MOLINS PLC

Annual Report
and Accounts 2015

Competitive advantage through technology and innovation

Molins is an international specialist technology and services group, providing high performance instrumentation and machinery to the FMCG, healthcare and pharmaceutical sectors, together with extensive aftermarket support.

To find out more visit:
www.molins.com

Highlights

- Sales from continuing operations of £87.0m (2014: £87.4m)
- Underlying profit before tax of £3.8m (2014: £5.3m) Statutory profit before tax from continuing operations of £2.0m (2014: £3.9m)
- Underlying earnings per share of 15.1p (2014: 22.4p) Statutory loss per share of 20.9p (2014: 1.3p)
- Reporting structure simplified to two divisions; Packaging Machinery and Instrumentation & Tobacco Machinery, following disposal of analytical services business
- Improved sales and profitability in Packaging Machinery
- Instrumentation & Tobacco Machinery affected by continuing challenging market conditions

Continuing operations

Sales

£87.0m

(2014: £87.4m)

Underlying profit before tax

£3.8m

(2014: £5.3m)

Underlying earnings per share

15.1p

(2014: 22.4p)

Our business at a glance

Our businesses

The Group serves its customers through its wide geographic spread of sales, service and manufacturing locations.

The businesses are organised into two divisions, each with a particular market and product focus. They share resources and infrastructure where appropriate to support their international customer base.

Molins worldwide

The Group has an extensive international customer base and sells goods and services into a majority of countries across the world. Our businesses are based in key strategic locations, supported by sales and service operations in most geographic regions and a network of experienced and industry relevant agents and distributors.

Packaging Machinery

Overview

Langen Group, based in Mississauga, Ontario, Canada, in Wijchen, the Netherlands and in Singapore, is a designer and manufacturer of cartoning machinery, case packers, end-of-line and robotic packaging solutions, as well as a provider of complete turnkey projects involving design and integration of packaging systems.

Molins Technologies based in Coventry, UK, is a specialist engineering business, developing innovative technology and associated production and packaging machinery.

Sales
£51.0m

Employees
302

Operating profit
£3.9m

Group sales
59%

Instrumentation & Tobacco Machinery

Overview

The division comprises Cerulean, the Group's quality control, testing and analytical instrumentation business and Molins Tobacco Machinery, which designs, manufactures and services secondary tobacco processing machinery. Cerulean, based in Milton Keynes, UK, with an international network of sales and service offices, develops, assembles, sells and maintains process and quality instruments for the tobacco and FMCG sectors.

Molins Tobacco Machinery operates globally from its headquarters in Princes Risborough, UK, where the central engineering, sales and logistics teams are located. Additional sales and service operations are based in the USA, Brazil and Singapore, with manufacturing facilities in the Czech Republic and Brazil.

Sales
£36.0m

Employees
385

Operating profit
£0.1m
(before reorganisation costs)

Group sales
41%

Americas

Established for more than 50 years in the region, the Instrumentation & Tobacco Machinery division operates from its facilities in Brazil and the USA; the Packaging Machinery division services this geographic area from its operation in Ontario, Canada, with support from Brazil for its activities in South America.

Sales (by location of customer)

£29.6m

Europe, Middle East & Africa

The Group supports both its multinational and regional customers from its businesses in the UK, Netherlands and Czech Republic; together with extensive sales, engineering and field support services deployed across the region, including in Russia and Egypt. Both divisions are well placed to service their customers in all parts of Europe, Middle East and Africa.

£36.9m

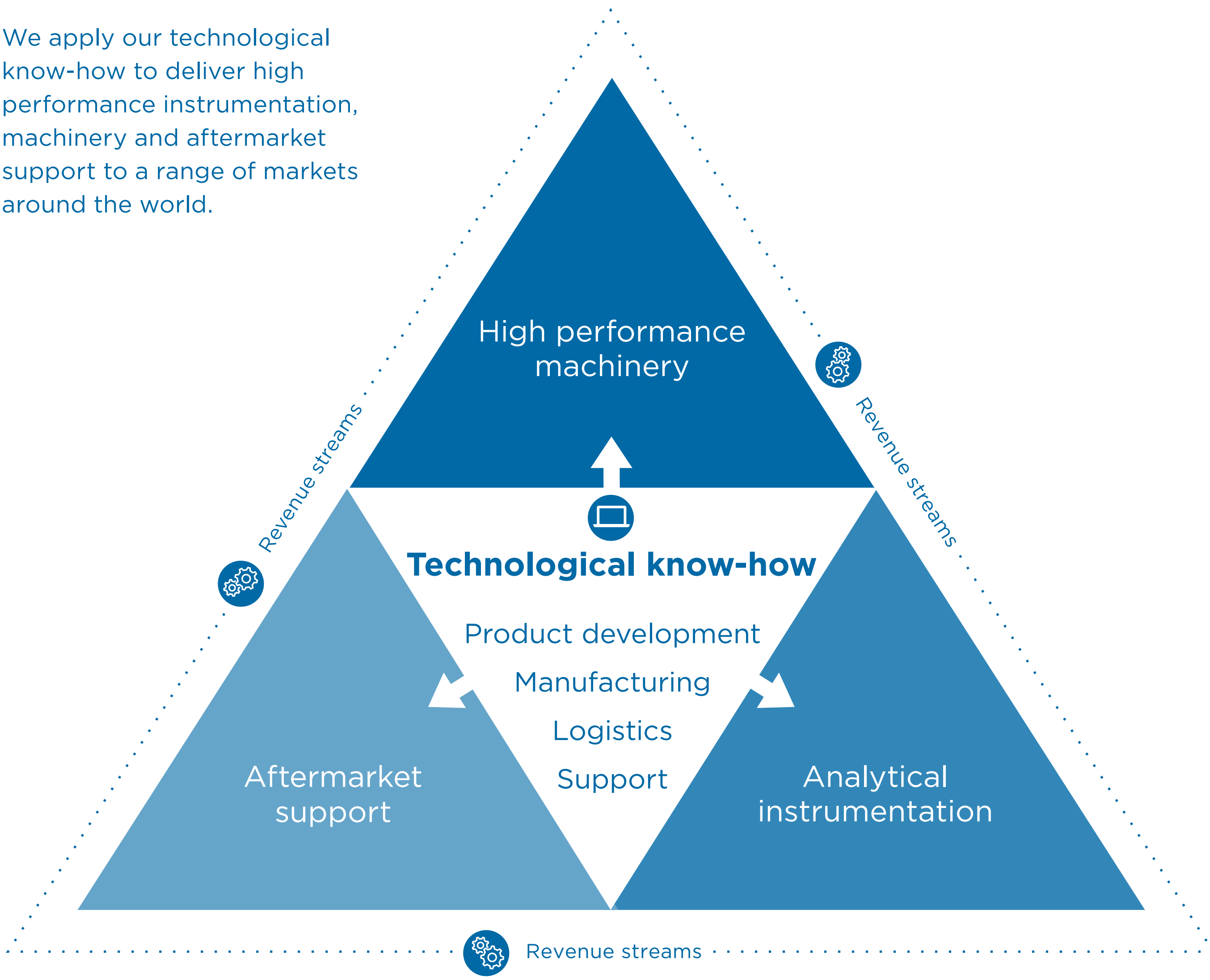
Asia & Oceania

The Group supports both divisions in the region from its principal base in Singapore. The Packaging Machinery division continues to invest in local resources to support growth plans in the region. The Group is further strengthened through its offices in China, India and Thailand, as well as through its network of field service engineers and agents across Asia and Oceania.

£20.5m

Business model and strategy

We apply our technological know-how to deliver high performance instrumentation, machinery and aftermarket support to a range of markets around the world.



International markets

Nutrition	Beverages	Healthcare	Pharmaceutical	Tobacco

Our strategy

Increasing exposure to attractive global industry sectors based on regional market drivers

Investing to drive profitable growth

Driving operational efficiency

STRATEGIC REPORT

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Technological know-how

Product development
We innovate through investment in focused product development to provide solutions to help our customers achieve competitive advantage.

Manufacturing
We continuously improve our production and assembly processes to deliver high quality specialist products.

Logistics
Our extensive global network and long-standing partnerships with customers and suppliers enables delivery of excellent performance on an international scale.

Support
Our specialist sales support provides long-term value to customers through aftermarket spares sales and service to maximise customer operational efficiencies.

Revenue streams

High performance machinery
We offer a range of innovative processing and product handling equipment to meet the requirements of our diverse international customer base.

Analytical instrumentation
We develop, assemble and manufacture process and quality control instrumentation for a range of markets.

Aftermarket support
Enabling enduring partnerships with customers by providing excellence in spare parts delivery, service and support to meet ongoing customer demand.

International markets

Nutrition
Significant areas of opportunity in both developed economies, with new product launches, rebranding and new packaging styles, and developing economies, with increased automation of processing lines and a gradual move towards pre-packaged foods.

Beverages
Innovation in liquid, leaf and powder beverage forms leads to opportunities in a number of areas, such as tea, stick-packs and the packaging of premium liquor.

Healthcare
Growth in most geographic regions in a wide range of applications, including medical devices, personal hygiene products and contact lenses.

Pharmaceutical
A growing sector across all geographic regions, from the general packaging of products to the high-precision processing of pharmaceuticals.

Tobacco
A global industry, with continuing innovation in cigarette design, including reduced harm and e-cigarettes, packaging and regulatory compliance requirements, as well as increased demand for quality control and efficiency improvements.

Operating review

Dick Hunter
Chief Executive

The Group's results are being reported under two divisions which operated in significantly different trading environments in the year

The Group delivered sales from continuing operations of £87.0m (2014: £87.4m) and underlying profit before tax of £3.8m (2014: £5.3m).

As announced on 1 June 2015, we disposed of the loss-making US-based analytical services business, following the completion of a strategic review, and this has resulted in a loss from this discontinued operation of £5.8m (2014: £3.6m). Having completed this disposal, we are reporting the results of the Group's continuing activities under two divisions, namely Packaging Machinery and Instrumentation & Tobacco Machinery. The financial information in respect of the discontinued business has been separately identified in the Consolidated income statement and in the Notes to the accounts.

The two divisions operated in significantly different trading environments in the year. The challenges within the tobacco sector and the general geopolitical environment continued to impact the Instrumentation & Tobacco Machinery division, with our instrumentation business experiencing a downturn in business levels, after a relatively strong performance in 2014. In contrast, sales and profitability grew significantly in the Packaging Machinery division, as strategic initiatives gained traction.

The Board is mindful of the challenges being faced in 2016, which we anticipate will include a significant rise in the statutory levy payable to the Pension Protection Fund, and we also continue to review strategic growth opportunities. We therefore consider it appropriate to retain more funds within the Group and, as a result, a reduced final dividend of 1.5p is proposed, which, together with the interim dividend of 2.5p, results in a dividend for the year of 4.0p.

Packaging Machinery

The division supplies highly automated product handling, cartoning and robotic end-of-line packaging machinery and systems, and operates from three locations, in Mississauga, Canada; Wijchen, the Netherlands; and Singapore. In addition, it provides technical consultancy and innovative machinery to solve packaging and processing challenges from our base in Coventry, UK.

Sales increased by 26% to £51.0m (2014: £40.5m), aided by a strong order book coming into the year. As anticipated, operating margins improved year-on-year, with operating profit rising to £3.9m (2014: £1.8m). This reflected the impact of increased operational efficiencies from higher volumes.

These results benefited from our strategy of focusing on a more standardised range of products for our target sectors of nutrition, beverages, pharmaceutical and healthcare. The international sales and service structures that we have established over the past three years have helped position the division so as to meet the needs of both multinational and regional customers in most parts of the world. We are continuing to focus on developing our activity in Asia where customers increasingly are mechanising manual packing processes in order to reduce cost and improve quality.

While sales in the second half showed a significant uplift on the same period in 2014, there was a distinct softening in market conditions across all regions in the period, with customers taking longer to finalise purchasing decisions. As we entered 2016, this trend has continued and the division started the new financial year with a lower order book than last year's strong position. While we are now more cautious about the trading backdrop, there are a significant number of prospective projects being discussed.

Instrumentation & Tobacco Machinery

The division comprises both the Group's tobacco machinery activities and its quality control, testing and analytical instrumentation business, which has customers in both the tobacco and other FMCG sectors. The instrumentation business is based in Milton Keynes, UK, with sales and service offices in China, India, Singapore and USA. It supplies and supports process and quality control instruments and within the tobacco industry it is the market-leading supplier. The division also designs, manufactures, markets and services machinery for the tobacco industry and provides extensive aftermarket support to its customers globally. This part of the division is headquartered in Princes Risborough, UK, where the central engineering and logistics teams are located together with the main distribution centre for spare parts. The UK sales and service teams support sales across Europe, Middle East & Africa, with the sales, service and distribution operations in Virginia, USA and in Singapore supporting the North American and Asia Pacific regions. There is a manufacturing facility based in Curitiba, Brazil, which serves the South American markets and the main machining and assembly operation is in Plzen, Czech Republic. The Plzen operation also supports the Packaging Machinery division, as well as servicing a number of non-tobacco industry customers.

