

Having considered the trading results for 2019, together with the opportunities for investment in the growth of the Group, the Board is recommending recommencement of dividend payments with a final dividend of 1.5p per ordinary share. No interim dividend was paid in 2019. Subject to approval at the Annual General Meeting on 6 May 2020 the final dividend will be paid on 15 May 2020 to ordinary shareholders registered at the close of business on 17 April 2020, at a cost of £0.3m.

Cash, treasury and funding activities

Cash at the end of the year was £18.9m (2018: £27.9m). Net cash inflow before reorganisation was £5.1m (2018: £1.1m), after an increase in working capital of £2.1m (2018: £1.9m decrease) and defined benefit pension payments of £2.9m (2018: £3.0m). Reorganisation payments of £1.0m (2018: £1.0m) were made in the year. Net taxation receipts were £1.0m (2018: £1.0m paid). Capital expenditure on property, plant and equipment was £1.4m (2018: £1.1m), capital expenditure on assets under construction was £0.6m (2018: £nil) and capitalised product development expenditure was £0.3m (2018: £0.3m).

The acquisition of Lambert brought a step-change in the levels of working capital required in the Group. The business was acquired with an unusually high level of cash (£6.2m) due to the timing of customer orders. These orders have progressed during the year, increasing the working capital in use to close to the expected level for the enlarged Group.

The acquisition of Lambert resulted in an immediate net cash outflow of £10.6m. Deferred consideration of up to £3.0m is expected to fall due over the coming three years, predominantly in 2022. It is pleasing to report that the acquired business continues to perform ahead of the criteria required for full payment of the deferred consideration.

The Group entered into a five-year funding agreement with HSBC during the year, which provides the Group with a £10.0m revolving credit facility to support future growth. This facility also provides a number of other opportunities to more proactively manage the Group's cash and ensure that the Group is well placed to react to opportunities, both organic and acquisition related, as they arise.

There were no significant changes during the year in the financial risks, principally currency risks and interest rate movements, to which the business is exposed, and the Group treasury policy has remained unchanged. The Group does not trade in financial instruments and enters into derivatives (mainly forward foreign exchange contracts) solely for the purpose of minimising currency exposures on sales or purchases in other than the functional currencies of its various operations.

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 IAS 19 valuation of the UK scheme's assets and liabilities was undertaken as at 31 December 2019 and was based on the information used for the funding valuation work as at 30 June 2018, updated to reflect both conditions at the 2019 year end and the specific requirements of IAS 19. The smaller US defined benefit schemes were valued as at 31 December 2019, using actuarial data as of 1 January 2017, updated for conditions existing at the year end. Under IAS 19 the Group has elected to recognise all actuarial gains and losses outside of the income statement.

The IAS 19 valuation of the UK scheme resulted in a net surplus at the end of the year of £20.4m (2018: £20.5m), which is included within the Group's and Company's assets. The value of the scheme's assets at 31 December 2019 was £423.6m (2018: £398.2m) and the value of the scheme's liabilities was £403.2m (2018: £377.7m). The scheme was largely protected from the sharp reduction in the main discount rate by the liability matching strategy agreed between the trustee and the Company, which was implemented early in 2019 and continues to evolve as the scheme matures.

The IAS 19 valuations of the US pension schemes showed an aggregated net deficit of £3.1m (2018: £6.2m) with total assets of £10.4m (2018: £16.3m). This halving of the deficit was achieved through a combination of a successful exercise undertaken to provide scheme members with alternative options for their scheme benefits and strong asset returns. The options exercise resulted in the scheme being halved in size, with the consequent reduction in both the liability of the Group and the risk to which the Group is exposed.

During the year the Company made payments to the UK defined benefit scheme of £1.9m (2018: £1.9m) in respect of the deficit recovery plan. The Company paid a one-off amount to the Fund of £0.1m (2018: £0.1m), representing 10% of the net proceeds in the year (after costs and taxation) from the sale of the Instrumentation & Tobacco Machinery division. Payments of £0.9m (2018: £1.0m) were made to the US schemes in the year.

In 2019 the UK scheme's triennial valuation as at 30 June 2018 was completed, with the reported deficit reducing to £35.2m (30 June 2015: £69.6m). The contributions remained at the same level, but the recovery period reduced to six years and one month (30 June 2015: 14 years 2 months). Further details are shown in note 4.

Equity

Group equity at 31 December 2019 was £47.5m (2018: £40.6m). The movement arises mainly from the profit for the period of £5.9m, a net actuarial loss in respect of the Group's defined benefit pension schemes of £0.2m and currency translation gains on foreign currency net investments of £1.0m, all figures are stated net of tax where applicable.

