6 March 2018
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")
(formerly Molins PLC)

Mpac, the global packaging solutions group, today announces its results for the 12 months to 31 December 2017

Highlights

- Excellent progress on the Group's strategic initiatives
- Increase in order intake from continuing operations of 21% and order book 35% higher than at the start of 2017
- Sales from continuing activities of £53.4m (2016: £41.5m)
- Underlying profit before tax of £1.1m (2016: £1.5m loss)
- Statutory profit before tax from continuing activities of £4.3m (2016: £3.1m loss)
- Statutory profit after tax of £1.6m (2016: £0.6m loss)
- Underlying earnings per share of 4.2p (2016: loss of 6.0p)
- Basic earnings per share from continuing activities of 12.2p (2016: loss of 12.3p)
- Net cash of £29.4m (2016: £0.8m)
- Sale of the Instrumentation and Tobacco Machinery (I&TM) business
- The Directors have decided not to recommend payment of a final dividend

Commenting on the performance and outlook, Tony Steels, Chief Executive, said:

"The business made excellent progress on its strategic initiatives following the sale of the I&TM division, a substantial part of the Group. Execution of the strategy for the continuing business has accelerated and is now focused on the growth markets in which it currently operates, in the Pharmaceutical, Healthcare and Food and Beverage sectors. The Group has both the financial and managerial resources 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 services offering to its customers. Suitable complementary acquisition targets will also be considered when identified.

The Company entered 2018 with a stronger order book than a year before, and with a greater focus, progress continues in the development of the continuing operations , and with order intake and sales both strongly ahead of last year the Group's future prospects remain positive."

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OPERATING REVIEW

Tony Steels

I am delighted to present my report following my first full year as Chief Executive of Mpac Group plc. As I commented last year, I believe the business has great opportunities based on the following fundamental strengths:

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

Having now spent over a year visiting our facilities, engaging with our employees and our customers around the world, I believe that these fundamental strengths place Mpac in a strong position for continued growth.

The Group's continuing packaging machinery business is focused on the high growth Pharmaceutical, Healthcare and Food and Beverage markets, which are expected to enjoy long term growth rates of between 4 to 5%.

Mpac serves customer needs for Ingenious, Innovative Packaging Machinery encompassing, Make, Pack, Test and Service. We design, precision engineer and manufacture high speed packaging solutions, first-of-a-kind machinery and high specification automation, secondary packaging equipment and end-of-line robotics and at-line instrumentation and testing solutions. In addition, we provide complete turnkey solutions including the design and integration of packaging systems.

Trading

Trading improved markedly in 2017. Order intake for the Group grew by 21% to £61.1m as the Group's growth strategies started to gain traction within the organisation.

Group continuing revenues of £53.4m increased by 29% as the impact of the improved order intake increased the work load on our operational facilities. Overall sales to the Pharmaceutical market grew 7%, with an increase seen in the service business. Sales to the Food and Beverage markets grew by 31%, while Healthcare grew by 25%.

Underlying profit before tax was in line with market expectations at £1.1m, an increase of £2.6m over the £1.5m underlying loss before tax recorded in 2016.

Group net cash ended the year at £29.4m following receipt of the proceeds from the disposal of the Instrumentation & Tobacco Machinery (I&TM) division, net of additional pension contributions, of £23.5m, and the proceeds on sale of the Group's Canadian property of £6.8m. The strong cash position will enable the Group to continue to invest in the business, both in capital items and in the development of new products.

Moving forward the Group entered 2018 with an order book of £34.4m, an increase of 35% over the December 2016 position of £25.5m.

Strategic developments

2017 has been a year of tangible progress on the strategy laid out at the start of the year.

As a result of the strategic initiatives, the business performance improved compared with the previous year with excellent progress on order intake delivering increased sales and a turnaround to profitability.

Sale of Instrumentation & Tobacco Machinery (I&TM) division

The strategic review, which concluded in 2016, recognised that the Group's accessible markets have two contrasting dynamics:

- the Pharmaceutical, Healthcare, Food and Beverage end-markets for the Group's Packaging Machinery division are expanding at up to 5 per cent per annum and have attractive underlying long-term growth drivers such as urbanisation, convenience and health awareness; and
- the nicotine delivery market, although cash generative and relatively stable, is undergoing a shift as sales of

traditional products are under pressure due to health concerns, government taxation schemes and the introduction to the market of a large number of new nicotine delivery products.

