5 March 2019

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 2018

Highlights

- Continued progress on the Group's strategic initiatives
- Increase in order intake of 4% compared to 2017 and a closing order book 16% higher than at the start of 2018
- Sales growth of 9% to £58.3m (2017: £53.4m)
- Underlying profit before tax of £1.4m (2017: £1.1m)
- Non-underlying GMP equalisation charge of £7.3m (2017: nil)
- Statutory loss before tax from continuing activities of £7.4m (2017: profit £4.3m)
- Underlying earnings per share of 4.5p (2017: 4.2p)
- Basic loss per share from continuing activities of 30.1p (2017: earnings of 12.2p)
- Net cash of £27.0m (2017: £29.4m)
- The Board has decided not to recommend payment of a final dividend

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

''In the past year we have continued to make sound progress with our strategic plans and have delivered top line growth, improved financial performance and increased our order book. We faced a challenging first half of the year with slower than anticipated order intake and two legacy contract issues, which the management took swift action to resolve and we are now confident that we are back on track to achieve our strategic aims. Importantly, we have put in place the foundations to support a higher level of performance. The Group and the management team are well placed to develop the business, with the prime focus being on organic growth. This will be delivered through the leveraging of our global position, development of our products and an improved service offering to our customers. We continue to evaluate potential complementary acquisition opportunities.

The Group entered 2019 with a stronger order book than the previous year and 2019 has started positively with order intake for the first two months ahead of the same period in 2018. Progress continues in the development of the One Mpac business model and the Group's future prospects remain positive''

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OPERATING REVIEW
Tony Steels

I am pleased to present my report as Chief Executive of Mpac Group plc. In the past year we have continued to make sound progress with our strategic plans and have delivered top line growth, an improved financial performance and an increased order book. We faced a challenging first half of the year with slower than anticipated order intake and two legacy contract issues, which the management took swift action to resolve and we are now confident we are back on track to achieve our strategic aims. Importantly, we have put in place the foundations to support a higher level of performance.

This past year, we deployed the One Mpac business model across the organisation, we established a number of significant customer relationships and we continued developing repeat business with new and long-term customers.

I am pleased about what has been accomplished, and I am confident that we are on the right track.

Whilst continuing to devote time to visiting our facilities and our customers around the world, this year I have spent more time focussing on developing the Group's innovation and technology roadmap and increasing the bandwidth of the development team to ensure that Mpac continues to offer our customers innovative and future proof solutions.

The Group launched several significant new development projects to the market during 2018 all of which have been extremely well received and commercially successful. In addition, further major development projects have commenced which are forecast to be completed in 2019.

We believe we are well positioned to drive above market growth well into the future.

Mpac serves customer needs for ingenious, innovative packaging machinery encompassing, Make, Pack, Monitor 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 with integrated testing solutions. In addition, we provide complete turnkey solutions including the design and integration of packaging systems.

Mpac's fundamental strengths include:

- Sound long-term growth drivers in our target markets
- Track record in delivering innovative solutions for our customers
- Global commercial and services presence providing exceptional service to our customers
- An engaged, focussed and highly talented workforce

Trading

The trading performance for the Group in 2018 was mixed. Overall order intake for the Group grew by 4% to £63.8m, with a significant increase in order intake growth in the second half of 2018.

Group revenues of £58.3m represent an increase of 9% compared to the previous year. Original equipment revenue grew by 14% to £46.2m, supported by strong growth in the Food and Beverage sector. Services revenue fell by 7% to £12.1m as a result of key resource being dedicated to fulfilling machine installation, especially in the first half of 2018.

We were required to downgrade our 2018 profit expectations in July 2018, largely due to the cost overruns on two legacy contracts. We are pleased to report that underlying profit before tax was in line with these revised market expectations at £1.4m, an increase of £0.3m.

Group net cash ended the year at £27.0m compared to £29.4m in 2017, providing the Group with sufficient funds to invest in the strategic initiatives to deliver profitable growth in future years.

Moving forward, the Group entered 2019 with an order book of £39.8m, an increase of 16% over the December 2017 closing position of £34.4m. As we announced in our half year 2018 statement, we secured orders of significant value for delivery in 2019, and these customer orders represent a significant proportion of the 2018 closing order book.

Strategic developments

Further significant progress has been made during 2018 in delivering upon the five-year strategic plan launched in 2017.

I believe that due to these strategic initiatives, the business was able to deliver order intake, revenue and underlying profitability growth above previous years and to close 2018 with a significantly larger closing order book providing confidence that the recent trajectory will continue into 2019.