Sales in the year reduced to £36.0m (2014: £46.9m), reflecting lower sales across both parts of the division, and this resulted in a significantly reduced operating profit of £0.1m (2014: £3.6m), before non-underlying items.

Within the tobacco machinery business, the sharp contraction in demand experienced in 2014 did not reverse and order prospects remained limited and very competitive, resulting in a reduced overall order intake. However, we secured a number of projects with customers in South East Asia, North Africa and North America, while continuing to focus on meeting the very specific product and service needs of our customers wherever they operate.

The division has placed considerable emphasis on product development, with the successful completion of the field trial of the new Alto cigarette making machine and a positive launch of the new Optima cigarette packing machine

Within the instrumentation business, the reduction in demand from the tobacco industry only started to be felt in the first quarter of 2015. This reduction drove further competitive pricing pressures, which were also exacerbated by the relative strength of sterling against the euro, the predominant currency of the business' competitors. However, order intake in the last part of the year was stronger and the business has entered 2016 with a larger order book than twelve months previously.

We have taken further steps to remove cost from the division and reduced headcount in the tobacco machinery business by 20%, including the closure of the sales office in Moscow, Russia. We also consolidated certain activities in Richmond, USA into the UK operation during the year and will complete the relocation of our operation in Brazil to a smaller and more cost effective site in Curitiba in the first half of 2016.

Operating review continued

In recent years we have focused strongly on product development. Within the tobacco machinery business this intensive period of investment is drawing to a close, with the successful completion of the field trial of the new Alto cigarette making machine in the first half year and a positive product launch for the new Optima cigarette packing machine at the industry trade show held in London in November. As a result of this product development activity, the tobacco machinery business is well positioned to secure new projects as market conditions improve. The instrumentation business remains at the forefront of product development within its market niche and we continue to bring new instruments to market. We are currently focused on expanding our product range in non-tobacco markets, and in the year we purchased the intellectual property for non-invasive thermometry measurement equipment. This specialist equipment is mainly aimed at the nutrition sector and we are in the process of bringing it to market.

Outlook

There is currently little sign of an immediate recovery in the tobacco sector, although the order book at the beginning of the year for the instrumentation business was strong. The Packaging Machinery division has made encouraging progress, but it entered 2016 with a lower order book and we are now more cautious about trading conditions, although there are a significant number of prospective projects under discussion.

Looking further ahead, prospects in the medium-term remain positive, particularly in the Packaging Machinery division, and the Instrumentation & Tobacco Machinery division remains well placed to benefit from any improvement in market conditions in the sector.

Dick Hunter
Chief Executive
25 February 2016

Financial review

David Cowen
Group Finance Director

The Packaging Machinery division progressed well in the year, whilst continuing tough market conditions in the tobacco sector have impacted the Instrumentation & Tobacco Machinery division

The results of Molins' activities are being reported under two rather than three divisions, following the disposal of the US-based analytical services business on 31 May 2015.

Revenue and operating results

The trading performance of the Group is discussed in the Operating review. Group revenue from continuing operations in the year was £87.0m (2014: £87.4m). Sales in the Packaging Machinery division were £51.0m (2014: £40.5m) and underlying operating profit was £3.9m (2014: £1.8m). Instrumentation & Tobacco Machinery division sales were £36.0m (2014: £46.9m) and underlying operating profit was £0.1m (2014: £3.6m).

Non-underlying items

The net non-underlying operating charge in respect of continuing operations was £1.1m (2014: £1.2m). This comprised £0.9m (2014: £0.9m) of administration costs relating to the Group's defined benefit pension schemes (see Pension schemes section) and £0.4m (2014: £0.5m) of reorganisation costs relating to the Instrumentation & Tobacco Machinery division, partially offset by a credit of £0.2m arising from the sale of surplus property. Additionally in 2014, actions taken in respect of the Group's UK defined benefit pension scheme resulted in a credit of £0.2m. Financing expense on pension scheme balances (see Interest and taxation section) is also considered to be a non-underlying item, as is loss from discontinued operations.

Discontinued operations

The trade and assets of the Group's US-based analytical services business, Arista Laboratories, were sold on 31 May 2015. The business has been reported as a discontinued operation with a loss of £5.8m (2014: £3.6m), which comprised a loss on trading activities for the period prior to its disposal of £0.9m (2014: £2.0m loss in the year), disposal costs of £0.4m, loss on disposal of net assets of £3.5m, impairment of goodwill of £1.3m (2014: £1.6m), partially offset by sales proceeds of £0.3m. The Group has substantial tax losses in the USA but does not carry any deferred tax balances in respect of these losses, and no deferred tax assets have been recorded as a consequence of the disposal. More details of the financial impact of the disposal can be found in note 30.

Interest and taxation

Net financing expense was £0.9m (2014: £0.3m), which includes a charge of £0.7m (2014: £0.2m) in respect of financing expense on pension scheme balances. The tax charge on underlying profit before tax was £0.9m (2014: £0.9m), an underlying effective rate of 24% (2014: 17%). The total tax charge on the Group's profit before tax was £0.3m (2014: £0.6m).

Financial review continued

Goodwill and intellectual property

Included within intangible assets in the Consolidated statement of financial position at 31 December 2015 is goodwill arising on consolidation of £7.4m, which represents the excess of the cost of acquisition of the Group's instrumentation business, Cerulean, over the Group's interest in the fair value of the identifiable assets and liabilities of that business at the date of its acquisition. Also included within intangible assets is the cost of £0.2m of the acquisition in the year of intellectual property of a thermometry measurement equipment business. Goodwill and intellectual property are reviewed for impairment at least annually and no impairment in respect of either of these amounts was required. At 31 December 2014 the value of goodwill in respect of the disposed business, Arista Laboratories, was £1.3m.

Dividends

The Board is recommending a final dividend of 1.5p per ordinary share which, together with the interim dividend of 2.5p paid in October 2015, results in a total dividend of 4.0p per ordinary share in respect of 2015 (2014: 5.5p per ordinary share). The dividend, which is subject to shareholder approval at the Group's AGM, will be paid on 11 May 2016 to shareholders registered at the close of business on 15 April 2016.

Cash, treasury and funding activities

Net debt at the end of the year was £3.2m (2014: £2.1m). Net cash inflow from operating activities from continuing operations was £4.8m (2014: £1.6m), after a decrease in working capital of £0.4m (2014: £3.0m increase), reorganisation payments of £0.4m (2014: £0.5m), defined benefit pension payments of £1.9m (2014: £1.8m) and net taxation payments of £0.1m (2014: £1.0m). Capital expenditure on property, plant and equipment, net of proceeds from the sale of property, plant and equipment, was £0.9m (2014: £1.9m) and capitalised product development expenditure was £1.9m (2014: £3.1m). Additionally, assets, including intellectual property, relating to an instrumentation product that is being commercialised by the Group were purchased for £0.2m. Net cash outflow in relation to the discontinued operations was £1.0m (2014: £2.1m). Dividends of £1.1m (2014: £1.1m) were paid in the year.

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.

The Group maintains bank facilities appropriate to its expected needs. These were renegotiated in 2013 and comprise £13.0m of secured, committed borrowing facilities with Lloyds Bank plc. These facilities are committed until September 2018 and are subject to covenants covering leverage, interest cover, tangible net worth and capital expenditure, and are sterling and multi-currency denominated. Additionally, ancillary facilities are in place, covering bonds, indemnities and guarantees. Short-term overdrafts and borrowings are utilised in certain parts of the Group to meet local cash requirements and these are typically denominated in local currencies. Foreign currency borrowings are used to hedge investments in overseas subsidiaries where appropriate.

Pension schemes

The Group is responsible for defined benefit pension schemes in the UK and the USA, in which there are no active members. These schemes are accounted for in accordance with IAS 19 *Employee benefits*. The IAS 19 valuation of the UK scheme's assets and liabilities was undertaken as at 31 December 2015 and was based on the information used for the funding valuation work that is currently being carried out as at 30 June 2015, updated to reflect both conditions at the 2015 year end and the specific requirements of IAS 19. The smaller USA defined benefit schemes were valued as at 31 December 2015, using actuarial data as of 1 January 2015, 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 £10.6m (2014: £14.1m deficit), before tax. The value of the scheme's assets at 31 December 2015 was £346.9m (2014: £347.9m) and the value of the scheme's liabilities was £336.3m (2014: £362.0m). The accounting valuations of the USA pension schemes showed an aggregated net deficit of £6.6m (2014: £6.5m), all amounts being before tax, with total assets of £14.9m (2014: £15.4m). The main causes of the improvement in the valuation of the liabilities in the UK scheme were the increase in the discount rate, reflecting higher interest rates at the year end compared with twelve months previously, and a gain arising from a change to the demographic assumptions.

The last completed scheme specific funding valuation of the Group's UK defined benefit scheme, which was carried out as at 30 June 2012, showed a funding level of 86% of liabilities, which represented a deficit of £53.0m. 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 56%. Valuations are extremely sensitive to a number of factors outside the control of the Group, including discount rates.

The Company agreed a deficit recovery plan with the trustee of the scheme which commits the Company to paying to the scheme £1.7m per annum, in monthly instalments from July 2013, with a then estimated recovery period of 17 years from 30 June 2012. The annual deficit recovery payments increase by 2.1% per annum. The deficit recovery plan will be formally reassessed following the completion of the scheme specific funding valuation as at 30 June 2015, which is currently being carried out.

The aggregate cost of administering the defined benefit schemes charged to operating profit was £0.9m (2014: £0.9m). In 2014 an aggregate credit of £0.2m was reported, arising as a result of a trivial commutation exercise carried out in that year. As reported in the Interest and taxation section on page 9, net financing expense in respect of the schemes was £0.7m (2014: £0.2m).

During the year the Company made payments to the UK defined benefit scheme of £1.8m (2014: £1.7m) in respect of the deficit recovery plan. Payments of £0.1m (2014: £0.1m) were made to the USA schemes in the year.

The Company is also responsible for paying a statutory levy to the Pension Protection 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. The levy that will be paid in 2016 is largely linked to the Group's financial information reported in the year to 31 December 2014 and it is expected that this will result in a payment considerably in excess of the 2015 levy.

Equity

Group equity at 31 December 2015 was £36.6m (2014: £25.9m). The movement arises mainly from the net actuarial gains in respect of the Group's defined benefit pension schemes of £18.0m, profit for the period from continuing operations of £1.7m, losses arising on the discontinued operations of £5.8m, currency translation losses on foreign currency net investments of £2.2m and dividend payments of £1.1m, all figures net of tax where applicable.

David Cowen
Group Finance Director
25 February 2016

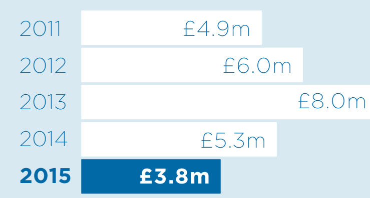
Key performance indicators (KPIs)

Sales (continuing operations)

£87.0m

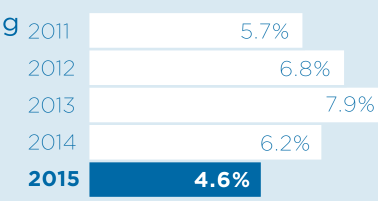
Underlying profit before tax

£3.8m



Underlying operating return on sales

4.6%



Underlying EPS

15.1p

Principal risks and uncertainties

The Board regularly considers the main risks that the Group faces and how to mitigate those risks. The principal risks and uncertainties to which the business is exposed are summarised as follows.

Risk	Mitigation
Economic and market cycles The Group is potentially affected by global and local economic cycles and changes in a number of industrial sectors, including the tobacco industry. Such potential changes include those arising as a consequence of governmental activities, such as regulation and taxation.	The customer base is geographically diverse and the Group sells a range of products and services to a number of industries, including within the tobacco industry those that relate to the regulation and quality control of tobacco products, as well as those that relate directly to the manufacture of such products.
Loss of trading partners The Group faces the general risk of trading partners, including both customers and suppliers, ceasing to operate; the loss of any such partner could have an adverse effect on the Group's operating results and financial condition, including potentially affecting the viability of a subsidiary company. A number of customers operate in countries which may face a higher degree of political risk than others.	The Group has a diversified base of customers and the customer that accounts for the largest proportion of sales, excluding one-off projects, is routinely responsible for no more than 5% of total sales in any year. In certain years sales to a customer may be more than 5%, although the sales would typically be to a number of different geographic regions. The Group businesses regularly review their trading relationships with suppliers with the aim of ensuring that alternative sources of supply are available.
Large one-off projects The Group undertakes a number of large, one-off projects for its customers each year. Several risks follow from the nature of this type of business, including the potential for cost over-runs and delays in performing the contract, with a consequent impact on cash flows and profits. Also, the Group is prone to potentially large fluctuations in business levels, as demand can be quite volatile.	The Group utilises good project management practices, including regular technical and commercial reviews of its major projects. Resource capacity is regularly reviewed, alongside reviews of order prospects lists.
Loss of a key facility The Group operates a number of businesses around the world and the loss of any one of them would interrupt a revenue stream and could potentially have an adverse effect on the Group's operating results and financial condition.	Disaster recovery plans are in place for each business. IT infrastructures are designed to have minimal inter dependence across the Group, thereby not exposing a number of facilities to the failure of one central system.
Exchange rate movements The majority of the Group's trading is conducted outside of the UK and in currencies other than sterling. Consequently, its financial performance is affected by fluctuations in foreign exchange rates, particularly as a result of changes in the relative values of the US dollar, Canadian dollar, euro, Czech koruna, Brazilian real and sterling.	The Group has a wide supply base in different countries and monitors the relative values of currencies in making purchasing decisions. The Group enters into forward foreign exchange contracts to minimise currency exposures on sales and purchases in other than the functional currencies of its operations.