On 1 August 2017, the Group completed the sale of the I&TM division to G.D S.p.a (a subsidiary of Coesia S.p.a) for a gross consideration of £30.0m. Net proceeds, after costs, taxation, and additional pension contributions, were £23.5m. The sale of this division was consistent with the strategy adopted by the Board, with the tobacco business being identified as being relatively low growth, and will enhance the platform from which to accelerate the growth of the continuing Group.

Change of name to Mpac Group plc

The Group took the opportunity to refocus the continuing operations under a new global brand Mpac Group plc, and shareholder approval for the change of name was granted at a shareholder meeting held in January 2018. The rebrand to Mpac further reinforces the transition of the business to a fully focused Packaging Machinery solution provider and opens up a new chapter in the Company's history.

Sale of property in Canada

In line with the plans to improve the operational efficiency of the Group, in December 2017, the Company's Canadian subsidiary company, Langen Packaging Inc (Langen), completed the sale of its freehold property at 6154 Kestrel Road, Mississauga, Ontario for a gross consideration of C$11.7m. The business has moved into a purpose-built facility in the same region.

The newly built facility provides a superb environment from which to operate, including a customer showroom to showcase its capabilities, assembly and acceptance facilities that enable Mpac to serve its customers even more effectively, with a workplace for employees to be proud of. This facility provides a platform for further growth in the Americas region.

The proceeds from the sale of both the I&TM division and the Canadian property are expected to be used for the development of the Group in line with the strategic objectives of organic growth and acquisitions which are complementary to our strategy.

New premises in Singapore

The Group invested in a new expanded facility in Singapore, which allows the Group to concentrate further on supporting our global customer network. The new leased facilities provide a modern office environment which is a positive experience for both customers and employees, and provides a platform for future development of sales in the Asia Pacific region.

Restructuring

During the year the Group took the opportunity to strengthen the executive leadership team within the business, with the addition of a Services Director, Human Resources Director, and Group Finance Director. Following divestment of the I&TM division, the new leadership team will be more focused on delivering the strategic plan and capitalising on the positive market dynamics.

Our new customer focused regional growth strategy will be further enhanced by changes to the management team. In 2017 our people agenda concentrated on transforming our organisational structure. Mpac is a relatively small company and every person counts. Getting the organisation operating efficiently is essential to grow the business. We made changes in 2017 to enable us to do that, with a new leadership team in Mississauga (Canada) and important site leadership changes in Wijchen (Netherlands) and the development of the sales teams throughout the Group.

Restructuring costs were also incurred in the closure and move of the Mississauga facility.

Acquisition strategy

The Board continues to evaluate potential acquisition opportunities, the focus of which is to find businesses that will enhance our presence in packaging solutions in the Pharmaceutical, Healthcare, Food and Beverage markets and add value to the Group.

Moving forward

Looking ahead, progress made towards achieving the three strategic priorities, Going for Growth, Make Service a Business and Operational Efficiency, is highlighted in the Strategy Update.

Business review

The Group aims to achieve double digit revenue growth over the medium term, delivering an improving Return on Sales aimed 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 one significant order can have a disproportionate impact on the growth rates seen in individual markets from year to year.

Original Equipment (OE)

Order intake in the OE business was 29% ahead of 2016. In the Americas and EMEA significant increases in order intake were seen across each of our main Healthcare, Pharmaceutical and Food and Beverage markets. Asia also saw strong order intake with orders received primarily from the Food and Beverage markets.

Overall, the OE division saw a 40% year on year increase in turnover, with sales to the Food and Beverage market growing by 47% and sales to the Healthcare market saw a growth rate of 38%.

Americas sales in the period were £16.4m (2016: £13.6m). During the year sales to the Food and Beverage market more than doubled, while sales to the Healthcare market saw a growth rate of 23%.

EMEA sales in the period were £15.8m (2016: £11.2m) an increase of 41%. In the Pharmaceutical markets the investment plans of a major customer were directed towards Europe which resulted in sales to the region increasing significantly. In 2016 a similar sale to the same major customer was recorded in the Americas. Sales to the Healthcare market increased by 60%. Offsetting this, a change in mix saw sales to the Food and Beverage market reduced by 17%.

Asia Pacific sales, predominantly driven by the Food and Beverage market, more than doubled in the period to £8.2m.

Gross profit margins in the OE business increased to 22.8% (2016: 18.8%).