Restructuring

During the year the Group took the opportunity to initiate a limited restructuring, mainly focussed upon right sizing the Group administration cost base.

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 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, one significant order can have a disproportionate impact on the growth rates seen in individual markets from year to year.

Sales by region were, Americas £26.9m (2017: £23.2m), EMEA £24.7m (2017: £20.4m) and Asia £6.7m (2017: £9.8m).

Sales by sector were Food & Beverage £32.5m (2017: £28.1m), Healthcare £20.2m (2017: £17.8m) and Pharmaceuticals £5.6m (2017: £7.4m).

<u>Original Equipment (OE)</u>

Overall, the OE division generated a 14% year on year increase in revenue to £46.2m. Order intake in the OE business of £52.0m was £4.0m and 8% ahead of 2017. In the Americas there was a 75% increase in order intake, driven mainly by growth in our main Healthcare market and the significant investment plans by a new customer during the second half of 2018.

EMEA made considerable progress across most markets with packaging solutions, however this progress was offset by slow order intake for our 'first-of-a-kind' solutions in the region, resulting in the order intake for EMEA falling by £8m and 37% compared to 2017. There was also slowdown in order intake in the Asian region, driven mainly by sluggish demand in China which reduced order intake by £1.7m, down 25% compared to 2017.

A strong performance in sales to the Food and Beverage market contributed to Americas OE revenue in the period increasing to £20.5m from £16.4m in 2017.

EMEA sales in the period were £20.1m compared to £15.8m in 2017. The 2017 order intake included the investment plans of a major customer in the Pharmaceutical market which were directed towards Europe, resulting in revenue growth in 2018. Further, the closing order book in 2017 was heavily weighted towards projects for the EMEA region and consequently revenue growth was achieved despite lower OE order intake growth in the region. The closing order book in 2018 was weighted towards the Americas region.

Asia sales, predominantly driven by the Food and Beverage market, reduced to £5.6m compared to £8.2m in 2017.

Gross profit margins in the OE business reduced to 20.1% compared to 22.8% in 2017, with the reduction due mainly to the costs associated with two legacy contracts. The UK legacy contract has been resolved and we have agreed the commercial and technical approach to resolving the Canadian contract which is expected to be finalised during 2019

Overall order prospects remain strong and activity levels across the OE business remain high, such that the business is well positioned moving into 2019.

Service

Order intake for the Service division in 2018 of £11.9m was 9% below 2017. Revenue in 2018 of £12.1m was 7% below 2017. However, during 2018 the Group was successful in finding candidates to fill all vacant management positions across the regions and in expanding the number of field service fee generating technicians, which will give added momentum to the sales projected in 2019. The impact on the trading performance and order pipelines for the Services division of this new team was notable in the final months of 2018.

Americas revenue in the year was £6.4m compared to £6.8m in 2017. EMEA revenue in the year was £4.6m, unchanged compared to 2017. Order intake in the period was broadly in line with sales. Asia sales in the year fell by £0.5m to £1.1m.

The overall Services margin remained broadly unchanged compared to 2017.

Outlook

The global marketplace is experiencing rising labour costs, a constant drive towards improved quality and continual time-to-market imperatives. These factors all play well with the value that Mpac delivers. Through the One Mpac business model and a rich history of innovative packaging machinery solutions, we are in an enviable position to serve our customers with efficient, reliable solutions.

Execution of the strategy has made significant progress and we continue to focus on the growth markets in which the Group 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 service offering to its customers. We continue to evaluate potential complementary acquisition opportunities.

The Group entered 2019 with a stronger order book than the year before and with a broader, updated product portfolio following the commercialisation of several innovation projects. 2019 has started well with order intake for the first two months ahead of the same period las year. With this foundation and a strong operational and management team, the future prospects remain positive.

Strategy 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 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 launched in 2017 as part of the five-year strategic plan to develop the business through organic growth in our target markets 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 sale of the Instrumentation and Tobacco Machinery division in 2017 provided the Group with additional liquidity to finance the delivery of our technology and innovation roadmap which will accelerate progress in achieving our strategic aims with the entire focus of the continuing business being the growth markets of Pharmaceutical, Healthcare and Food and Beverage.

The order book, order intake and revenues were all increased in 2018, continuing the growth profile. The commercial excellence programme deployment continues with new members of our sales team and further development of strategic selling to key accounts was delivered during 2018. Our global reach supported by the new branding and focused business approach enabled us to acquire a significant number of new customer relationships in our target markets.