Risk	Mitigation
Availability of funding The Group has access from its principal UK bank to borrowing facilities of £13.0m, which are committed until September 2018, provided that the Group continues to meet the agreed covenants. In addition, these facilities provide the Group with access to other financial instruments for carrying out its activities, including bank guarantees and forward foreign exchange contracts. If a breach of agreed covenants was to occur and funding was withdrawn, it may result in the Group experiencing difficulty in financing its activities.	Reviews of actual and forecast trading performance are regularly undertaken and assessed against the bank covenants, thereby allowing mitigating actions to be put in place if there were concerns that covenants might be breached. Regular reviews are held with the principal UK bank so that they are informed of the Group's strategy and prospects and are able to comment as appropriate.
Liabilities of the Group sponsored defined benefit pension schemes The Group is responsible for the funding of a defined benefit pension scheme in the UK, which pays a levy to the Pension Protection Fund of an amount outside the control of the Group, as well as three smaller such schemes in the USA. Changes in the value of the liabilities of the pension schemes, which were valued in aggregate at £357.8m at 31 December 2015 in accordance with IAS 19, as a consequence of changes in interest rates and mortality rates, amongst others, and changes in the value of the assets of the pension schemes, which were valued in aggregate at £361.8m at 31 December 2015, are largely outside the control of the Group. The valuation of these schemes impact on the value of capital employed in the Group and the extent to which, as a matter of law, it has available to distributable profits. The Group has responsibility for the adequate funding of the pension schemes and is currently paying to the UK scheme £1.8m per annum in respect of deficit funding following an actuarial funding valuation as at 30 June 2012. The UK scheme is subject to a full actuarial funding valuation as at 30 June 2015 which will help inform its funding requirements over the subsequent periods.	The Group and the pension schemes implement liability reduction strategies where such opportunities exist and the Group maintains regular dialogue with its pension advisors on such matters. Regular meetings are held with the trustee of the UK pension scheme, to input into their asset investment decisions and to apprise the trustee of the progress of the Group to help inform them in making decisions which may impact the scheme funding requirements. However, many factors which impact the valuations and funding requirements of the pension schemes are outside the control of the Group.
Litigation The Group from time to time may be subject to claims from third parties in relation to its current and past operations, which could result in legal costs and rulings against it that may have a material effect on the Group's operating results and financial condition.	The Group has a comprehensive risk management and review process which is aimed at minimising the risk of such claims arising as a consequence of its actions. Insurance policies are in place to cover some such incidences and third-party legal assistance is sought as required.

Chairman's report

Phil Moorhouse
Chairman

In this my first report as Chairman, I am pleased to have the opportunity to outline the activities and responsibilities of the Board

Governance highlights

We are committed to excellence in corporate governance and maintain clear policies and practices that promote good corporate governance, including:

- the Board of directors has adopted clear corporate governance policies;
- the Chairman and the independent member of the Board of directors meet regularly without the presence of management;
- we have a clear code of business conduct;
- the Group has a whistle-blowers hotline available to all employees, and the Molins Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal accounting controls, or auditing matters; and
- the Company's internal audit function maintains critical oversight over the key areas of its business and financial processes and controls, and reports directly to the Audit Committee.

Earlier in this document we have explained how the Group has performed in the year and how it is structured. I explain below how the Board goes about ensuring it performs its duties effectively.

The Board's activities

Since the Company's move to AIM in 2014, the Board has continued to operate the Company's business, including its reporting and governance, in substantially the same manner and with the same objectives as it had done before the move. Accordingly, even though the Company is not subject to the UK Corporate Governance Code (the Code), the directors consider that the Company adhered to the principles of the Code and those contained in the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Board met nine times during 2015 and it is responsible for:

- Group strategy, business planning, budgeting and risk management;
- monitoring performance against budget and other agreed objectives;
- setting the Group's values and standards, including policies on employment, health and safety, environment and ethics;
- relationships with shareholders and other major stakeholders;

- determining the financial and corporate structure of the Group (including financing and dividend policy);
- major investment and divestment decisions, and approving material contracts; and
- Group compliance with relevant laws and regulations.

Day to day management of the Company's businesses is delegated to the executive directors and in turn to business unit managing directors or general managers in accordance with a clear and comprehensive statement of delegated authorities. At each meeting the Board reviews comprehensive financial and trading information produced by management each month and considers the trends in the Company's businesses and their performance against strategic objectives and plans. It also regularly reviews the work of its formally constituted standing Committees as described below and compliance with the Group's policies and obligations.

Since my appointment as Chairman there has been no Senior Independent Director. The composition of the Committees referred to below and whether a Senior Independent Director should be appointed is currently subject to review by the Board. Mr Davies is considered to be an independent director and he has met with me as Chairman on a number of occasions during the year without the executive directors being present.

In furtherance of the principles of good corporate governance, the Board has appointed Audit, Remuneration and Nomination Committees, each with formal terms of reference, which can be read on the Company's website at www.molins.com. The current memberships of the Committees are shown on page 17. All members of the Board and its Committees attended all meetings held in 2015.

Reports on the activities of the Audit Committee and the Remuneration Committee are on pages 18 and 20 respectively. The Nomination Committee, which I chair, is responsible for formulating and reviewing proposals for the appointment of directors and making recommendations thereon to the Board. It met once during 2015 and intends to meet at least once a year to review the structure, size, diversity and composition of the Board and its Committees (including the balance of skills, knowledge and experience and the need for succession planning or membership of the Board).

The directors attend seminars from time to time as appropriate to assist with training in their awareness of compliance issues facing boards of quoted companies. The directors have ensured they maintain awareness of current issues and skills development, through membership of professional associations where appropriate. Details of the service contracts of the executive directors are set out in the Remuneration report. The non-executive directors' terms of engagement are set out in their letters of appointment. In each case, compensation for loss of office of a non-executive director is specifically excluded by the letter of appointment.

Board performance evaluation

The Board carries out a formal review each year in respect of its performance over the previous year. The evaluation is informed by detailed questionnaires completed by each director.

> The Board is responsible for the Group's system of internal controls and has established a framework of financial and other controls

Relationships with shareholders

The Board recognises the importance of maintaining regular dialogue with institutional shareholders to ensure that the Group's strategy is communicated and any concerns can be addressed. In addition, all shareholders have the opportunity to attend the Annual General Meeting where the Group's operations can be discussed with the directors. The Chief Executive and Group Finance Director make themselves available for meetings with analysts and representatives of the major shareholders on the day of the announcement of the preliminary results and the half-year results or shortly thereafter and upon request at other times of the year, and they report accordingly to the Board on shareholders' views. Any shareholder wishing to meet with the directors should make contact with the Secretary. Mr Davies and I are also available to attend meetings with major shareholders thus enabling shareholders to draw our attention to any views that they consider need special emphasis. We can also be contacted through the Secretary.

Chairman's report continued

Internal controls

The Board is responsible for the Group's system of internal controls and has established a framework of financial and other material controls that is periodically reviewed for its effectiveness. The Board has reviewed the effectiveness of the system of internal controls during the year ended 31 December 2015 and intends to review controls annually, having ensured that appropriate control mechanisms and review processes are in place.

The Board has taken and will continue to take appropriate measures to ensure that the chances of financial irregularities occurring are reduced as far as reasonably possible by improving the quality of information at all levels in the Group, fostering an open environment and ensuring that financial analysis is rigorously applied. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The major elements of the system of internal control are as follows:

- major commercial, strategic and financial risks are formally identified, quantified and assessed by each business during the annual budgeting exercise and presented to and discussed with executive directors, after which they are considered by the Board;
- there is a comprehensive system of planning, budgeting, reporting and monitoring of the Group's businesses. This includes monthly management reporting and monitoring of performance and forecasts. Monthly reviews are embedded in the internal control process and cover each principal business. Monthly reviews require each business to consider, among other things, business development, financial performance against budget and forecast, health and safety and capital expenditure proposals, as well as a review of longer-term business development and all other aspects of the business. They are attended by executive directors and other Group personnel as appropriate;
- there is an organisational structure with clearly defined lines of responsibility and delegation of authority;
- each business is required to comply with defined policies, financial controls and procedures and authorisation levels which are clearly communicated;
- a regular programme of internal control reviews and specific investigations is carried out by Group finance personnel. These are followed up during regular executive management visits. The internal control reviews include assessments of compliance with Group policies and procedures and findings are reported to the Audit Committee and Board as appropriate;
- there is a whistle-blower procedure of which all employees are made aware, to enable concerns to be raised either with line management or, if appropriate, confidentially outside line management; and
- a formal risk management audit is regularly carried out by Group personnel and external risk management consultants, which covers physical damage, environmental and health and safety risks together with business continuity issues. Formal reports including recommendations are sent to each business for action and reported back to Group management. Progress reports are issued to the Board for review and monitoring.

Finally, I would like to take this opportunity to thank all Group employees for their continued hard work, commitment and their contribution to the performance of the Group during 2015.

Phil Moorhouse
Chairman
25 February 2016

Board of directors

Phil Moorhouse FCCA§
Chairman

Phil Moorhouse joined the Molins Board on 1 March 2011 as a non-executive director and was appointed Chairman of the Board on 10 April 2015. He is Chairman of the Audit and Nomination Committees. He is also non-executive Chairman of Newcastle Building Society. He was formerly Finance Director and Managing Director UK of Northgate plc.

Dick Hunter MBA
Chief Executive

Dick Hunter joined the Company in January 2003, was appointed to the Board on 28 June 2004 and was appointed Chief Executive on 25 January 2008. He previously held a number of general management positions within Coats Viyella plc and Dynacast International Ltd in Europe, the USA and the Far East.

David Cowen FCA
Group Finance Director

David Cowen joined the Molins Board as Group Finance Director on 8 February 1999 from Rolls-Royce and Bentley Motor Cars Ltd where he was Finance Director. He previously held senior financial positions with Vickers PLC.

John Davies§
Non-Executive Director

John Davies joined the Molins Board on 27 January 2011 as a non-executive director and is Chairman of the Remuneration Committee. He is a non-executive director of Redde plc and he was formerly non-executive Chairman of Autologic Holdings plc, Managing Director of Lloyds TSB's Asset Finance division, Head of Consumer Finance for Standard Chartered Bank and Managing Director of United Dominions Trust, a subsidiary of Lloyds TSB Bank plc.

§ Member of the Audit, Remuneration and Nomination Committees.

Audit Committee report

Phil Moorhouse
Chairman of the Audit Committee

In my capacity as Chairman of the Audit Committee, I report on the responsibilities of the Audit Committee and its activities during the year

With my background as a chartered certified accountant and former finance director the Board regards me as having the relevant experience to be able to perform my duties as the Committee's Chairman effectively.

The Committee's members are the non-executive directors, whose biographies are set out on page 17, both of whom attended all four of the Committee meetings held in the year. The Chief Executive, Group Finance Director, Secretary, senior member of the internal audit function and representatives of the external auditors (when half-year accounts, year end accounts or external audit plan proposals are to be considered) are invited to attend all or part of each meeting. Each of them has confidential access to me at other times as required.

The Audit Committee assists the Board in the discharge of its duties concerning the announcement of results, the Annual Report and Accounts and the maintenance of proper internal controls. It reviews the scope and planning, as well as the audit and the auditors' findings and considers Group accounting policies and the compliance of those policies with applicable legal and accounting standards.

The Audit Committee also considers the independence of the external auditors and has developed policies relating to the employment of former employees of the auditors and the engagement of the auditors, or advisors related to the auditors, on non-audit work. These policies, which have been adopted formally by the Board, require, inter alia, the Committee's consent to material engagements or any employment and appropriate confirmations from the auditors. The Committee considers annually how the internal audit function operates in the Group, including its terms of reference and whether this gives sufficient assurance that the business and controls of the Group are adequately reviewed. The Committee also approves the internal audit work plan each year. This function is part of the Group finance department and its senior member reports to the Committee at each meeting on its activities and has direct access to me as required at all times.