Overall order prospects remain strong, and activity levels across the OE business remain high, such that the business is well positioned moving into 2018.

Service

Order intake in the Service division was 3% ahead of 2016, and turnover increased by 3% year on year to £13.0m. A new Services Director joined the business in July 2017 and has progressed with building the Service team. By the end of the year the Group further increased focus on the expansion of the Service business, with the recruitment of a number of additional service engineers and support staff, which will give added momentum to the sales projected for 2018. We saw progress as the order intake increased towards the end of the year.

Americas sales in the period were £6.8m (2016: £6.3m). Service sales to the Food and Beverage market increased by 20%, offsetting a slight reduction in sales to the Healthcare market. Overall order intake in the region was ahead of 2016, with order prospects remaining strong as we enter 2018.

EMEA sales in the period were £4.6m (2016: £4.6m). Order intake in the period was broadly in line with sales. The region saw a change in mix in sales with an increase in sales to the Pharmaceutical market offset by a softening in Healthcare activity. Asia sales in the period were £1.6m (2016: £1.8m).

A change in mix from spare parts to additional equipment sales reduced service gross margins in the year.

Outlook

The business made excellent progress on its strategic initiatives following the sale of the I&TM division, a substantial part of the Group. Execution of the strategy for the continuing business has accelerated and is now focused on the growth markets in which it currently operates, in the Pharmaceutical, Healthcare and Food and Beverage sectors. The Group has both the financial and managerial resources 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 services offering to its customers. Suitable complementary acquisition targets will also be considered when identified.

The Company entered 2018 with a stronger order book than a year before, and with a greater focus, progress continues in the development of the continuing operations, and with order intake and sales both strongly ahead of last year the Group's future prospects remain positive.

Strategy Update

Our strategic review identified three key initiatives to drive growth:

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

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.

Going for Growth

Our plans were set out last year to develop the business through organic growth in our target markets of Pharmaceutical, Healthcare, Food and Beverage. To enable this, we created a global sales approach under our single entity model, offering innovative Packaging Machinery solutions from our extensive portfolio of engineered modules.

The sale of the I&TM division during the year was transformational in supporting our growth strategy. This move will accelerate progress in achieving our strategic aims with the entire focus of the continuing business being the growth markets of Pharmaceutical, Healthcare, Food and Beverage.

The commercial excellence programme implemented last year for our global sales and sales support teams was focused on providing professional training on strategic selling to bring the whole team to a consistent, higher level of performance and on to a common set of processes and procedures. This new methodology has been positively adopted and embedded in our CRM system which provides strong pipeline management tools.

The move to a new showcase facility in Mississauga, near Toronto, Canada, was successfully completed and provides a customer focused environment. The innovation centre, customer acceptance zones and multiple break out rooms will ensure that we develop even closer customer relationships.

Similarly, post-sale of the I&TM division a new office was established in Singapore in order to ensure our customers continue to have locally embedded support and to provide us scope to develop our growth plans.

During 2018 we will launch the new name and branding of Mpac through all communication channels and showcase the new identity branding at major regional exhibitions.

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

Key account management growth with existing customers is a clear target, ensuring we better understand their evolving needs and extend our customer proposition with a broader solution approach.

The growth will be supported by an exciting schedule of new product launches during 2018.

Make Service a Business

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

A new Service business leadership team was formed during the year bringing in the necessary skills and mindset to bring focus to this opportunity and offer deliverable implementation plans. Onboarding the new team and structure has begun and is key to the future success.

The new facilities in Mississauga and Singapore together with our European bases provide our customers with local direct support and a network of expert knowledge to draw upon.

An exercise was completed to verify the installed base and to assess potential customer productivity improvement opportunities leading to progress on developing service agreements with key customers.

The focus for the coming year will be to ensure that the newly formed Service business team work closely with every customer to understand their needs and to tailor service programme agreements aimed at productivity improvements.

Excellence in Service will also be an initiative focused on quick response and high spare part availability for our global customers.

Service business growth will be supported by new product launches during the year enabling customers to optimise their production processes and improve product quality through greater equipment connectivity, data extraction and interpretation.

Operational Efficiency

Our stated aim is to be customer focused, responsive and flexible through organisational excellence, underpinned by a global supply chain and supported by a single entity operating model. The disposal of the I&TM division reduced the complexity of the Group and changed the focus on the strategic priorities from right sizing to productivity improvements through the integration of a common systems platform.