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.

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.

Innovation is key to long term sustainable growth and during the year we launched several new products at the major industry exhibition in Chicago, where we also showcased the new Mpac branding. These new innovations were a significant success factor in developing new business, with customers appreciating the improved performance together with the Industry 4.0 enabled technology.

Make Service a Business

The new Service business operational leadership team was formed during the year, establishing the necessary skills and mindset to generate a best in class service offering to our customers. The on-boarding of the new team and structure was completed during the second half of 2018.

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 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.

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 contracted service programme agreements aimed at customer 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 continues 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 Mississauga based business successfully moved to a new facility at the start of the year and has now established an impressive customer orientated facility to showcase new innovations whilst customers participate in new project discussions and packaging machinery acceptance testing.

A key focus during 2018 was to establish the global supply chain partnerships with key organisations that support our global manufacturing footprint. Significant progress has been made to migrate our global engineering teams onto common systems and solutions to further enhance our operational flexibility and efficiency. A common project management platform has also been implemented which enables more effective management of our portfolio of projects.

The final part of this solution is the implementation of common business systems (ERP), with the project launch in early 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 his or her highest level and grow in his or her position over the long term enables us to win as a team. Through One Mpac, we are developing leaders, while engaging and empowering our global workforce. With strong leaders and engaged people, 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 from continuing operations was £58.3m (2017: £53.4m). Sales in the Original Equipment (OE) division were £46.2m (2017: £40.4m) and gross profit was £9.3m (2017: £9.2m). Sales in the Service division were £12.1m (2017: £13.0m) and gross profit was £4.7m (2017: £5.3m). Underlying selling, distribution and administration costs were £12.6m (2017: £13.2m).

The additional cost provided against the two legacy contracts in the year amounted to £1.1m.

Underlying operating profit was £1.4m (2017: £1.3m). Underlying profit after tax was £0.9m (2017: £0.8m). Statutory loss for the period was £6.0m (2017: £1.6m profit).

Non-underlying items

The non-underlying loss before tax for the year was £8.8m (2017: profit £3.3m). This comprised £7.3m (2017: nil) of past service costs for GMP pension scheme equalisation, £0.9m (2017: £0.8m) of administration costs relating to the Group's defined benefit pension schemes and reorganisation and restructuring costs of £0.8m (2017: £0.7m). In 2017 a profit of £4.8m was realised on the sale of property in Canada. Financing income/expense on pension scheme balances is also considered to be a non-underlying item.

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

	2018	**2018**	2017	2017
	£m	**£m**	£m	£m
(Loss)/profit before tax		**(7.4)**		4.3
Non-underlying items				
Defined benefit pension scheme – past service cost GMP equalisation	**7.3**		-	
Defined benefit pension scheme administration costs	**0.9**		0.8	
Reorganisation costs	**0.8**		0.7	
Profit on sale of surplus property	**-**		(4.8)	
Net financing (income)/expense on pension scheme balances	**(0.2)**		0.1	
Non-underlying items total		**8.8**		(3.2)
Underlying profit before tax		**1.4**		1.1

Restructuring

The Group undertook a small number of restructuring initiatives during the year to reduce overheads, with changes made within the UK Head Office and the Coventry and Mississauga sites.

Interest and taxation

Net financing income was £0.2m (2017: expense £0.3m), which includes a net financing income of £0.2m (2017: £0.1m financing expense) on pension scheme balances. The tax charge on underlying profit before tax was £0.5m (2017: £0.3m), an underlying effective rate of 36% (2017: 27%). The total tax credit on the Group's profit before tax was £1.4m (2017: £1.9m tax charge).

Dividends

Having considered the trading results for 2018, together with the opportunities for investment in the growth of the Group, the Board has decided that it is appropriate not to pay a final dividend. No interim dividend was paid in 2018. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2019 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 £27.0m (2017: £29.4m). Net cash inflow from continuing operations before reorganisation was £1.1m (2017: £5.4m outflow), after a decrease in working capital of £1.9m (2017: £2.7m increase) and defined benefit pension payments of £3.0m (2017: £4.9m). Reorganisation payments of £1.0m (2017: £0.8m) were made in the year. Net taxation payments were £1.0m (2017: £0.3m). Capital expenditure on property, plant and equipment was £1.1m (2017: £1.6m) and capitalised product development expenditure was £0.3m (2017: £0.1m).