Relationship with the Auditors

During the year under review KPMG provided tax advice to the Company and some of its principal subsidiaries. The Board has considered the effect on independence of the auditors and the objective criteria on which any decisions to appoint KPMG should be made. It was concluded that in the circumstances its appointment as tax advisor was the most cost-effective means of securing appropriate advice without a serious risk of affecting the independence of the auditors. KPMG have confirmed that they do not consider their independence to be affected. The Board has developed policies to safeguard the independence of the auditors based upon:

- internal KPMG processes to prevent information being shared between teams except where it is appropriate and a periodic rotation of senior audit staff in accordance with KPMG's internal policies;
- separate consideration of each category or major item of work, including the cost-effectiveness of any proposed work and the suitability of competing advisors;
- consideration of the total level of fees payable to KPMG and its associated entities; and
- periodic rotation of the lead audit partner; this was last effected during 2013, when Peter Selvey was appointed Senior Statutory Auditor.

Auditors' appointment

The Committee evaluated and was satisfied with the work of the auditors, KPMG LLP, and therefore recommended to the Board that they should be re-appointed for the 2016 audit. A resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting to be held on 22 April 2016.

Activities of the Audit Committee during the year

A summary of the Committee's principal activities in 2015 is set out opposite.

By order of the Board

Phil Moorhouse
Chairman of the Audit Committee
25 February 2016

Month	Principal activities
February	Review of financial reporting, including material judgements and estimates, goodwill impairment review assumptions, going concern assumptions, draft Annual Report and Accounts 2014, governance reports, draft preliminary results announcement, representation letter to the external auditor and the audit report. Review of internal controls and risk management processes and environment. Consideration of the external auditors' activities, effectiveness, objectivity and independence, and consideration of whether to recommend the appointment of KPMG LLP as external auditors.
April	Approval of the internal audit work plan for the year. Update on the implementation of the businesses' financial performance improvement observations as recommended by the external auditor. Consideration of the effectiveness of the external audit process.
August	Review of financial reporting, including consideration of the going concern assumptions, the draft half-year announcement and the external auditors' review report of the half-year condensed set of financial statements. Consideration and agreement of the Audit Committee checklist.
November	Review of financial controls and accounting policies. Review and approval of the external audit plan for 2015 financial reporting. Review of internal controls and risk management processes and environment. Consideration of accounting and corporate governance developments.

Remuneration Committee report

John Davies
Chairman of the
Remuneration Committee

On behalf of the Board I am pleased to present the Remuneration Committee's report for the year ended 31 December 2015

The report is presented in three sections; my introductory statement, the Remuneration report and the forward-looking Remuneration policy. The Remuneration report, on pages 21 to 23 details the amounts earned by the directors in respect of the period to 31 December 2015 and is subject to an advisory shareholder vote. The Remuneration policy, on pages 23 to 27 sets out the policy which was approved by shareholders at the Annual General Meeting held on 24 April 2014 and which will continue to apply until no later than 24 April 2017.

The Remuneration Committee, which consists of the non-executive directors, deals with all aspects of the remuneration of the executive directors and certain other senior managers. The Chief Executive, Group Finance Director and Secretary are invited to attend all or parts of each Committee meeting but are not in attendance when the subject matter covers topics pertaining to their remuneration. The Committee meets on a regular basis, usually three times a year and additionally if required. It met four times in 2015.

During the year, the Committee undertook a review of the Remuneration policy to satisfy itself that the policy still supports the strategic objectives of the Company. There have been no changes to the Remuneration policy in the year.

In reaching its decisions on policy and specific remuneration packages, incentive arrangements and targets, the Committee obtains professional advice, when necessary, from Willis Towers Watson on the salary, benefits and incentive arrangements for executive directors. It has also taken advice from Willis Towers Watson on pension arrangements (a separate team in Willis Towers Watson provides actuarial services to the trustee of the Molins UK Pension Fund).

Remuneration report

Directors' total remuneration

The remuneration of the executive directors for the years 2015 and 2014 is made up as follows:

Executive directors' remuneration as a single figure

2015	Salary £000	All taxable benefits[a] £000	Short-term incentive scheme[b] £000	Deferred share plan[c] £000	Pension[d] £000	Total £000
D J Cowen	215	20	–	–	58	293
R C Hunter	243	26	–	–	36	305

2014	Salary £000	All taxable benefits[a] £000	Short-term incentive scheme[b] £000	Deferred share plan[c] £000	Pension[d] £000	Total £000
D J Cowen	214	23	–	70	58	365
R C Hunter	242	26	–	80	36	384

[a] Taxable benefits include:
Mr Cowen – car allowance payments, private medical cover, income replacement insurance and life assurance premiums;
Mr Hunter – provision of a company car, private fuel, private medical cover, income replacement insurance and life assurance premiums.

[b] The performance criteria for the Short-term incentive scheme is described in the Remuneration policy on page 26.

[c] The performance criteria for the Deferred share plan is described in the Remuneration policy on page 27. The amounts represent the values of the awards made in the form of conditional grants which are exercisable no earlier than three years from the date of grant. The share price at the date of grant in 2014 was 185.0p.

[d] The values are the amounts paid in lieu of membership of a pension scheme.

The remuneration of the non-executive directors for the years 2015 and 2014 is made up as follows:

Non-executive directors' remuneration as a single figure

	2015			2014		
	Fees £000	All taxable benefits £000	Total £000	Fees £000	All taxable benefits £000	Total £000
J L Davies	50	–	50	50	–	50
P J Moorhouse – Chairman since 10 April 2015	68	–	68	50	–	50
A Palmer-Baunack[a] – Chairman until 10 April 2015	21	–	21	75	–	75

[a] Mrs Palmer-Baunack resigned as a director on 10 April 2015.

Defined benefit pension scheme

The executive directors were members of the Molins UK Pension Fund until April 2012 and the following table relates to the benefits of Mr Cowen and Mr Hunter under that scheme.

	Accrued pension at 31 December 2015 £ pa
D J Cowen	**48,822**
R C Hunter	**33,266**

Directors' interests in shares

The beneficial interests of directors holding office at 31 December 2015 and persons connected with them in the ordinary shares of the Company (excluding share options) were as follows:

	Held at 1 January and 31 December 2015
D J Cowen	**100,219**
R C Hunter	**75,000**

No director holds, or held at any time during the year, a beneficial interest in the Company's preference shares.

There were no changes in the directors' interests in shares between 31 December 2015 and 25 February 2016.

Incentive scheme – Deferred share plan

Details of conditional grants of Molins ordinary shares under the Company's Deferred share plan yet to vest for each director who held office during the year and who is eligible to participate in the plan are as follows:

	Date of award	Basis of award (% of salary)	Number of shares	Face value at grant (£000)
D J Cowen	27 February 2014	33.5%	42,000	70
	27 February 2013	37.5%	46,600	78
R C Hunter	27 February 2014	33.5%	47,600	80
	27 February 2013	37.5%	52,600	88

Awards are made following the achievement of personal objectives linked to long-term strategic initiatives. The earliest date that awards can vest is three years from the date of award. No awards were made to the executive directors in 2015.

In 2015 both executive directors exercised conditional grants that were awarded in 2011 and 2012. The aggregate gains made on exercise were:

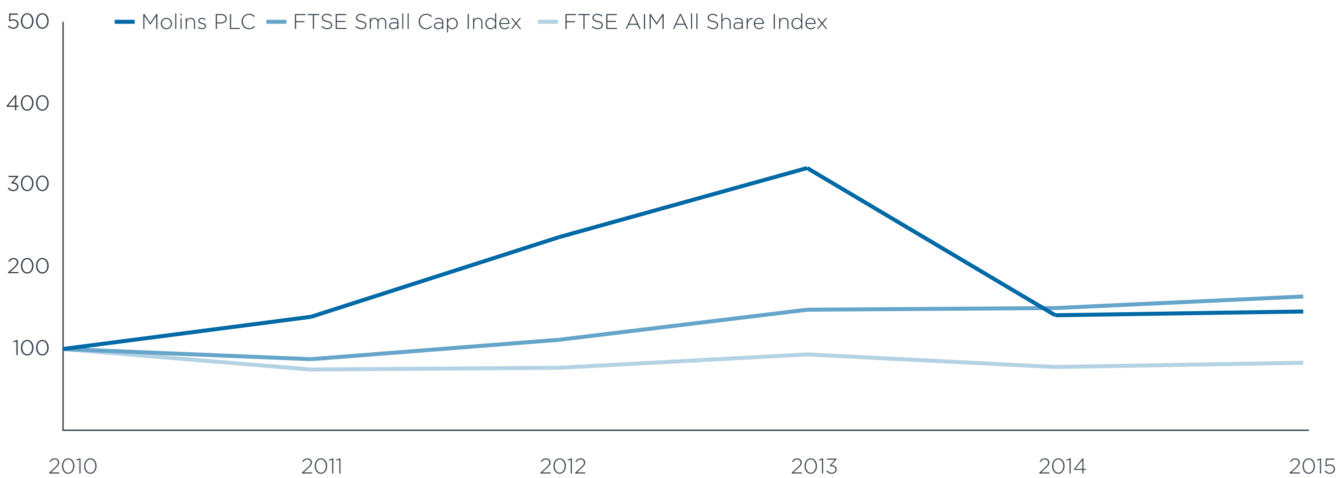
- D J Cowen £113,642
- R C Hunter £128,403

Payments to past directors

There were no payments made to past directors during the period in respect of services provided to the Company after their appointment was terminated.

Total shareholder return (TSR) information

The Company's TSR performance is shown in the following line graph over the last five years, compared with the FTSE Small Cap Index and the FTSE AIM All Share Index. The Board believes these are the most appropriate broad equity market indices with which to compare the Company's performance.



Remuneration policy

This part of the Remuneration Committee's report sets out the Remuneration policy which was subject to a binding vote at the 2014 Annual General Meeting. It is not subject to audit. The Remuneration policy, which was determined by the Company's Remuneration Committee, took effect from the close of the Annual General Meeting on 24 April 2014.

The Remuneration policy is designed to ensure that the remuneration packages offered, and the terms of the contracts of service, are competitive and are designed to attract, retain and motivate executive directors of the right calibre. To achieve these goals, the Remuneration Committee's policy is to establish fixed salary at around half of the total obtainable in the case of excellent performance, with recognition and reward for achieving performance targets annually and growth in the long-term.

Remuneration packages

The main components of the package for each executive director are:

i. Basic salary

Basic salary is determined by taking into account the performance of the individual and information on the rates of salary for similar jobs in companies of comparable size and complexity in a range of engineering and other technology industries.

ii. Incentive schemes

The executive directors participate in incentive schemes in which the aggregated minimum bonus payable is nil and the maximum bonus payable is 120% of relevant salaries, of which a maximum of 70% of salary is payable in cash (awarded under the rules of the Short-term incentive scheme) and a maximum of 50% of salary is payable in deferred shares (currently awarded as conditional grants in Molins ordinary shares under the Company's Deferred share plan). The targets against which performance is judged are primarily the Group's underlying earnings per share in respect of the Short-term incentive scheme, set annually by the Remuneration Committee, and specific personal objectives linked directly to long-term strategic initiatives to enhance shareholder value in respect of the Deferred share plan. The directors' personal objectives are commercially sensitive and therefore remain, and are expected to continue to remain, confidential to the Company. In some years the targets for the Short-term incentive scheme may be varied to reflect particular objectives determined by the Remuneration Committee. The Remuneration Committee took advice on good practice in this area in 2009 from Willis Towers Watson and also considered appropriate benchmarking against similar companies.

The main terms of the Deferred share plan are that an award is made, subject to the achievement of personal objectives, in the form of a nil cost option, which stipulates the number of deferred shares being awarded. Awards in each year are usually determined shortly after publication of the Company's preliminary results announcement and, provided the director is still in the employment of the Company on the third anniversary of the award being made, the stated number of shares will be granted to the director at any time requested by the director from the third anniversary to, normally, the fourth anniversary. Alternatively, in exceptional circumstances and at the Company's absolute discretion, the Company may make a cash payment of a sum equivalent to the value of the shares that would otherwise have been granted. In certain circumstances, for example retirement, the director may exercise a proportion of an award before the third year anniversary of the conditional grant.

iii. Pensions

Molins' policy, from April 2012, is, in lieu of payments to a pension scheme, to pay additional emoluments to the executive directors. Alternatively, directors may choose to join the Molins Personal Pension Plan, which is a defined contribution scheme. Additionally, life assurance and income protection policies are put in place for the executive directors.

Until April 2012 Molins' policy was to offer its executive directors membership of the Molins UK Pension Fund (the Fund), which is a funded, HM Revenue & Customs approved, contributory, career average (since 1 September 2006), occupational pension scheme. Prior to 1 September 2006 benefits were accrued on a final salary basis. Accrual of benefits ceased for all remaining members of the Fund on 30 November 2012.

Pensionable salary is the member's basic salary, subject to the earnings cap introduced by the Finance Act 1989, limiting the calculation of remuneration for the purposes of pensions and death benefits under approved schemes to a level of, at present, £149,400. In the case of Mr Cowen, the Company paid increased pension benefits through the payment of additional emoluments and death benefit through top-up life assurance. Membership of the Fund ceased in April 2012 for the Executive directors.