A key focus during the year has been to build and develop the organisational structure and skills to deliver the building block of the Operational Efficiency initiative and as a result the capabilities to implement the strategic elements of our plan. This has resulted in changes to the site leadership in Mississauga and Wijchen.

The new operational leadership team's strategic focus during 2018 will be to integrate the project management, engineering and supply chains for the three operational sites. This will provide our customers with a flexible and responsive global entity able to work simultaneously on packaging solutions, increasing productivity, pooling knowledge, and leveraging a common supply chain, resulting in reduced lead times and improved competitiveness.

Tony Steels

Chief Executive

FINANCIAL REVIEW

Jim Haughey

Revenue and operating results

The trading performance of the Group is discussed in the Operating Review. Group revenue in the year from continuing operations was £53.4m (2016: £41.5m). Sales in the Original Equipment (OE) division were £40.4m (2016: £28.8m) and gross profit was £9.2m (2016: £5.4m). Sales in the Service division were £13.0m (2016: £12.7m) and gross profit was £5.3m (2016: £5.6m). Selling, Distribution and Admin costs were £13.2m (2016: £12.2m).

Underlying operating profit was £1.3m (2016: £1.2m loss). Underlying profit after tax was £0.8m (2016: £1.1m loss). Statutory profit for the period was £1.6m (2016: £0.6m loss). The results of the Instrumentation & Tobacco Machinery (I&TM) division were treated as a discontinued activity during the year.

Non-underlying items

The net non-underlying operating profit for the year was £3.3m (2016: £1.7m loss). This comprised £0.8m (2016: £0.9m) of administration costs relating to the Group's defined benefit pension schemes (see Pension schemes section) and reorganisation and restructuring costs of £0.7m (2016: £0.8m). In 2017 a profit of £4.8m was realised on the sale of property in Canada. Financing income/expense on pension scheme balances (see Interest and taxation section) is also considered to be a non-underlying item, as is the profit from discontinued operations.

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, 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.

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

	2017	2016
	£m	£m
Profit/(loss) before tax	4.3	(3.1)
Defined benefit pension scheme administration costs	0.8	0.9
Reorganisation costs	0.7	0.8
Profit on sale of surplus property	(4.8)	-
Net financing expense /(income) on pension scheme balances	0.1	(0.1)
Underlying profit/(loss) before tax	1.1	(1.5)

Restructuring

The Group undertook a number of restructuring actions during the year with significant changes made to the senior management teams across the Group including the appointment of new site management in Mississauga, Wijchen, and Singapore and the strengthening of the sales teams throughout the Group. Restructuring costs were also incurred in the closure and move of the Mississauga facility.

Interest and taxation

Net financing expense was £0.3m (2016: £0.2m), which includes a net financing expense of £0.1m (2016: £0.1m financing income) on pension scheme balances. The tax charge on underlying profit before tax was £0.3m (2016: £0.4m credit), an underlying effective rate of 27% (2016: 24%). The total tax charge on the Group's profit before tax was £1.9m (2016: £0.7m credit).

Sale of Instrumentation & Tobacco Machinery (I&TM) division

The sale of the I&TM division completed on 1 August 2017. The net consideration received by the Company, after fees and taxes, was £25.9m. A further £1.5m is retained within an escrow account, £0.75m of which will be released after 12 months and the balance after 24 months, subject to any deductions arising from valid warranty or indemnity claims made by G.D S.p.a (a subsidiary of Coesia S.p.a) under the Sale Agreement. The Company agreed with the Trustees of the Molins UK Pension Fund (Fund) to make a one-off contribution to the Fund of 10% of the net cash proceeds of £2.4m, which reduced the net consideration to £23.5m.

The loss from discontinued operations was £0.8m (2016: £1.8m profit). In 2017 costs incurred on disposal of the I&TM business totalled £1.1m and a loss of £0.8m on the disposal of net assets was recognised. A credit of £1.1m was recognised on the recycling of the translation reserve.

Sale of property in Canada

The Group sold its manufacturing facility at 6154 Kestrel Road, Mississauga, Ontario in December 2017 for a gross consideration of C$11.7m (£6.8m). The profit on the sale of the facility was £4.8m. The Group spent C$1.7m (£1.0m) to adapt the new building to its needs. The new facility was leased for 10 years at an annual cost of C$0.6m.