Will Wilkins

Group Finance Director

CONSOLIDATED INCOME STATEMENT

	Note	**2019** Underlying £m	**2019** Non-underlying (note 3) £m	**2019** Total £m	2018 Underlying £m	2018 Non-underlying (note 3) £m	2018 Total £m
Revenue	2	**88.8**	**-**	**88.8**	58.3	-	58.3
Cost of sales		**(62.8)**	**-**	**(62.8)**	(44.3)	-	(44.3)
Gross profit		**26.0**	**-**	**26.0**	14.0	-	14.0
Distribution expenses		**(7.2)**	**-**	**(7.2)**	(5.0)	-	(5.0)
Administrative expenses		**(10.3)**	**(2.4)**	**(12.7)**	(7.2)	(9.0)	(16.2)
Other operating expenses		**(0.8)**	**-**	**(0.8)**	(0.4)	-	(0.4)
Operating profit/(loss)	2, 3	**7.7**	**(2.4)**	**5.3**	1.4	(9.0)	(7.6)
Financial income		**-**	**0.4**	**0.4**	0.1	0.2	0.3
Financial expenses		**(0.2)**	**(0.1)**	**(0.3)**	(0.1)	-	(0.1)
Net financing (expense)/income		**(0.2)**	**0.3**	**0.1**	-	0.2	0.2
Profit/(loss) before tax		**7.5**	**(2.1)**	**5.4**	1.4	(8.8)	(7.4)
Taxation		**0.3**	**0.2**	**0.5**	(0.5)	1.9	1.4
Profit/(loss) for the period		**7.8**	**(1.9)**	**5.9**	0.9	(6.9)	(6.0)
Earnings/(loss) per ordinary share							
Basic	5			**29.7p**			(30.1)p
Diluted	5			**29.4p**			(30.1)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019 **£m**	2018 £m
Profit/(loss) for the period	**5.9**	(6.0)
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains	**(0.3)**	8.3
Tax on items that will not be reclassified to profit or loss	**0.1**	(2.9)
	(0.2)	5.4
Items that may be reclassified subsequently to profit or loss		
Currency translation movements arising on foreign currency net investments	**(0.1)**	(0.6)
Effective portion of changes in fair value of cash flow hedges	**1.1**	(1.0)
	1.0	(1.6)
Other comprehensive income for the period	**0.8**	3.8
Total comprehensive income/(expense) for the period	**6.7**	(2.2)

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
Balance at 1 January 2018	5.0	26.0	1.7	3.9	0.2	6.0	42.8
Loss for the period	-	-	-	-	-	(6.0)	(6.0)
Other comprehensive (expense)/income for the period	-	-	(0.6)	-	(1.0)	5.4	3.8
Total comprehensive expense for the period	-	-	(0.6)	-	(1.0)	(0.6)	(2.2)
Balance at 31 December 2018	5.0	26.0	1.1	3.9	(0.8)	5.4	40.6
Profit for the period	-	-	-	-	-	**5.9**	**5.9**
Other comprehensive (expense)/income 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**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2019**	2018
		£m	£m
Non-current assets			
Intangible assets		**16.9**	1.0
Property, plant and equipment		**5.6**	4.4
Investment property		**0.8**	0.8
Right of use assets		**4.7**	-
Employee benefits		**20.4**	20.5
Deferred tax assets		**1.7**	1.7
		50.1	28.4
Current assets			
Inventories		**7.1**	3.3
Trade and other receivables		**17.2**	16.9
Contract assets		**4.7**	5.5
Current tax assets		**0.4**	0.8
Cash and cash equivalents		**18.9**	27.9
		48.3	54.4
Current liabilities			
Lease liabilities		**(0.9)**	-
Trade and other payables		**(22.9)**	(14.7)
Contract liabilities		**(5.8)**	(11.6)
Current tax liabilities		**(0.7)**	(0.4)
Provisions		**(1.3)**	(1.1)
		(31.6)	(27.8)
Net current assets		**16.7**	26.6
Total assets less current liabilities		**66.8**	55.0
Non-current liabilities			
Interest-bearing loans and borrowings	7	**(0.9)**	(0.9)
Employee benefits	4	**(3.1)**	(6.2)
Deferred tax liabilities		**(8.8)**	(7.3)
Lease liabilities		**(3.9)**	-
Deferred contingent consideration		**(2.6)**	-
		(19.3)	(14.4)
Net assets		**47.5**	40.6
Equity			
Issued capital		**5.0**	5.0
Share premium		**26.0**	26.0
Reserves		**5.2**	4.2
Retained earnings		**11.3**	5.4
Total equity		**47.5**	40.6