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 UK 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 £1.9m 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 2018 and was based on the information used for the funding valuation work as at 30 June 2015, updated to reflect both conditions at the 2018 year end and the specific requirements of IAS 19. The smaller USA defined benefit schemes were valued as at 31 December 2018, using actuarial data as of 1 January 2018, 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 £20.5m (2017: £17.6m). The value of the scheme's assets at 31 December 2018 was £398.2m (2017: £414.6m) and the value of the scheme's liabilities was £377.7m (2017: £397.0m). The scheme's assets have benefited from strong returns in the year which has increased the scheme's surplus.

Following a High Court ruling in October 2018, the company has recognised a non-underlying charge of £7.3m in respect of increased future liabilities relating to GMP equalisation. The precise method to be used to equalise the benefits will be agreed between the trustee and the company in due course.

The accounting valuations of the USA pension schemes showed an aggregated net deficit of £6.2m (2017: £6.2m) with total assets of £16.3m (2017: £16.7m).

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 £1.9m 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 from the sale of the Instrumentation and Tobacco Machinery 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 £0.9m (2017: £0.8m). The net financing income in respect of the schemes was £0.2m (2017: expense £0.1m).

During the year the Company made payments to the UK defined benefit scheme of £1.9m (2017: £1.8m) in respect of the deficit recovery plan. The Company paid a one-off amount to the Fund of £0.1m (2017: £2.4m), representing 10% of the net proceeds in the year (after costs and taxation) from the sale of the Instrumentation & Tobacco Machinery division. Payments of £1.0m (2017: £0.7m) were made to the USA schemes in the year.

Equity

Group equity at 31 December 2018 was £40.6m (2017: £42.8m). The movement arises mainly from the net actuarial gains in respect of the Group's defined benefit pension schemes of £5.4m, a loss for the period of £6.0m, and currency translation losses on foreign currency net investments of £1.6m, all figures are stated net of tax where applicable.

CONSOLIDATED INCOME STATEMENT

	Note	**2018** Underlying £m	**2018** Non-underlying (note 3) £m	**2018** Total £m	2017 Underlying £m	2017 Non-underlying (note 3) £m	2017 Total £m
Revenue	2	**58.3**	**-**	**58.3**	53.4	-	53.4
Cost of sales		**(44.3)**	**-**	**(44.3)**	(38.9)	-	(38.9)
Gross profit		**14.0**	**-**	**14.0**	14.5	-	14.5
Other income		**-**	**-**	**-**	-	4.8	4.8
Distribution expenses		**(5.0)**	**-**	**(5.0)**	(5.4)	-	(5.4)
Administrative expenses		**(7.2)**	**(9.0)**	**(16.2)**	(7.3)	(1.5)	(8.8)
Other operating expenses		**(0.4)**	**-**	**(0.4)**	(0.5)	-	(0.5)
Operating (loss)/profit	2, 3	**1.4**	**(9.0)**	**(7.6)**	1.3	3.3	4.6
Financial income		**0.1**	**0.2**	**0.3**	-	0.2	0.2
Financial expenses		**(0.1)**	**-**	**(0.1)**	(0.2)	(0.3)	(0.5)
Net financing income/(expense)		**-**	**0.2**	**0.2**	(0.2)	(0.1)	(0.3)
(Loss)/profit before tax		**1.4**	**(8.8)**	**(7.4)**	1.1	3.2	4.3
Taxation		**(0.5)**	**1.9**	**1.4**	(0.3)	(1.6)	(1.9)
(Loss)/profit for the period from continuing operations		**0.9**	**(6.9)**	**(6.0)**	0.8	1.6	2.4
Loss for the period from discontinued operations	8	**-**	**-**	**-**	-	(0.8)	(0.8)
(Loss)/profit for the period		**0.9**	**(6.9)**	**(6.0)**	0.8	0.8	1.6
(Loss)/earnings per ordinary share							
Basic	5			**(30.1)p**			8.4p
Diluted	5			**(30.1)p**			8.4p
(Loss)/earnings per ordinary share from continuing activities							
Basic	5			**(30.1)p**			12.2p
Diluted	5			**(30.1)p**			12.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 £m	2017 £m
(Loss)/Profit for the period	**(6.0)**	1.6
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses)	**8.3**	9.1
Tax on items that will not be reclassified to profit or loss	**(2.9)**	(3.2)
	5.4	5.9
Items that may be reclassified subsequently to profit or loss		
Currency translation movements arising on foreign currency net investments	**(0.6)**	0.6
Translation reserve recycled on disposal	**-**	(1.1)
Effective portion of changes in fair value of cash flow hedges	**(1.0)**	0.4
Tax on items that may be reclassified to profit or loss	**-**	-
	(1.6)	(0.1)
Other comprehensive income for the period	**3.8**	5.8
Total comprehensive (expense)/income for the period	**(2.2)**	7.4