Dividends

Having considered the trading results for 2017, together with the opportunities for investment in the growth of the Company, the Board has decided that it is appropriate not to pay a final dividend. No interim dividend was paid in 2017. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2018 trading performance and when the Board believes it is prudent to do so.

Cash, treasury and funding activities

Net cash at the end of the year was £29.4m (2016: £0.8m). Net cash outflow from continuing operations before reorganisation was £5.4m (2016: £2.4m inflow), after an increase in working capital of £2.7m (2016: £4.4m decrease) and defined benefit pension payments of £4.9m (2016: £2.0m). Reorganisation payments of £0.8m (2016: £0.2m) were made in the year. Net taxation payments of £0.3m (2016: £0.2m) and cash inflows in respect of discontinued operations of £4.4m (2016: £4.2m). Capital expenditure on property, plant and equipment was £1.6m (2016: £0.5m) and capitalised product development expenditure was £0.1m (2016: £0.9m). In 2016 dividends of £0.5m were paid.

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 Company is responsible for the payment of a statutory levy to the Pension Protection Fund, in relation to the fund. The quantum of this levy is dependent on a number of factors, including a specific method of calculating a pension deficit for this purpose and a credit assessment of the Company, the methodology for which is also specific for this purpose.

These schemes are accounted for in accordance with IAS 19 Employee benefits. A formal valuation of the UK defined benefit pension scheme (Fund) was carried out as at 30 June 2015. The principal terms of the deficit funding agreement between the Company and the Fund's Trustees, which is effective until 31 August 2029, but is subject to reassessment every 3 years as follows:

- the Company will continue to pay a sum of £1.8m per annum to the Fund (increasing at 2.1 per cent. 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.

The IAS 19 valuation of the UK scheme's assets and liabilities was undertaken as at 31 December 2017 and was based on the information used for the funding valuation work as at 30 June 2015, updated to reflect both conditions at the 2017 year end and the specific requirements of IAS 19. The smaller USA defined benefit schemes were valued as at 31 December 2017, 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 £17.6m (2016: £4.6m). The value of the scheme's assets at 31 December 2017 was £414.6m (2016: £401.9m) and the value of the scheme's liabilities was £397.0m (2016: £397.3m). The scheme's assets have benefited from strong returns in the year which has increased the scheme's surplus. The scheme's obligations fell slightly during the year.

The accounting valuations of the USA pension schemes showed an aggregated net deficit of £6.2m (2016: £6.8m) with total assets of £16.7m (2016: £17.1m).

The UK scheme was subject to a formal triennial actuarial valuation as at 30 June 2015, which completed on 1 August 2017. The funding valuation of the Group's UK defined benefit scheme showed a funding level of 83% of liabilities, which represented a deficit of £70.0m (30 June 2012: £53.0m) with an estimated recovery period of 14 years from 30 June 2015. The assumptions underlying the assessment of the liabilities reflected the goal of the Trustees and Company to de-risk the Fund. The solvency position of the scheme at that date, which reflects the scheme's position if it was wound up, showed a funding level of 67%. Valuations are extremely sensitive to a number of factors outside the control of the Group, including discount rates. The level of deficit funding is currently £1.8m per annum, increasing by 2.1% per annum with an estimated recovery period of 14 years from 30 June 2015. In addition, 10% of the proceeds of the sale of the I&TM division was paid into the Fund in 2017. Furthermore the Company will make additional payments if the annual underlying operating profit is between £5.5m and £10.0m or dividend payments exceed payments to the Fund. The deficit recovery plan will be reassessed as part of the 30 June 2018 actuarial valuation, which is expected to be completed in the second half of 2019.

The aggregate cost of administering the defined benefit schemes charged to operating profit was £0.8m (2016: £0.9m). A net financing expense in respect of the schemes was £0.1m (2016: £0.1m financing income).

During the year the Company made payments to the UK defined benefit scheme of £1.8m (2016: £1.8m) in respect of the deficit recovery plan. The Company paid a one-off amount to the Fund of £2.4m, representing 10% of the net proceeds (after costs and taxation) of the sale of the Instrumentation & Tobacco Machinery division. Payments of £0.7m (2016: £0.2m) were made to the USA schemes in the year.

Equity

Group equity at 31 December 2017 was £42.8m (2016: £35.4m). The movement arises mainly from the net actuarial gains in respect of the Group's defined benefit pension schemes of £5.9m, a profit for the period of £1.6m, currency translation gains on foreign currency net investments of £0.6m and translation reserve recycling of £1.1m arising as a consequence of the sale of the I&TM division, all figures are stated net of tax where applicable.