The Fund's main features as they affect executive directors are:

- a normal pensionable age of 60 in respect of Mr Cowen and 65 in respect of Mr Hunter;
- in respect of the career average salary pension (i.e. accruing from 1 September 2006) Mr Cowen accrued pension at the rate of 1/37th of each year's pensionable salary from 1 September 2006, and Mr Hunter at the rate of 1/38th. Pensions accrued each year for Mr Cowen and Mr Hunter on a final salary basis (i.e. up to and including 31 August 2006) shall be paid on their final pensionable salaries as at the date of their leaving membership of the Fund or retirement from the Company;
- pension payable in the event of ill health and incapacity; and
- spouse's pension on death.

Contracts of service

The Company's policy is to offer contracts of employment that attract, motivate and retain skilled employees who are incentivised to deliver the Company's strategy. The current service contracts were concluded with Mr Cowen on 18 October 2002 and with Mr Hunter on 10 February 2005 as amended on 25 January 2008. These service contracts are terminable on notice of one year given by the Company and six months given by the director. In the event of termination by the Company, the Company has the option of making a payment of liquidated damages equivalent to the value of 12 months' salary and benefits, or the balance of the period to the date of expiry if less, or of negotiating appropriate compensation reflecting the principle of mitigation. In the event of a change of control in the Company, if the Company terminates any of these contracts within 24 months of the change of control, or if the director terminates the contract within six months of the change of control, the Company will be obliged to pay liquidated damages equivalent to the value of 12 months' salary and benefits (including bonus at the rate of the average of the two previous years). The purpose of the change of control clause, which is reviewed regularly, is that the contracts should provide reasonable and appropriate security to the directors concerned and to the Company.

Any commitment contained within the current directors' service contracts, or a current employee's contract of employment who is subsequently promoted to the role of director, will be honoured even where it may be inconsistent with the Company's Remuneration policy.

Letters of appointment

The non-executive directors are not issued with a separate service contract on appointment. The terms of their appointment are set out in their letter of appointment. The Company does not make termination payments to non-executive directors in the event a non-executive director's appointment is terminated by the Company.

Recruitment

The Committee reserves the right to make payments outside the Remuneration policy in exceptional circumstances. The Committee would only use this right where it believes that this is in the best interests of the Company and when it would be disproportionate to seek the specific approval of the shareholders in a general meeting.

When hiring a new executive director, the Committee will use the Remuneration policy to determine the executive director's remuneration package. To facilitate the hiring of candidates of the appropriate calibre to implement the Group's strategy, the Committee may include any other remuneration component or award not explicitly referred to in this Remuneration policy sufficient to attract the right candidate. In determining the appropriate remuneration the Committee will take into consideration all relevant factors (including the quantum and nature of the remuneration) to ensure the arrangements are in the best interests of the Company and its shareholders.

The Committee may "buy-out" incentive arrangements forfeited on leaving a previous employer after taking account of relevant factors including the form of the award, any performance conditions attached to the award and when they would have vested. The Committee may consider other components for structuring the buy-out including cash or share awards where there is a commercial rationale for this.

Where the recruitment requires the individual to relocate appropriate relocation costs may be offered.

Recruitment awards will normally be liable to forfeiture or clawback if the executive director leaves the Company within the first two years of their employment. Any such awards will be linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Termination

The Committee reserves the right to make additional liquidated damages payments outside the terms of the directors' service contracts where such payments are made in good faith in order to discharge an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment.

Non-executive directors

The fees of non-executive directors are determined by the Board based upon comparable market levels. The non-executive directors do not participate in the Company's incentive schemes and nor do they receive any benefits or pension contributions.

Future Remuneration policy table

The following table provides a summary of the key components of the remuneration package for directors:

Salary

Purpose and link to strategy	This is a fixed element of the executive directors' remuneration and is intended to be competitive and attract, retain and motivate.
Operation	Takes into account the performance of the individual and information on the rates of salary for similar jobs in companies of comparable size and complexity in a range of engineering and technology industries.
Opportunity	Salary is normally reviewed annually. Ordinarily, salary increases will be in line with increases awarded to other employees within the Group. However, increases may be made above this level at the Remuneration Committee's discretion to take account of individual circumstances such as: • increase in scope and responsibility; • to reflect the individual's development and performance in the role; and • alignment to market level.
Performance metrics	Not applicable, although individual performance is one of the considerations in determining the level of salary.

Benefits

Purpose and link to strategy	The benefits provided to the executive directors are intended to be competitive and attract and retain the right calibre of candidate.
Operation	Benefits are paid to the executive directors in line with market practice.
Opportunity	Benefits are set at a level which the Remuneration Committee considers: • are appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market; and • provide a sufficient level of benefit based upon the role and individual circumstances.
Performance metrics	Not applicable.

Short-term incentive scheme

Purpose and link to strategy	The Short-term incentive scheme is intended to reward executive directors for the performance of the Group in the financial year.
Operation	The Remuneration Committee reviews the financial performance of the Group following the end of each financial year and determines the payments to be made.
Opportunity	Maximum of 70% of salary.
Performance metrics	The targets against which performance is judged are primarily the Group's underlying earnings per share in each financial year set annually by the Remuneration Committee. In some years the targets for the Short-term incentive scheme may be varied to reflect particular objectives determined by the Remuneration Committee. The Remuneration Committee retains the ability to adjust and/or set different performance measures if events occur (such as a change in strategy, a material acquisition/divestment of a Group business, a change in prevailing market conditions, or a change in regulation which affects one or other of the Group businesses) which cause the Remuneration Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Deferred share plan

Purpose and link to strategy	The Deferred share plan is intended to reward executive directors for their contribution in respect of the longer-term development of the Group.
Operation	The Remuneration Committee assesses the achievements of each director in respect of targets set annually and determines the award to be made, typically shortly after the Company's preliminary results announcement.
Opportunity	Maximum of 50% of salary, valued at the date of award of the conditional grant.
Performance metrics	The targets against which performance is judged are specific objectives personal to each director aimed at contributing towards the longer-term development of the Group. The Remuneration Committee retains the ability to adjust and/or set different performance measures if events occur (such as a change in strategy, a material acquisition/divestment of a Group business, a change in prevailing market conditions, or a change in regulation which affects one or other of the Group businesses) which cause the Remuneration Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Pensions

Purpose and link to strategy	The payment of a pension benefit is intended to form an integral part of an executive director's remuneration package that is competitive and attracts, retains and motivates the director.
Operation	Directors may join the Molins Personal Pension Plan, or alternatively, in lieu of payments to the pension scheme, the Company may pay additional emoluments.
Opportunity	Any percentage increase in pension contributions will not exceed the percentage increase in salary.
Performance metrics	Not applicable.

Non-executive directors' fees

Purpose and link to strategy	To attract and retain non-executive directors of the right calibre.
Operation	The fees of non-executive directors are determined by the Board based upon comparable market levels. The non-executive directors do not participate in the Company's incentive schemes and nor do they receive any benefits or pension contributions.

Statement of consideration of employment conditions elsewhere in the Company

The Company applies the same key principles to setting remuneration for its employees as those applied to the directors' remuneration. In setting salaries and benefits each business considers the need to retain and incentivise key employees and the impact such policy has on the continued success of the Company.

By order of the Board

John Davies
Chairman of the Remuneration Committee
25 February 2016

Directors' report

Business review

The directors' business review is set out as part of the Strategic report with the results of the Group being set out in the Consolidated income statement on page 32 and in its related notes.

Going concern

The Group's activities together with the factors likely to affect its future development, performance and position are described within the Strategic report on pages 1 to 13. The directors have considered the trading outlook of the Group, its financial position, including its cash resources and access to borrowings, as set out in note 20 to the accounts on page 54, and its continuing obligations, including to its defined benefit pension schemes, details of which are set out in note 24 to the accounts on pages 56 to 60. Having made due enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Dividends

An interim dividend of 2.5p was paid on 8 October 2015. The Board is recommending a final dividend of 1.5p, resulting in a dividend for the full year of 4.0p (2014: 5.5p). Subject to approval at the Annual General Meeting on 22 April 2016 the final dividend will be paid on 11 May 2016 to ordinary shareholders registered at the close of business on 15 April 2016, at a cost of £0.3m.

Dividends on the 6% preference shares are due for payment on 30 June and 31 December in each year and in 2015 amounted to £0.1m (2014: £0.1m).

Research and development

Group policy is to retain and enhance its market position through the design and development of specialist machinery, instrumentation and services. To achieve this objective, engineering and product development facilities are maintained in the UK and overseas. Research and development expenditure incurred in 2015, net of third-party income, amounted to £2.6m (2014: £3.7m), of which £0.7m (2014: £0.6m) was charged to the Consolidated income statement and £1.9m (2014: £3.1m) was capitalised and included in development costs.

Directors and directors' interests

The names of the directors of the Company at the date of this report are shown on page 17. All held office throughout 2015.

Directors' interests in the Company's shares as at 31 December 2015 are shown on page 22 in the Remuneration report. There are no shareholding requirements for directors.

Substantial shareholdings

At 25 February 2016, the Company had been notified, in accordance with the AIM Rules for Companies, of the following interests in the issued ordinary share capital of the Company:

	Number of ordinary shares	% of issued ordinary shares
Schroder Investment Management Limited	4,681,341	24.1
River and Mercantile Asset Management LLP	1,169,949	5.8
Mr G V L Oury	887,548	4.4

Share capital

Authority for the purchase of up to 3,000,000 own ordinary shares for cancellation was granted at the 2015 Annual General Meeting and this authority expires on 22 April 2016. The directors consider it appropriate to seek further authority from the shareholders at the forthcoming Annual General Meeting for the Company to purchase its own shares. Resolution 9, which will be proposed as a special resolution, will seek the necessary authority to enable the Company to purchase for cancellation ordinary shares in the market for a period of up to 12 months from the date of the meeting, upon the terms set out in the resolution, up to a maximum number of 3,000,000 ordinary shares representing approximately 15% of the issued ordinary share capital at the date of the notice convening the Annual General Meeting.

EES Trustees International Limited holds shares as trustee in connection with the Company's long-term incentive arrangements for the benefit of the Group's employees; at 25 February 2016 it held 504,816 shares. The trustee has agreed to waive all dividends and not to exercise voting rights in respect of shares representing 2.5% of the issued share capital.

Information about the Company's share capital is given in note 25 to the accounts on page 60 and 61.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Annual General Meeting

The Annual General Meeting will take place on 22 April 2016. Notice of the meeting can be found on pages 73 to 79.

Social, community and human rights

Employment policies

The Group is committed to developing its employment policies in line with best practice and providing equal opportunities for all, irrespective of gender, age, marital status, sexual orientation, ethnic origin, religious belief or disability. Full and fair consideration is given to applications for employment from people with disabilities having regard to their aptitudes and abilities. Every reasonable effort is made to support those who become disabled, either in the same job or, if this is not practicable, in suitable alternative work.

Gender diversity

The information contained within the table below relates to employees of Molins PLC only and does not include employees of the Company's overseas subsidiaries.

	Men (%)	Women (%)
Directors	100	–
Senior managers	69	31
Total employees	81	19

Employee involvement

Emphasis is placed on training, effective communication and the involvement of employees in the development of the business. Information is regularly provided on the progress of the Group through local review meetings, briefings and consultative bodies. Involvement in the achievements of the business is encouraged through other means appropriate to each location.

Ethics policy

The Group's Ethics policy was reviewed, updated and reissued in April 2014. The Ethics policy, which is distributed to every Group employee and is available on the Group's website at www.molins.com, sets out the values which Molins PLC seeks to encourage and certain principles governing the way it does business.

Environmental policy

The Group is committed not only to compliance with environmental legislation but also to the progressive introduction of appropriate measures to limit the adverse effects of its operations upon the environment. In particular, efforts are made to minimise waste arising from operations, to recycle materials wherever possible and to consider alternative methods of design or operation. The Group aims both to reduce its costs by these means and to promote good practice in use of resources at sustainable levels.

Annual quantity of emissions

Following its admission to AIM, Molins PLC has chosen to report emissions for the Group on a voluntary basis as set out below. Emissions are measured as tonnes of CO_2 equivalent resulting directly from the Group's purchase of electricity and the combustion of fuel arising from the activities of the Group for which it is responsible and an intensity ratio has also been included.

	Emissions (tonnes of CO_2 equivalent)	Intensity ratio (tonnes of CO_2 equivalent per employee[a])
Purchased electricity	1,652	
Combustion of fuel	1,095	
Total	2,747	3.7

[a] Calculated using average number of employees in the year.