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 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
Balance at 31 December 2017	5.0	26.0	1.7	3.9	0.2	6.0	42.8
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 income/(expense) for the period	-	-	**(0.6)**	-	**(1.0)**	**5.4**	**3.8**
Total comprehensive income/(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**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 £m	2017 £m
Non-current assets			
Intangible assets		**1.0**	0.9
Property, plant and equipment		**4.4**	4.0
Investment property		**0.8**	0.8
Other receivables		**-**	0.8
Employee benefits	4	**20.5**	17.6
Deferred tax assets		**1.7**	1.7
		28.4	25.8
Current assets			
Inventories		**3.3**	2.4
Trade and other receivables		**16.9**	19.9
Contract assets		**5.5**	-
Current tax assets		**0.8**	0.1
Cash and cash equivalents		**27.9**	30.3
		54.4	52.7
Current liabilities			
Trade and other payables		**(14.7)**	(20.9)
Contract Liabilities		**(11.6)**	-
Current tax liabilities		**(0.4)**	(0.4)
Provisions		**(1.1)**	(1.0)
		(27.8)	(22.3)
Net current assets		**26.6**	30.4
Total assets less current liabilities		**55.0**	56.2
Non-current liabilities			
Interest-bearing loans and borrowings	7	**(0.9)**	(0.9)
Employee benefits	4	**(6.2)**	(6.2)
Deferred tax liabilities		**(7.3)**	(6.3)
		(14.4)	(13.4)
Net assets		**40.6**	42.8
Equity			
Issued capital		**5.0**	5.0
Share premium		**26.0**	26.0
Reserves		**4.2**	5.8
Retained earnings		**5.4**	6.0
Total equity		**40.6**	42.8

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	**2018**	2017
		£m	£m
Operating activities			
Operating profit/(loss) from continuing operations		**(7.6)**	4.6
Non-underlying items included in operating profit		**9.0**	1.5
Amortisation		**0.2**	0.3
Depreciation		**0.6**	0.6
Profit on sale of property, plant and equipment		**-**	(4.8)
Pension payments		**(3.0)**	(4.9)
Working capital movements:			
- decrease in inventories		**1.7**	0.7
- increase in contract assets		**(1.3)**	-
- increase in trade and other receivables		**(1.3)**	(6.4)
- increase in trade and other payables		**(1.4)**	3.1
- decrease in provisions		**0.1**	(0.1)
- decrease in contract liabilities		**4.1**	-
Cash flows from continuing operations before reorganisation		**1.1**	(5.4)
Cash flows from discontinued operations	8	**-**	4.4
Reorganisation costs paid		**(1.0)**	(0.8)
Cash flows from operations		**0.1**	(1.8)
Taxation paid		**(1.0)**	(0.3)
Cash flows from operating activities		**(0.9)**	(2.1)
Investing activities			
Interest received		**0.1**	-
Proceeds from sale of property, plant and equipment		**0.1**	6.8
Capitalised development expenditure		**(0.3)**	(0.1)
Acquisition of property, plant and equipment		**(1.1)**	(1.6)
Net proceeds on disposal of discontinued operations	8	**-**	25.9
Net cash flow from discontinued operations		-	(0.3)
Cash flows from investing activities		**(1.2)**	30.7
Financing activities			
Interest paid		**(0.1)**	(0.2)
Purchase of own shares		**-**	(0.1)
Net decrease against revolving facilities		**-**	(7.0)
Cash flows from financing activities		**(0.1)**	(7.3)
Net increase/(decrease) in cash and cash equivalents	6	**(2.2)**	21.3
Cash and cash equivalents at 1 January		**30.3**	8.7
Effect of exchange rate fluctuations on cash held		**(0.2)**	0.3
Cash and cash equivalents at 31 December 2018		**27.9**	30.3