CONSOLIDATED INCOME STATEMENT

	Note	2017 Underlying £m	2017 Non-underlying (note 3) £m	2017 Total £m	2016 Underlying £m	2016 Non-underlying (note 3) £m	2016 Total £m
Revenue	2	53.4	-	53.4	41.5	-	41.5
Cost of sales		(38.9)	-	(38.9)	(30.5)	-	(30.5)
Gross profit		14.5	-	14.5	11.0	-	11.0
Other income		-	4.8	4.8	-	-	-
Distribution expenses		(5.4)	-	(5.4)	(5.3)	-	(5.3)
Administrative expenses		(7.3)	(1.5)	(8.8)	(6.6)	(1.7)	(8.3)
Other operating expenses		(0.5)	-	(0.5)	(0.3)	-	(0.3)
Operating profit/(loss)	2, 3	1.3	3.3	4.6	(1.2)	(1.7)	(2.9)
Financial income		-	0.2	0.2	-	0.4	0.4
Financial expenses		(0.2)	(0.3)	(0.5)	(0.3)	(0.3)	(0.6)
Net financing (expense)/income		(0.2)	(0.1)	(0.3)	(0.3)	0.1	(0.2)
Profit/(loss) before tax		1.1	3.2	4.3	(1.5)	(1.6)	(3.1)
Taxation		(0.3)	(1.6)	(1.9)	0.4	0.3	0.7
Profit/(loss) for the period from continuing operations		0.8	1.6	2.4	(1.1)	(1.3)	(2.4)
(Loss)/profit for the period from discontinued operations	8	-	(0.8)	(0.8)	-	1.8	1.8
Profit/(loss) for the period		0.8	0.8	1.6	(1.1)	0.5	(0.6)
Earnings/(loss) per ordinary share							
Basic	5			8.4p			(3.3)p
Diluted	5			8.4p			(3.3)p
Earnings/(loss) per ordinary share from continuing activities							
Basic	5			12.2p			(12.3)p
Diluted	5			12.1p			(12.3)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 £m	2016 £m
Profit/(loss) for the period	1.6	(0.6)
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses)	9.1	(6.3)
Tax on items that will not be reclassified to profit or loss	(3.2)	2.0
	5.9	(4.3)
Items that may be reclassified subsequently to profit or loss		
Currency translation movements arising on foreign currency net investments	0.6	3.7
Translation reserve recycled on disposal	(1.1)	-
Effective portion of changes in fair value of cash flow hedges	0.4	0.7
Tax on items that may be reclassified to profit or loss	-	(0.2)
	(0.1)	4.2
Other comprehensive income/(expense) for the period	5.8	(0.1)
Total comprehensive income/(expense) for the period	7.4	(0.7)

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 2016	5.0	26.0	(1.5)	3.9	(0.7)	3.9	36.6
Loss for the period	-	-	-	-	-	(0.6)	(0.6)
Other comprehensive (expense)/income for the period	-	-	3.7	-	0.5	(4.3)	(0.1)
Total comprehensive (expense)/income for the period	-	-	3.7	-	0.5	(4.9)	(0.7)
Dividends to shareholders	-	-	-	-	-	(0.5)	(0.5)
Total transactions with owners, recorded directly in equity	-	-	-	-	-	(0.5)	(0.5)
Balance at 31 December 2016	5.0	26.0	2.2	3.9	(0.2)	(1.5)	35.4
Balance at 1 January 2017	5.0	26.0	2.2	3.9	(0.2)	(1.5)	35.4
Profit for the period	-	-	-	-	-	1.6	1.6
Translation reserve recycled on disposal	-	-	(1.1)	-	-	-	(1.1)
Other comprehensive income for the period	-	-	0.6	-	0.4	5.9	6.9
Total comprehensive income/(expense) for the period	-	-	(0.5)	-	0.4	7.5	7.4
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Balance at 31 December 2017	5.0	26.0	1.7	3.9	0.2	6.0	42.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2017 £m	2016 £m
Non-current assets			
Intangible assets		0.9	15.2
Property, plant and equipment		4.0	8.5
Investment property		0.8	0.8
Other receivables		0.8	-
Employee benefits	4	17.6	4.6
Deferred tax assets		1.7	4.6
		25.8	33.7
Current assets			
Inventories		2.4	13.0
Trade and other receivables		19.9	24.5
Current tax assets		0.1	0.2
Cash and cash equivalents		30.3	9.0
		52.7	46.7
Current liabilities			
Bank overdraft		-	(0.3)
Trade and other payables		(20.9)	(25.9)
Current tax liabilities		(0.4)	(0.4)
Provisions		(1.0)	(1.7)
		(22.3)	(28.3)
Net current assets		30.4	18.4
Total assets less current liabilities		56.2	52.1
Non-current liabilities			
Interest-bearing loans and borrowings	7	(0.9)	(7.9)
Employee benefits	4	(6.2)	(6.8)
Deferred tax liabilities		(6.3)	(2.0)
		(13.4)	(16.7)
Net assets		42.8	35.4
Equity			
Issued capital		5.0	5.0
Share premium		26.0	26.0
Reserves		5.8	5.9
Retained earnings		6.0	(1.5)
Total equity		42.8	35.4