By order of the Board

S P Cannon
Secretary
25 February 2016

Statement of directors' responsibilities in respect of the annual report, the directors' report and the financial statements

The directors are responsible for preparing the Annual Report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Responsibilities statement

Each of the directors, whose names and functions are listed on page 17, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

In accordance with section 418 of the Companies Act 2006, each director in office at the date the Annual Report and Accounts is approved, confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

R C Hunter
Chief Executive
25 February 2016

D J Cowen
Group Finance Director

Independent Auditor's report to the members of Molins PLC

We have audited the financial statements of Molins PLC for the year ended 31 December 2015 set out on pages 32 to 70. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Selvey
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
25 February 2016

Consolidated income statement for the year ended 31 December

		2015			2014		
	Note	Underlying £m	Non-underlying (note 5) £m	Total £m	Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	1	87.0	–	87.0	87.4	–	87.4
Cost of sales		(63.8)	–	(63.8)	(61.0)	–	(61.0)
Gross profit		23.2	–	23.2	26.4	–	26.4
Other operating income	2	–	0.2	0.2	–	0.2	0.2
Distribution expenses		(7.9)	–	(7.9)	(8.9)	–	(8.9)
Administrative expenses		(10.6)	(1.3)	(11.9)	(11.7)	(1.4)	(13.1)
Other operating expenses	3	(0.7)	–	(0.7)	(0.4)	–	(0.4)
Operating profit	1,4	4.0	(1.1)	2.9	5.4	(1.2)	4.2
Financial income	8	0.1	–	0.1	0.2	–	0.2
Financial expenses	8	(0.3)	(0.7)	(1.0)	(0.3)	(0.2)	(0.5)
Net financing expense		(0.2)	(0.7)	(0.9)	(0.1)	(0.2)	(0.3)
Profit before tax		3.8	(1.8)	2.0	5.3	(1.4)	3.9
Taxation	9	(0.9)	0.6	(0.3)	(0.9)	0.3	(0.6)
Profit for the period from continuing operations		2.9	(1.2)	1.7	4.4	(1.1)	3.3
Loss for the period from discontinued operations	30	–	(5.8)	(5.8)	–	(3.6)	(3.6)
Loss for the period		2.9	(7.0)	(4.1)	4.4	(4.7)	(0.3)
Basic loss per ordinary share	11			(20.9)p			(1.3)p
Diluted loss per ordinary share	11			(20.9)p			(1.3)p

Statements of comprehensive income for the year ended 31 December

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Loss for the period		**(4.1)**	(0.3)	**(3.3)**	(3.6)
Other comprehensive income/(expense)					
Items that will not be reclassified to profit or loss					
Actuarial gains/(losses)	24	**24.6**	(15.5)	**24.0**	(12.7)
Tax on items that will not be reclassified to profit or loss	9	**(6.6)**	3.6	**(6.4)**	2.5
		18.0	(11.9)	**17.6**	(10.2)
Items that may be reclassified subsequently to profit or loss					
Currency translation movements arising on foreign currency net investments		**(2.2)**	(1.3)	**–**	–
Effective portion of changes in fair value of cash flow hedges		**(0.1)**	(0.1)	**–**	0.1
		(2.3)	(1.4)	**–**	0.1
Other comprehensive income/(expense) for the period		**15.7**	(13.3)	**17.6**	(10.1)
Total comprehensive income/(expense) for the period		**11.6**	(13.6)	**14.3**	(13.7)

Statements of changes in equity for the year ended 31 December

	Group						
	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 2014	5.0	26.0	2.0	3.9	(0.5)	4.1	40.5
Loss for the period	–	–	–	–	–	(0.3)	(0.3)
Other comprehensive expense for the period	–	–	(1.3)	–	(0.1)	(11.9)	(13.3)
Total comprehensive expense for the period	–	–	(1.3)	–	(0.1)	(12.2)	(13.6)
Dividends to shareholders	–	–	–	–	–	(1.1)	(1.1)
Equity-settled share-based transactions	–	–	–	–	–	0.3	0.3
Purchase of own shares	–	–	–	–	–	(0.1)	(0.1)
Tax on items recorded directly in equity	–	–	–	–	–	(0.1)	(0.1)
Total transactions with owners, recorded directly in equity	–	–	–	–	–	(1.0)	(1.0)
Balance at 31 December 2014	5.0	26.0	0.7	3.9	(0.6)	(9.1)	25.9
Balance at 1 January 2015	**5.0**	**26.0**	**0.7**	**3.9**	**(0.6)**	**(9.1)**	**25.9**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(4.1)**	**(4.1)**
Other comprehensive income/(expense) for the period	**–**	**–**	**(2.2)**	**–**	**(0.1)**	**18.0**	**15.7**
Total comprehensive income/(expense) for the period	**–**	**–**	**(2.2)**	**–**	**(0.1)**	**13.9**	**11.6**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
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	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Balance at 31 December 2015	**5.0**	**26.0**	**(1.5)**	**3.9**	**(0.7)**	**3.9**	**36.6**

	Company						
	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 2014	5.0	26.0	–	3.9	(0.7)	31.7	65.9
Loss for the period	–	–	–	–	–	(3.6)	(3.6)
Other comprehensive (expense)/income for the period	–	–	–	–	0.1	(10.2)	(10.1)
Total comprehensive (expense)/income for the period	–	–	–	–	0.1	(13.8)	(13.7)
Dividends to shareholders	–	–	–	–	–	(1.1)	(1.1)
Equity-settled share-based transactions	–	–	–	–	–	0.3	0.3
Purchase of own shares	–	–	–	–	–	(0.1)	(0.1)
Tax on items recorded directly in equity	–	–	–	–	–	(0.1)	(0.1)
Total transactions with owners, recorded directly in equity	–	–	–	–	–	(1.0)	(1.0)
Balance at 31 December 2014	5.0	26.0	–	3.9	(0.6)	16.9	51.2
Balance at 1 January 2015	**5.0**	**26.0**	**–**	**3.9**	**(0.6)**	**16.9**	**51.2**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(3.3)**	**(3.3)**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**17.6**	**17.6**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**14.3**	**14.3**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
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	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Balance at 31 December 2015	**5.0**	**26.0**	**–**	**3.9**	**(0.6)**	**30.3**	**64.6**

Statements of financial position as at 31 December

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current assets					
Intangible assets	12	**14.9**	15.7	**12.2**	11.5
Property, plant and equipment	13	**8.0**	11.3	**3.2**	3.5
Investment property	14	**0.8**	0.8	**0.8**	0.8
Investments	15	**–**	–	**50.6**	50.6
Employee benefits	24	**10.6**	–	**10.6**	–
Deferred tax assets	16	**4.2**	6.4	**–**	2.1
		38.5	34.2	**77.4**	68.5
Current assets					
Inventories	17	**15.1**	18.5	**7.3**	6.6
Trade and other receivables	19	**17.9**	26.0	**10.3**	20.4
Current tax assets	10	**–**	0.2	**–**	–
Cash and cash equivalents		**10.4**	9.8	**6.4**	5.1
		43.4	54.5	**24.0**	32.1
Current liabilities					
Bank overdraft		**(0.6)**	–	**–**	–
Trade and other payables	22	**(18.9)**	(28.6)	**(18.8)**	(22.5)
Current tax liabilities	10	**(0.5)**	(0.4)	**(0.1)**	(0.1)
Provisions	23	**(1.2)**	(1.3)	**(0.6)**	(0.8)
Provisions held within discontinued operations	30	**(0.2)**	–	**–**	–
		(21.4)	(30.3)	**(19.5)**	(23.4)
Net current assets		**22.0**	24.2	**4.5**	8.7
Total assets less current liabilities		**60.5**	58.4	**81.9**	77.2
Non-current liabilities					
Interest-bearing loans and borrowings	20	**(13.0)**	(11.9)	**(13.0)**	(11.9)
Employee benefits	24	**(6.6)**	(20.6)	**–**	(14.1)
Deferred tax liabilities	16	**(4.3)**	–	**(4.3)**	–
		(23.9)	(32.5)	**(17.3)**	(26.0)
Net assets	1	**36.6**	25.9	**64.6**	51.2
Equity					
Issued capital	25	**5.0**	5.0	**5.0**	5.0
Share premium		**26.0**	26.0	**26.0**	26.0
Reserves		**1.7**	4.0	**3.4**	3.3
Retained earnings		**3.9**	(9.1)	**30.2**	16.9
Total equity		**36.6**	25.9	**64.6**	51.2

These financial statements were approved by the directors on 25 February 2016 and signed on their behalf by:

R C Hunter
Director

D J Cowen
Director

Registered number: 124855

Statements of cash flow for the year ended 31 December

		Group		Company	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Operating activities					
Operating profit from continuing operations		**2.9**	4.2	**0.2**	2.8
Non-underlying items included in operating profit		**1.1**	1.2	**0.9**	0.8
Amortisation	12	**1.4**	1.2	**1.1**	1.1
Depreciation	13	**1.2**	1.2	**0.6**	0.4
Other non-cash items		**0.2**	0.1	**0.2**	0.4
Pension payments		**(1.9)**	(1.8)	**(1.8)**	(1.7)
Working capital movements:					
– decrease/(increase) in inventories		**2.2**	(0.6)	**(0.7)**	2.1
– decrease/(increase) in trade and other receivables		**6.4**	(1.5)	**7.1**	(3.6)
– decrease in trade and other payables		**(8.1)**	(0.7)	**(4.3)**	(2.2)
– decrease in provisions		**(0.1)**	(0.2)	**(0.2)**	(0.2)
Cash flows from continuing operations before reorganisation		**5.3**	3.1	**3.1**	(0.1)
Cash used in discontinued operations	30	**(1.2)**	(2.1)	**–**	–
Reorganisation costs paid		**(0.4)**	(0.5)	**(0.3)**	(0.2)
Cash flows from operations		**3.7**	0.5	**2.8**	(0.3)
Taxation (paid)/received		**(0.1)**	(1.0)	**0.2**	(0.2)
Cash flows from operating activities		**3.6**	(0.5)	**3.0**	(0.5)
Investing activities					
Interest received		**0.1**	0.2	**0.1**	0.3
Proceeds from sale of property, plant and equipment		**0.4**	0.2	**–**	–
Capitalised development expenditure	12	**(1.9)**	(3.1)	**(1.7)**	(2.8)
Acquisition of intellectual property	12	**(0.2)**	–	**(0.2)**	–
Acquisition of property, plant and equipment	13	**(1.3)**	(2.1)	**(0.3)**	(0.7)
Dividends received		**–**	–	**0.5**	–
Net proceeds on disposal of discontinued operations	30	**0.2**	–	**–**	–
Cash flows from investing activities		**(2.7)**	(4.8)	**(1.6)**	(3.2)
Financing activities					
Interest paid		**(0.3)**	(0.3)	**(0.2)**	(0.3)
Purchase of own shares		**(0.1)**	(0.1)	**(0.1)**	(0.1)
Net increase against revolving facilities		**1.1**	1.8	**1.3**	1.8
Dividends paid	25	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Cash flows from financing activities		**(0.4)**	0.3	**(0.1)**	0.3
Net increase/(decrease) in cash and cash equivalents	21	**0.5**	(5.0)	**1.3**	(3.4)
Cash and cash equivalents at 1 January		**9.8**	15.0	**5.1**	8.5
Effect of exchange rate fluctuations on cash held		**(0.5)**	(0.2)	**–**	–
Cash and cash equivalents at 31 December		**9.8**	9.8	**6.4**	5.1

Accounting policies

The significant accounting policies which are set out below apply to both the Group and Company financial statements, as appropriate.

Basis of accounting

Molins PLC (the Company) is a company incorporated and domiciled in the UK. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group).

Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs).

The financial statements have been prepared on the historical cost basis except that derivative financial instruments, principally forward foreign exchange contracts, are stated at fair value and non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with Adopted IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from these estimates. Revisions to these estimates are made in the period in which they are recognised.

The accounting policies, presentation and methods of computation applied by the Group and Company in these financial statements are the same as those applied in the 2014 financial statements.

Going concern

The Group's activities together with the factors likely to affect its future development, performance and position are described within the Operating review on pages 6 to 8, Financial review on pages 9 to 11 and in the Principal risks and uncertainties on pages 12 and 13.

The directors have considered the trading outlook of the Group, its financial position, including its cash resources and access to borrowings, as set out in the Financial review on pages 9 to 11 and in note 20 to the accounts on page 54, and its continuing obligations, including to its defined benefit pension schemes, details of which are set out in note 24 to the accounts on pages 56 to 60. Having made due enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The Group financial statements comprise the consolidated results of the Company and all of its subsidiary companies together with the Group's share of the results of its associated companies on an equity accounting basis. A separate income statement dealing only with the results of the Company has not been presented in accordance with section 408 of the Companies Act 2006.

A subsidiary is a company controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the subsidiary company so as to obtain benefits from its activities. A subsidiary's results are included in the Group financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the statement of financial position date.

The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations, and of related qualifying hedges, are taken directly to the translation reserve. They are released into the income statement upon disposal.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary or associated undertaking at the date of acquisition.

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately through the income statement and is not subsequently reversed. Impairment losses recognised are allocated first to reduce the carrying value of the goodwill the business relates to, and then to reduce the carrying value of the other assets of that business on a pro rata basis.

On disposal of a subsidiary or associated undertaking, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions prior to 2004 has been retained at its deemed cost, representing the amount recorded under UK GAAP, and is subject to impairment review as indicated above. Goodwill written off to reserves under UK GAAP prior to 1998 is not included in determining any subsequent profit or loss on disposal.

Research and development

Research and development and related product development costs are charged to the income statement in the year in which they are incurred unless they are specifically chargeable to and recoverable from customers under agreed contract terms or the expenditure meets the criteria for capitalisation.