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	**2019** **£m**	2018 £m
Operating activities			
Operating profit/(loss)		**5.3**	(7.6)
Non-underlying items included in operating profit		**2.4**	9.0
Amortisation		**0.2**	0.2
Depreciation		**1.9**	0.6
Other non-cash items		**0.3**	-
Pension payments		**(2.9)**	(3.0)
Working capital movements:			
- (increase) in inventories		**(3.2)**	1.7
- decrease in contract assets		**1.8**	(1.3)
- decrease in trade and other receivables		**5.2**	(1.3)
- increase in trade and other payables		**4.7**	(1.4)
- increase in provisions		**0.4**	0.1
- (decrease) in contract liabilities		**(11.0)**	4.1
Cash flows from continuing operations before reorganisation		**5.1**	1.1
Acquisition and reorganisation costs paid		**(1.0)**	(1.0)
Cash flows from operations		**4.1**	0.1
Taxation received/(paid)		**1.0**	(1.0)
Cash flows from/(used in) operating activities		**5.1**	(0.9)
Investing activities			
Interest received		**-**	0.1
Proceeds from sale of property, plant and equipment		**0.2**	0.1
Capitalised development expenditure		**(0.3)**	(0.3)
Acquisition of assets under construction		**(0.6)**	(1.1)
Acquisition of property, plant and equipment		**(1.4)**	-
Net cash flow on acquisition		**(10.6)**	-
Cash flows used in investing activities		**(12.7)**	(1.2)
Financing activities			
Interest paid		**(0.1)**	(0.1)
Purchase of own shares		**(0.1)**	-
Principal elements of lease payments		**(1.0)**	-
Cash flows used in financing activities		**(1.2)**	(0.1)
Net decrease in cash and cash equivalents	6	**(8.8)**	(2.2)
Cash and cash equivalents at 1 January		**27.9**	30.3
Effect of exchange rate fluctuations on cash held		**(0.2)**	(0.2)
Cash and cash equivalents at 31 December 2019		**18.9**	27.9

NOTES TO ANNOUNCEMENT

1. General information

The Group's accounts have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards that were effective at 31 December 2019 and adopted by the EU.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018. Statutory accounts for 2018 have been delivered to the Registrar of Companies. The auditors have reported on the 2019 and 2018 statutory accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

2. Operating segments

Segment information

	12 months to 31 Dec 2019			12 months to 31 Dec 2018		
	OE	**Service**	**Total**	OE	Service	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue						
Americas	**45.8**	**11.0**	**56.8**	20.5	6.4	26.9
EMEA	**17.6**	**7.2**	**24.8**	20.1	4.6	24.7
Asia Pacific	**6.0**	**1.2**	**7.2**	5.6	1.1	6.7
Total	**69.4**	**19.4**	**88.8**	46.2	12.1	58.3
Gross profit			**26.0**			14.0
Selling, distribution & administration			**(18.3)**			(12.6)
Underlying operating profit			**7.7**			1.4
Unallocated non-underlying items included in operating profit/(loss)			**(2.4)**			(9.0)
Operating profit/(loss)			**5.3**			(7.6)
Net financing income			**0.1**			0.2
Profit/(Loss) before tax			**5.4**			(7.4)

Geographical information

	Revenue (by location of customer)			
	2019	**2019**	2018	2018
	£m	**%**	£m	%
UK	**10.1**	**11**	11.6	20
Europe (excl. UK)	**13.7**	**16**	12.0	21
Africa & Middle East	**1.1**	**1**	1.1	2
USA	**52.0**	**59**	22.7	38
Americas (excl. USA)	**4.6**	**5**	4.2	7
Asia Pacific	**7.3**	**8**	6.7	12
	88.8	**100**	58.3	100

3. Non-underlying items

	2019	2018
	£m	£m
Acquisition costs and deferred consideration interest	**(1.0)**	(0.1)
Amortisation of acquired intangible assets	**(0.9)**	-
Provision in respect of discontinued operations	**(0.2)**	-
US defined benefit pension scheme – past service gain from options exercise	**1.1**	-
UK defined benefit pension scheme – Past service cost for GMP equalisation	**-**	(7.3)
Defined benefit pension scheme administration costs and interest	**(0.8)**	(0.7)
Reorganisation costs	**(0.3)**	(0.7)
Total non-underlying expense before tax	**(2.1)**	(8.8)

4. 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, is 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 above certain levels; and
- payments of dividends by Mpac Group plc will not exceed the value of payments being made to the Fund in any one year.

Formal valuations of the USA defined benefit schemes were carried out as at 1 January 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.

Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £1.2m (2018: £0.9m) and a net financing income on pension scheme balances of £0.4m (2018: £0.3m). Payments to the Group's UK defined benefit pension scheme in the period included £1.9m (2018: £1.9m) in respect of the agreed deficit recovery plan. The Company paid a one-off amount to the fund of £0.1m (2018: £0.1m), representing 10% of the net proceeds received in the year (after costs and taxation) from the sale of the Instrumentation & Tobacco Machinery division.

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £20.4m (2018: £20.5m) and the net pension liability of the USA defined benefit pension schemes of £3.1m (2018: £6.2m), all figures before tax.

5. Earnings per share

Basic earnings per ordinary share is based upon the profit for the period of £5.9m (2018: £6.0m loss) and on a weighted average of 19,968,000 shares in issue during the year (2018: 19,932,786). The weighted average number of shares excludes shares held by the employee trust in respect of the Company's long-term incentive arrangements.

Underlying earnings per ordinary share amounted to 39.5p for the year (2018: 4.5p) and is based on underlying profit for the period of £7.8m (2018: £0.9m), which is calculated on profit before non-underlying items.

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

	2019 £m	2018 £m
Net decrease in cash and cash equivalents	**(8.8)**	(2.2)
Change in net funds resulting from cash flows	**(8.8)**	(2.2)
Translation movements	**(0.2)**	(0.2)
Movement in net funds in the period	**(9.0)**	(2.4)
Opening net funds	**27.0**	29.4
Recognised on adoption of IFRS16	**(4.8)**	-
Closing net funds	**13.2**	27.0

7. Analysis of net funds

	2019 £m	2018 £m
Cash and cash equivalents – current assets	**18.9**	27.9
Interest-bearing loans and borrowings – non-current liabilities	**(0.9)**	(0.9)
Lease liabilities	**(4.8)**	-
Closing net funds	**13.2**	27.0

8. Business combination

On 1 May 2019 Mpac acquired the entire issued share capital of Lambert Automation Limited ("Lambert"), a provider of technology leading automation solutions to the medical and consumer healthcare sectors, for an initial consideration of £15m (subject to adjustment for working capital movements) with a further £3.0m subject to Lambert achieving certain earn-out criteria and tax recoveries, which the Group anticipates will be met in full. It is expected that the acquisition will be materially earnings enhancing.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	16.8
Contingent consideration (see below)	2.6
Total purchase consideration	19.4

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value £m
Cash and cash equivalents	6.2
Property, plant and equipment	1.1
Trade name	1.4
Customer relationships	4.2
Know-how	4.9
Inventories	0.8
Receivables	4.9
Contract assets	1.2
Right of use assets	1.8
Right of use liabilities	(1.8)
Payables	(3.8)
Contract liabilities	(5.4)
Deferred tax on intangible assets	(1.8)
Net identifiable assets acquired	13.7
Add: goodwill	5.7
	19.4

The goodwill is attributable to Lambert's strong position and profitability for the pharmaceutical, healthcare and food and beverage sectors expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

The amortisation of the acquired intangible assets in the period totalled £0.9m and is included in non-underlying items in the income statement.

Acquisition-related costs

Acquisition-related costs of £0.9m are included in administrative expenses in non-underlying items in the income statement.

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.

The fair value of the contingent consideration arrangement of £2.6m was estimated by calculating the present value of the future expected cash flows. The Group's forecasts identify that the maximum deferred consideration will be payable. Under IFRS3, the company is required to discount the contingent consideration at a rate reflective of the risk of the amounts not falling due. This results in a discount to the total amount of £0.4m, which is expected to be amortised over the period to which the amounts fall due through the interest charge. The interest during the period was £0.1m.

Acquired receivables

The fair value of trade and other receivables is £4.9m and includes trade receivables with a fair value of £4.3m. The gross contractual amount for trade receivables due is £4.4m of which £0.1m is expected to be uncollectible.

Revenue and profit contribution

The acquired business contributed revenues of £16.5m and net profit of £2.3m to the Group for the period from 1 May 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax for the year ended 31 December 2019 would have been £96.9m and £6.8m respectively.

9. Annual Report and Accounts

Shareholders will be notified, on or around 1 April 2020 of the availability of the Annual Report and Accounts, together with the Company's Notice of Annual General Meeting ("AGM"), on the Group's website at www.mpac-group.com. Shareholders that have elected to receive a hard copy of the Annual Report and Accounts, together with the Notice of AGM will receive them on or around 1 April 2020. Details of arrangements for voting at the AGM will also be notified to shareholders at the same time. The AGM will be held at 12 noon on 6 May 2020 at the offices of Hudson Sandler LLP, 25 Charterhouse Square, Barbican, London, EC1M 6AE.