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	2017 £m	2016 £m
Operating activities			
Operating profit/(loss) from continuing operations		4.6	(2.9)
Non-underlying items included in operating profit		1.5	1.7
Amortisation		0.3	0.3
Depreciation		0.6	0.7
Profit on sale of property, plant and equipment		(4.8)	-
Other non-cash items		-	0.2
Pension payments		(4.9)	(2.0)
Working capital movements:			
- decrease in inventories		0.7	0.7
- increase in trade and other receivables		(6.4)	(3.5)
- increase in trade and other payables		3.1	7.2
- decrease in provisions		(0.1)	-
Cash flows from continuing operations before reorganisation		(5.4)	2.4
Cash flows from discontinued operations	8	4.4	4.2
Reorganisation costs paid		(0.8)	(0.2)
Cash flows from operations		(1.8)	6.4
Taxation paid		(0.3)	(0.2)
Cash flows from operating activities		(2.1)	6.2
Investing activities			
Proceeds from sale of property, plant and equipment		6.8	0.3
Capitalised development expenditure		(0.1)	(0.9)
Acquisition of property, plant and equipment		(1.6)	(0.5)
Net proceeds on disposal of discontinued operations		25.9	-
Net cash flow from discontinued operations	8	(0.3)	(0.9)
Cash flows from investing activities		30.7	(2.0)
Financing activities			
Interest paid		(0.2)	(0.3)
Purchase of own shares		(0.1)	-
Net decrease against revolving facilities		(7.0)	(5.2)
Dividends paid		–	(0.5)
Cash flows from financing activities		(7.3)	(6.0)
Net increase/(decrease) in cash and cash equivalents	6	21.3	(1.8)
Cash and cash equivalents at 1 January		8.7	9.8
Effect of exchange rate fluctuations on cash held		0.3	0.7
Cash and cash equivalents at 31 December		30.3	8.7

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 2017 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 2017 or 2016. Statutory accounts for 2016 have been delivered to the Registrar of Companies. The auditors have reported on the 2017 and 2016 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 2017			12 months to 31 Dec 2016		
	OE	Service	Total	OE	Service	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Americas	16.4	6.8	23.2	13.6	6.3	19.9
EMEA	15.8	4.6	20.4	11.2	4.6	15.8
Asia Pacific	8.2	1.6	9.8	4.0	1.8	5.8
Total	40.4	13.0	53.4	28.8	12.7	41.5
Gross profit	9.2	5.3	14.5	5.4	5.6	11.0
Selling, distribution & administration			(13.2)			(12.2)
Underlying operating profit/(loss)			1.3			(1.2)
Unallocated non-underlying items included in operating profit/(loss)			3.3			(1.7)
Operating profit/(loss)			4.6			(2.9)
Net financing expense			(0.3)			(0.2)
Profit/(loss) before tax from continuing operations			4.3			(3.1)

Geographical information

Continuing operations	Revenue (by location of customer) 2017 £m	2017 %	2016 £m	2016 %
UK	7.3	14	4.4	11
Europe (excl. UK)	12.7	24	9.8	24
Africa & Middle East	0.4	1	1.6	4
USA	18.5	35	15.2	37
Americas (excl. USA)	4.7	9	4.7	11
Asia Pacific	9.8	17	5.8	13
	53.4	100	41.5	100