Where the expenditure relates to the development of a new product for which the technical feasibility and commercial viability of the product is expected, where development costs can be measured reliably and where future economic benefits are probable, development costs are capitalised and amortised over their useful economic lives, to a maximum of five years. The expenditure capitalised includes costs of materials, direct labour and an appropriate proportion of overheads. Such intangible assets are assessed for indicators of impairment at least annually and any impairment is charged to the income statement.

Other intangible assets

Other intangible assets are valued at cost less accumulated amortisation and impairment charges and amortised on a straight-line basis over their estimated useful economic life. All intangible assets are tested for impairment at least annually and any impairment is charged to the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any provision for impairment in value.

Depreciation is provided on a straight-line basis to write-off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives.

The annual depreciation rates used are as follows:

Freehold land	–	nil
Freehold buildings	–	3% on cost or deemed cost
Leasehold property	–	over life of lease
Plant and machinery	–	8% to 25%
Fixtures, fittings and vehicles	–	10% to 33%

The carrying value of property, plant and equipment is reviewed at least annually for indicators of impairment. Any change in value arising from impairment is charged or credited (up to the carrying value prior to any previous impairment) to the income statement for the year.

Certain items of property that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost. Depreciation is based on cost less residual value. Where the expected residual value exceeds cost no depreciation is provided.

Investments

Investments in subsidiary undertakings are held at cost less provision for any impairment in value. The carrying value of investments in subsidiary undertakings are reviewed at least annually for indicators of impairment.

Inventories

Inventories are valued at the lower of cost, including appropriate overheads, and net realisable value. Provisions are made against excess and obsolete inventories.

Accounting policies continued

Construction contracts

The attributable profit recognised on construction contracts is based on the stage of completion and the overall contract profitability after taking account of uncertainties. Full provision is made for any estimated losses to completion of contracts.

The gross amount due from customers for contract work and the gross amount due to customers for contract work are shown within trade and other receivables and trade and other payables respectively. They are measured at cost plus profit recognised to date less deposits billed on account and recognised losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term fixed deposits, and for the statements of cash flows they also include bank overdrafts.

Share capital

When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Preference share capital is classified as a liability as dividend payments are not discretionary.

Dividends on the preference shares are disclosed as interest charges, are recognised as a liability and are accounted for on an accruals basis. Dividends on ordinary shares are only recognised in the period in which they are paid.

Financial instruments

IAS 39 *Financial instruments: recognition and measurement* requires the classification of financial instruments into different types for which the accounting requirement is different. The Group has classified its financial instruments as follows:

- short-term fixed deposits, principally comprising funds held with banks and other financial institutions, are classified as loans and receivables;
- borrowings are classified as other liabilities; and
- derivatives, comprising forward foreign exchange contracts, are classified as instruments that are held for trading.

Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- loans and receivables and other liabilities are held at amortised cost; and
- instruments that are held for trading are held at fair value. Changes in fair value are included in the income statement unless the instrument is included in a cash flow hedge.

Hedge accounting

The Group applies cash flow hedge accounting to forward foreign exchange contracts, held to reduce the exposure to movements in the future value of foreign currency receipts and payments.

For those contracts included in an effective cash flow hedging relationship, changes in the fair value of the hedging instrument are recognised in other comprehensive income and taken to equity. When the hedged forecast transaction occurs, amounts previously recorded in equity are recognised in the income statement. Any ineffectiveness in the hedging arrangement is included in the income statement.

Post-retirement and other employee benefits

The Group and Company account for pensions and other post-retirement benefits under IAS 19 *Employee benefits*.

For defined benefit schemes, the net obligation is calculated separately for each scheme by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of the schemes' assets (at bid price) is deducted. The liability discount rate is the yield at the statement of financial position date on AA credit rated bonds that have maturity dates approximating to the terms of the obligations. The calculations are performed by qualified actuaries using the projected unit credit method. The expense of administering the pension schemes and financing income/expense of the schemes are recognised in the income statement. Past service costs/credits and curtailment costs/credits are recognised in the periods in which they arise. Actuarial gains and losses are recognised in the period in which they arise in other comprehensive income.

Payments to defined contribution schemes are charged to the income statement as incurred.

The net obligation in respect of long-term service benefits, other than pension plans, is the amount of the future benefit that employees have earned in return for their service in the current and prior periods. Obligations are measured at their present value.

Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based payments*.

The Group issues equity-settled share-based payments to certain employees. These are measured at their fair value at the date of grant and are expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest, and adjusted for the effect of non-market related conditions.

Charges made to the income statement in respect of share-based payments are credited to retained earnings.

Provisions
A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue
Revenue comprises sales to third-party customers after discounts, excluding value added tax and other sales taxes.

Revenue from goods is recognised when the significant risks and rewards of ownership of goods are transferred to the customer. Revenue from services is recognised when value or benefit has been transferred to the customer. Where the impact of discounting to present value is significant, revenues are recognised at present value.

Construction contract revenues are recognised when the outcome of the transaction can be assessed reliably. Revenue is recognised by reference to the stage of completion which is dependent on the nature of the contract, but will generally be based on labour costs incurred up to the reporting date or achievement of contractual milestones where appropriate.

Leases
Rentals payable under operating leases are charged to the income statement over the term of the lease.

Interest receivable
Interest receivable is recognised in the income statement using the effective interest method as defined in IAS 39 *Financial instruments: recognition and measurement*.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the statements of comprehensive income, or to items recorded directly in equity in which case it is recorded directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill; the initial recognition of other assets and liabilities that affect neither the taxable profit nor the accounting profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating segments
An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. All operating segments' results are regularly reviewed by the Group's chief operating decision maker, which is the Board of directors, in order to assess performance and make decisions about the allocation of resources to each segment.

Notes to the accounts

1. Operating segments

Following the sale of the trade and assets of Arista Laboratories, Inc in the year, the Group changed from three to two operating segments which are the Group's two divisions, namely Packaging Machinery and Instrumentation & Tobacco Machinery. The divisions offer different products and services and form the basis of the Group's management and internal reporting structure. Further details in respect of the products and services offered by each of the two divisions can be found on pages 2 and 3. A commentary on the performance of the two operating segments during the year is provided in the Operating review on pages 6 to 8. All segment information is prepared in accordance with the Group accounting policies shown on pages 38 to 41.

Information regarding the results of each operating segment is included below. Performance is measured based on underlying segment operating profit as included in the internal management reports provided to the Group's chief operating decision maker. Segment profit or loss includes those central items that are allocated to segment results in the internal management accounts. Unallocated items comprise defined benefit pension scheme net costs, profit on sale of surplus property, net financing income/expense and taxation. The unallocated items are excluded from segment profit or loss as they are managed centrally by employees at the Group's head office as corporate activities.

The measurement of segment assets and liabilities excludes central items that are not allocated to the two divisions in the Group's internal management accounts. Unallocated items comprise mainly goodwill, net debt/funds, pension assets/liabilities, taxation balances and net liabilities attributable to the Group's head office.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Segment information

	Packaging Machinery		Instrumentation & Tobacco Machinery		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Revenue	**51.0**	40.5	**36.0**	46.9	**87.0**	87.4
Underlying segment operating profit	**3.9**	1.8	**0.1**	3.6	**4.0**	5.4
Segment non-underlying items	**–**	–	**(0.4)**	(0.5)	**(0.4)**	(0.5)
Segment operating profit/(loss)	**3.9**	1.8	**(0.3)**	3.1	**3.6**	4.9
Unallocated non-underlying items					**(0.7)**	(0.7)
Operating profit					**2.9**	4.2
Net financing expense					**(0.9)**	(0.3)
Profit before tax					**2.0**	3.9
Taxation					**(0.3)**	(0.6)
Profit for the period from continuing operations					**1.7**	3.3
Loss for the period from discontinued operations					**(5.8)**	(3.6)
Loss for the period					**(4.1)**	(0.3)
Segment assets	**18.7**	24.4	**31.9**	34.3	**50.6**	58.7
Segment liabilities	**(10.4)**	(17.0)	**(10.1)**	(9.6)	**(20.5)**	(26.6)
Segment net assets – continuing operations	**8.3**	7.4	**21.8**	24.7	**30.1**	32.1
Unallocated net assets/(liabilities)					**6.7**	(9.3)
Net (liabilities)/assets – discontinued operations					**(0.2)**	3.1
Total net assets					**36.6**	25.9
Continuing operations						
Capital expenditure (including development expenditure)	**1.2**	1.3	**2.0**	3.9	**3.2**	5.2
Depreciation and amortisation	**0.9**	0.9	**1.7**	1.5	**2.6**	2.4

1. Operating segments continued

Geographical information

Revenue

Continuing operations	By location of customer 2015 £m	2015 %	2014 £m	2014 %
UK	**6.8**	**8**	9.2	11
USA	**22.1**	**25**	15.0	17
Europe (excl. UK)	**22.2**	**26**	18.4	21
Americas (excl. USA)	**7.5**	**9**	9.7	11
Africa & Middle East	**7.9**	**9**	12.8	15
Asia & Oceania	**20.5**	**23**	22.3	25
	87.0	**100**	87.4	100

Non-current assets (excluding taxation balances)

	By location of assets 2015 £m	2014 £m
UK	**26.9**	15.8
USA	**2.1**	6.2
Canada	**2.4**	2.5
Rest of the world	**2.9**	3.3
	34.3	27.8

Major customers

No single customer accounted for more than 10% of Group revenue in either 2015 or 2014.

Revenue by type

An analysis of the Group's revenue is as follows:

Continuing operations	2015 £m	2014 £m
Sale of goods	**80.4**	80.8
Rendering of services	**6.6**	6.6
	87.0	87.4

2. Other operating income

	2015 £m	2014 £m
Commutation settlement gain on UK defined benefit pension scheme	**–**	0.2
Profit on sale of surplus property (included in non-underlying items)	**0.2**	–
	0.2	0.2

3. Other operating expenses

	2015 £m	2014 £m
Research and development costs (expensed as incurred)	**0.7**	0.6

4. Operating profit

Continuing operations	2015 £m	2014 £m
Operating profit is arrived at after charging:		
Amortisation of capitalised development costs	**1.4**	1.2
Depreciation of owned assets	**1.2**	1.2
Cost of inventories recognised as an expense	**56.5**	54.6
Operating leases		
– land and buildings	**1.0**	1.0
– other	**0.3**	0.3
Audit fees paid to KPMG (Company £0.1m; 2014: £0.1m)	**0.2**	0.2
Other fees paid to KPMG		
– tax services (Company £0.1m; 2014: £0.1m)	**0.1**	0.1

5. Non-underlying items

A net non-underlying operating charge of £1.1m (2014: £1.2m) was incurred in respect of continuing operations. This comprised charges of £0.9m (2014: £0.9m) in respect of administration costs relating to the Group's defined benefit pension schemes and £0.4m (2014: £0.5m) of reorganisation costs, net of a credit of £0.2m arising from the sale of surplus property. Additionally in 2014 actions taken in respect of the Group's UK defined benefit pension scheme resulted in a credit of £0.2m. Financing expense on pension scheme balances is also included in non-underlying items (see note 8), as is loss from discontinued operations (see note 30). Cash payments of £0.1m were made in 2015 (2014: £0.1m) in respect of reorganisations in earlier periods.

6. Employee information

	Period end		Average	
Continuing operations	2015	2014	2015	2014
The number of persons employed by the Group was:				
Packaging Machinery	**302**	278	**291**	268
Instrumentation & Tobacco Machinery	**385**	449	**417**	462
Head Office (including non-executive directors and pension scheme administrators)	**14**	14	**14**	14
	701	741	**722**	744

Continuing operations	Note	2015 £m	2014 £m
Employment costs for the Group were:			
Wages and salaries		**22.1**	24.0
Social security costs		**3.4**	3.7
Employee benefits			
– defined contribution schemes		**1.3**	1.2
– equity-settled share-based transactions	24	**0.3**	0.3
		27.1	29.2

7. Emoluments of directors and interests in shares

Information on the emoluments of the directors, together with information regarding the beneficial interests of the directors and persons connected with them in the ordinary shares of the Company, is included in the Remuneration report on pages 21 to 23.

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8. Net financing expense

	2015 £m	2014 £m
Financial income:		
Amounts receivable on cash and cash equivalents	**0.1**	0.2
	0.1	0.2
Financial expenses:		
Amounts payable on bank loans and overdrafts	**(0.2)**	(0.2)
Preference dividends paid	**(0.1)**	(0.1)
Interest cost on pension scheme balances	**(0.7)**	(0.2)
	(1.0)	(0.5)
Net financing expense	**(0.9)**	(0.3)

Interest costs on pension scheme balances are included in non-underlying items.

9. Taxation

	2015 £m	2014 £m
Tax expense:		
Current tax	**0.2**	0.2
Deferred tax	**0.1**	0.4
Total taxation	**0.3**	0.6

Included within the total taxation charge is a tax credit of £0.6m (2014: £0.3m) attributable to the non-underlying items set out in note 5.