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 2018 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 2018 or 2017. Statutory accounts for 2017 have been delivered to the Registrar of Companies. The auditors have reported on the 2018 and 2017 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 2018			12 months to 31 Dec 2017		
	OE	**Service**	**Total**	OE	Service	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue						
Americas	**20.5**	**6.4**	**26.9**	16.4	6.8	23.2
EMEA	**20.1**	**4.6**	**24.7**	15.8	4.6	20.4
Asia Pacific	**5.6**	**1.1**	**6.7**	8.2	1.6	9.8
Total	**46.2**	**12.1**	**58.3**	40.4	13.0	53.4
Gross profit	**9.3**	**4.7**	**14.0**	9.2	5.3	14.5
Selling, distribution & administration			**(12.6)**			(13.2)
Underlying operating profit			**1.4**			1.3
Unallocated non-underlying items included in operating profit			**(9.0)**			3.3
Operating (loss)/profit			**(7.6)**			4.6
Net financing income/(expense)			**0.2**			(0.3)
(Loss)/profit before tax from continuing operations			**(7.4)**			4.3

Geographical information

Continuing operations	**2018 £m**	**2018 %**	2017 £m	2017 %
	Revenue (by location of customer)			
UK	**11.6**	**20**	7.3	14
Europe (excl. UK)	**12.0**	**21**	12.7	24
Africa & Middle East	**1.1**	**2**	0.4	1
USA	**22.7**	**38**	18.5	35
Americas (excl. USA)	**4.2**	**7**	4.7	9
Asia Pacific	**6.7**	**12**	9.8	17
	58.3	**100**	53.4	100

3. Non-underlying items

	2018 £m	2017 £m
Defined benefit pension scheme – Past service cost	**(7.3)**	-
Defined benefit pension scheme administration costs	**(0.9)**	(0.8)
Reorganisation costs	**(0.7)**	(0.7)
Abortive acquisition costs	**(0.1)**	-
Profit on sale of surplus property	**-**	4.8
Net financing income/(expense) on pension scheme balances	**0.2**	(0.1)
Total non-underlying (expense)/income before tax	**(8.8)**	3.2

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 £1.9m 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 2018 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 £0.9m (2017: £0.8m) and a net financing income on pension scheme balances of £0.2m (2017: £0.1m expense). Payments to the Group's UK defined benefit pension scheme in the period included £1.9m (2017: £1.8m) in respect of the agreed deficit recovery plan. The Company paid a one-off amount to the fund of £0.1m (2017: £2.4m), 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 £20.5m (2017: £17.6m) and the net pension liability of the USA defined benefit pension schemes of £6.2m (2017: £6.2m), all figures before tax.

5. Earnings per share

Basic earnings per ordinary share is based upon the loss for the period of £6.0m (2017: £1.6m profit) and on a weighted average of 19,932,786 shares in issue during the year (2017: 19,828,601). 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 4.5p for the year (2016: 4.2p) and is based on underlying profit for the period of £0.9m (2017: £0.8m), which is calculated on profit before non-underlying items.

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

	2018 £m	2017 £m
Net (decrease)/increase in cash and cash equivalents	**(2.2)**	21.3
Cash movement in borrowings	**-**	7.0
Change in net funds resulting from cash flows	**(2.2)**	28.3
Translation movements	**(0.2)**	0.3
Movement in net funds in the period	**(2.4)**	28.6
Opening net funds	**29.4**	0.8
Closing net funds	**27.0**	29.4

7. Analysis of net funds

	2018 £m	2017 £m
Cash and cash equivalents – current assets	**27.9**	30.3
Interest-bearing loans and borrowings – non-current liabilities	**(0.9)**	(0.9)
Closing net funds	**27.0**	29.4

8. Discontinued operations

On 1 August 2017 the Group sold its Instrumentation and Tobacco Machinery 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
Revenue from trading activities	21.1
Costs from trading activities	(19.1)
Operating profit from trading activities	2.0
Financial income from trading activities	0.1
Profit before tax from trading activities	2.1
Income tax expense from trading activities	(0.2)
Profit after tax from trading activities	1.9
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 after tax	(0.8)

Cash flow statement for the period to 1 August 2017	2017 £m
Operating activities	
Operating profit	**2.0**
Amortisation	**0.6**
Depreciation	**0.4**
Net movements in working capital	**1.4**
Cash flows from operations before reorganisation	**4.4**
Reorganisation costs paid	**-**
Cash flows from operating activities	**4.4**
Investing activities	
Cash flows from investing activities	**(0.3)**
Cash flows from investing activities	**(0.3)**
Net increase in cash and cash equivalents	**4.1**

Impact on earnings per share from discontinued operations
In 2017 the loss per ordinary share from discontinued operations was 3.8p and diluted loss per ordinary share from discontinued operations was 3.8p.

9. Annual Report and Accounts

Shareholders will be notified, on or around 1 April 2019 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 2019. 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 2 May 2019 at the offices of Panmure Gordon & Co, One New Change, London, EC4M 9AF.