3. Non-underlying items

	2017 £m	2016 £m
Defined benefit pension scheme administration costs	(0.8)	(0.9)
Reorganisation costs	(0.7)	(0.8)
Profit on sale of surplus property	4.8	-
Net financing (expense)/income on pension scheme balances	(0.1)	0.1
Total non-underlying income/(expenditure) before tax	3.2	(1.6)

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 2015. The principal terms of the deficit funding agreement between the Company and the Fund's Trustees, which is effective until 31 August 2029, but, is subject to reassessment every 3 years are as follows:

- the Company will continue to pay a sum of £1.8m 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 2017 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 £0.8m (2016: £0.9m) and a net financing expense on pension scheme balances of £0.1m (2016: £0.1m financing income). Payments to the Group's UK defined benefit pension scheme in the period included £1.8m (2016: £1.8m) in respect of the agreed deficit recovery plan. The Company paid a one-off amount to the fund of £2.4m, representing 10% of the net proceeds (after costs and taxation) of the sale of the Instrumentation & Tobacco Machinery division.

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £17.6m (2016: £4.6m) and the net pension liability of the USA defined benefit pension schemes of £6.2m (2016: £6.8m), all figures before tax.

5. Earnings per share

Basic earnings per ordinary share is based upon the profit for the period of £1.6m (2016: £0.6m loss) and on a weighted average of 19,828,601 shares in issue during the year (2016: 19,754,631). 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 4.2p for the year (2016: 6.0p loss) and is based on underlying profit for the period of £0.8m (2016: £1.1m loss), which is calculated on profit before non-underlying items.

6. Reconciliation of net cash flow to movement in net funds/(debt)

	2017 £m	2016 £m
Net increase/(decrease) in cash and cash equivalents	21.3	(1.8)
Cash movement in borrowings	7.0	5.2
Change in net funds/(debt) resulting from cash flows	28.3	3.4
Translation movements	0.3	0.6
Movement in net funds/(debt) in the period	28.6	4.0
Opening net funds/(debt)	0.8	(3.2)
Closing net funds	29.4	0.8

7. Analysis of net funds

	2017 £m	2016 £m
Cash and cash equivalents – current assets	30.3	9.0
Bank overdraft – current liabilities	-	(0.3)
Interest-bearing loans and borrowings – non-current liabilities	(0.9)	(7.9)
Closing net funds	29.4	0.8

8. Discontinued operations

On 1 August 2017 the Group sold its I&TM business. The table below shows the results of the discontinued operations included in the Consolidated income statement and Consolidated statement of cash flow.

Income statement for the period to 1 August 2017	2017 £m	2016 £m
Revenue from trading activities	21.1	38.6
Costs from trading activities	(19.1)	(36.4)
Operating profit from trading activities	2.0	2.2
Financial income from trading activities	0.1	0.1
Profit before tax from trading activities	2.1	2.3
Income tax expense from trading activities	(0.2)	(0.5)
Profit after tax from trading activities	1.9	1.8
Costs incurred on disposal	(1.1)	-
Loss on disposal of net assets	(0.8)	-
Tax on disposal of net assets	(1.9)	-
Foreign exchange gains recycled through income statement	1.1	-
(Loss)/profit after tax	(0.8)	1.8

Cash flow statement for the period to 1 August 2017	2017 £m	2016 £m
Operating activities		
Operating profit	2.0	2.2
Non-underlying items included in operating profit	-	0.1
Amortisation	0.6	1.2
Depreciation	0.4	0.6
Net movements in working capital	1.4	0.2
Cash flows from operations before reorganisation	4.4	4.3
Reorganisation costs paid	-	(0.1)
Cash flows from operating activities	4.4	4.2
Investing activities		
Cash flows from investing activities	(0.3)	(0.9)
Cash flows from investing activities	(0.3)	(0.9)
Net increase in cash and cash equivalents	4.1	3.3

Impact on earnings per share from discontinued operations
In 2017 the loss per ordinary share from discontinued operations was 3.8p (2016: 9.0p earnings) and diluted loss per ordinary share from discontinued operations was 3.8p (2016: 9.0p earnings).

9. Annual Report and Accounts
The Annual Report and Accounts, together with the Company's Notice of Annual General Meeting ("AGM") and related form of proxy, will be sent to all shareholders on or around 19 March 2018 and copies will be available on the Group's website at www.mpac-group.com, or from the Company's registered office at 13, Westwood Way, Westwood Business Park, Coventry, England, CV4 8HS. The AGM will be held at 12 noon on 19 April 2018 at the Company's registered office.