Reconciliation of effective tax rate

Continuing operations	2015 £m	2014 £m
Profit before tax	**2.0**	3.9
Income tax using the UK corporation tax rate of 20.25% (2014: 21.50%)	**0.4**	0.8
Tax effect of expenses not deductible for tax purposes	**0.2**	0.1
Tax incentives	**–**	(0.1)
Tax effect of utilisation of tax losses not previously recognised	**(0.2)**	–
Adjustment in respect of prior years	**0.1**	(0.2)
Change in unrecognised deferred tax assets	**(0.2)**	–
	0.3	0.6

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly. The rate of the deferred tax liability arising from the surplus in respect of the UK defined benefit pension scheme is 35%. The deferred tax liability at 31 December 2015 arising in the UK has been calculated based on these rates.

In view of probable timing of the utilisation of brought forward losses, deferred tax assets have not been recognised on tax losses and timing differences in respect of the Group companies in USA and Brazil.

Notes to the accounts continued

9. Taxation continued

Deferred tax (charge)/credit on items in other comprehensive income/(expense)

	2015 £m	2014 £m
Arising from actuarial gains/losses	(6.6)	3.6

A deferred tax credit on own shares of £nil (2014: £0.1m) was recorded directly within equity in the period.

10. Current tax assets and liabilities

Current tax assets of £nil (2014: £0.2m) and current tax liabilities of £0.5m (2014: £0.4m) for the Group, and current tax liabilities of £0.1m (2014: £0.1m) for the Company, represent the amount of income taxes recoverable and payable in respect of current and prior periods.

11. Earnings per share

Basic loss per share

The calculation of basic loss per ordinary share is based upon the loss for the year of £4.1m (2014: £0.3m) and the weighted average number of ordinary shares in issue during the year. The weighted average number of shares excludes shares held by the employee trust in respect of the Company's deferred share plan arrangements.

Diluted loss per share

The calculation of diluted loss per ordinary share is based upon the loss for the year of £4.1m (2014: £0.3m) and the diluted weighted average number of ordinary shares in issue during the year. For diluted earnings per ordinary share, the weighted average number of shares includes the diluting effect, if any, of own shares held by the employee trust.

	2015	2014
Weighted average number of ordinary shares (non-diluted and diluted) at 31 December	19,574,724	19,491,966

In the 12 months to 31 December 2015 and 31 December 2014 the effect of the dilution would be to decrease the loss per ordinary share and is therefore excluded from the dilution calculation. The adjusted weighted average number of ordinary shares for the diluted underlying earnings per share calculation (see below) in the 12 months to 31 December 2015 is 19,831,957 (2014: 19,984,410).

Underlying and diluted underlying earnings per share

Underlying earnings per ordinary share and diluted underlying earnings per ordinary share, which are calculated on profit before non-underlying items, amounted to 15.1p (2014: 22.4p) in respect of underlying earnings per share and 14.9p (2014: 21.9p) in respect of diluted underlying earnings per share.

The calculations of underlying earnings per ordinary share and diluted underlying earnings per ordinary share are based upon an underlying profit for the period of £2.9m (2014: £4.4m) which is calculated as follows:

	2015 £m	2014 £m
Loss for the period	(4.1)	(0.3)
Non-underlying items (net of tax)	1.2	1.1
Loss from discontinued operations	5.8	3.6
Underlying profit for the period	2.9	4.4

12. Intangible assets

	Group				Company			
	Goodwill £m	Development costs £m	Other intangibles £m	Total £m	Goodwill £m	Development costs £m	Other intangibles £m	Total £m
Cost:								
Balance at 1 January 2014	11.7	16.9	–	28.6	7.2	14.2	–	21.4
Additions	–	3.1	–	3.1	–	2.8	–	2.8
Retranslation	0.2	(0.1)	–	0.1	–	–	–	–
Balance at 31 December 2014	11.9	19.9	–	31.8	7.2	17.0	–	24.2
Balance at 1 January 2015	**11.9**	**19.9**	**–**	**31.8**	**7.2**	**17.0**	**–**	**24.2**
Additions	**–**	**1.9**	**0.2**	**2.1**	**–**	**1.7**	**0.2**	**1.9**
Disposals	**–**	**(1.3)**	**–**	**(1.3)**	**–**	**(0.9)**	**–**	**(0.9)**
Retranslation	**0.3**	**(0.2)**	**–**	**0.1**	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**12.2**	**20.3**	**0.2**	**32.7**	**7.2**	**17.8**	**0.2**	**25.2**
Amortisation and impairment losses:								
Balance at 1 January 2014	1.7	11.7	–	13.4	1.1	9.7	–	10.8
Amortisation for the period	–	1.2	–	1.2	–	1.1	–	1.1
Impairment	1.6	–	–	1.6	0.8	–	–	0.8
Retranslation	–	(0.1)	–	(0.1)	–	–	–	–
Balance at 31 December 2014	3.3	12.8	–	16.1	1.9	10.8	–	12.7
Balance at 1 January 2015	**3.3**	**12.8**	**–**	**16.1**	**1.9**	**10.8**	**–**	**12.7**
Amortisation for the period	**–**	**1.4**	**–**	**1.4**	**–**	**1.1**	**–**	**1.1**
Disposals	**–**	**(1.0)**	**–**	**(1.0)**	**–**	**(0.8)**	**–**	**(0.8)**
Impairment	**1.3**	**–**	**–**	**1.3**	**–**	**–**	**–**	**–**
Retranslation	**0.2**	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**4.8**	**13.0**	**–**	**17.8**	**1.9**	**11.1**	**–**	**13.0**
Carrying amounts:								
At 1 January 2014	10.0	5.2	–	15.2	6.1	4.5	–	10.6
At 31 December 2014	8.6	7.1	–	15.7	5.3	6.2	–	11.5
At 31 December 2015	**7.4**	**7.3**	**0.2**	**14.9**	**5.3**	**6.7**	**0.2**	**12.2**

The amortisation for development costs is included in cost of sales in the Consolidated income statement.

Notes to the accounts continued

12. Intangible assets continued

Goodwill

The carrying amount of goodwill at 31 December 2015 relates to the acquisitions of businesses by the Group and Company and is attributable to the following cash generating units (CGUs).

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Cerulean	**7.4**	7.3	**5.3**	5.3
Arista Laboratories	**–**	1.3	**–**	–
	7.4	8.6	**5.3**	5.3

Impairment review of goodwill

An annual impairment review of goodwill is undertaken and is determined from a value in use calculation for each CGU using cash flow projections over a five year period which are based on the latest three year plan presented to the Board, modified as appropriate to reflect the latest conditions. The main assumptions for each CGU, which relate to sales volume, selling prices and cost changes, are based on recent history and expectations of future changes in the market. No growth rate is applied to cash flows beyond the period of the projections. The discount rates applied to the cash flow forecasts for each CGU are based on a market participant's pre-tax weighted average cost of capital.

The discount rate applied in respect of Cerulean was 10.8% (2014: 12.5%) and there was no impairment of goodwill during the year in respect of that CGU. Management considers that reasonable possible changes in the assumptions used in the impairment review would be an increase in the weighted average cost of capital of 1.5% and a reduction in sales of 10%. Neither of these changes in assumptions would have resulted in an impairment of goodwill in the period.

Following the sale of the trade and assets of Arista Laboratories, Inc on 31 May 2015, the carrying value of goodwill in the Group's Statement of financial position was written off, resulting in a charge attributable to the discontinued operations of £1.3m in the year. In 2014 the carrying value of goodwill in respect of the discontinued operations was partially written down, resulting in a charge of £1.6m attributable to discontinued operations.

13. Property, plant and equipment

	Group				Company			
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Total £m	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Total £m
Cost:								
Balance at 1 January 2014	8.6	10.9	12.0	31.5	3.4	0.4	3.1	6.9
Additions	0.3	1.1	0.7	2.1	0.1	0.4	0.2	0.7
Disposals	(0.1)	(0.5)	(0.4)	(1.0)	(0.1)	–	(0.2)	(0.3)
Retranslation	(0.1)	(0.4)	0.1	(0.4)	–	–	–	–
Balance at 31 December 2014	8.7	11.1	12.4	32.2	3.4	0.8	3.1	7.3
Balance at 1 January 2015	**8.7**	**11.1**	**12.4**	**32.2**	**3.4**	**0.8**	**3.1**	**7.3**
Additions	**0.1**	**0.7**	**0.5**	**1.3**	**–**	**0.1**	**0.2**	**0.3**
Disposals	**(1.9)**	**(0.6)**	**(4.6)**	**(7.1)**	**–**	**–**	**–**	**–**
Retranslation	**(0.3)**	**(0.9)**	**(0.2)**	**(1.4)**	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**6.6**	**10.3**	**8.1**	**25.0**	**3.4**	**0.9**	**3.3**	**7.6**
Depreciation:								
Balance at 1 January 2014	1.9	8.9	9.5	20.3	1.0	0.1	2.6	3.7
Depreciation charge for the period	0.4	0.5	0.9	1.8	0.2	0.1	0.1	0.4
Disposals	–	(0.3)	(0.4)	(0.7)	(0.1)	–	(0.2)	(0.3)
Retranslation	–	(0.3)	(0.2)	(0.5)	–	–	–	–
Balance at 31 December 2014	2.3	8.8	9.8	20.9	1.1	0.2	2.5	3.8
Balance at 1 January 2015	**2.3**	**8.8**	**9.8**	**20.9**	**1.1**	**0.2**	**2.5**	**3.8**
Depreciation charge for the period	**0.3**	**0.6**	**0.5**	**1.4**	**0.1**	**0.3**	**0.2**	**0.6**
Disposals	**(0.5)**	**(0.3)**	**(3.3)**	**(4.1)**	**–**	**–**	**–**	**–**
Retranslation	**(0.1)**	**(0.8)**	**(0.3)**	**(1.2)**	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**2.0**	**8.3**	**6.7**	**17.0**	**1.2**	**0.5**	**2.7**	**4.4**
Carrying amounts:								
At 1 January 2014	6.7	2.0	2.5	11.2	2.4	0.3	0.5	3.2
At 31 December 2014	6.4	2.3	2.6	11.3	2.3	0.6	0.6	3.5
At 31 December 2015	**4.6**	**2.0**	**1.4**	**8.0**	**2.2**	**0.4**	**0.6**	**3.2**

At 31 December 2015 assets disclosed as land and buildings with a carrying value of £4.3m were used as security for bank loans (2014: £6.1m).

Included within the Group's depreciation charge for the period was £0.2m (2014: £0.6m) in respect of discontinued operations.

Notes to the accounts continued

14. Investment property

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Balance at 1 January 2014 and 31 December 2014	**0.8**	0.8	**0.8**	0.8
Balance at 31 December 2015	**0.8**	0.8	**0.8**	0.8

Investment property is shown at cost. The fair value of the investment property at 31 December 2015 is £0.9m (2014: £0.8m) and has been arrived at on the basis of a valuation carried out by independent valuers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

15. Investments

Company	Cost of shares in subsidiaries £m
Balance at 1 January 2014 and 31 December 2014	50.6
Balance at 31 December 2015	**50.6**

The Company's subsidiary undertakings are shown in note 32.

Impairment review

Annual impairment reviews of investments in subsidiaries are undertaken and are determined from value in use calculations for each cash generating unit (CGU) using cash flow projections based on the latest three year plan approved by the Board. The main assumptions for each CGU, which relate to sales volume, selling prices and cost changes, are based on recent history and expectations of future changes in the market. Cash flows beyond the period of the projections are extrapolated at growth rates which do not exceed those used in the three year plan. The discount rates applied to the cash flow forecasts for each CGU is based on a market participant's pre-tax weighted average cost of capital range of between 10.6% and 16.9% (2014: 11.7% to 18.9%).

There has been no impairment of investments in subsidiaries in the year. Management considers that reasonable possible changes in the assumptions would be an increase in the weighted average cost of capital of 1.0%, a reduction in the sales of the subsidiaries of 5% and a 5% reduction in their operating profit. None of these changes in assumptions would have resulted in an impairment of investments in subsidiaries in the year.

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Intangible assets	**1.2**	1.4	**(1.3)**	(1.2)	**(0.1)**	0.2
Property, plant and equipment	**0.1**	0.1	**(0.1)**	(0.1)	**–**	–
Employee benefits	**2.6**	5.4	**(3.7)**	–	**(1.1)**	5.4
Inventories	**0.2**	0.2	**–**	–	**0.2**	0.2
Foreign currency derivatives	**0.2**	0.1	**–**	–	**0.2**	0.1
Provisions	**0.4**	0.5	**–**	–	**0.4**	0.5
Translation movements on foreign currency investments	**–**	–	**(0.2)**	(0.3)	**(0.2)**	(0.3)
Own shares (employee trust)	**0.1**	0.1	**–**	–	**0.1**	0.1
Tax losses	**0.4**	0.2	**–**	–	**0.4**	0.2
Deferred tax assets/(liabilities)	**5.2**	8.0	**(5.3)**	(1.6)	**(0.1)**	6.4
Offset of tax	**(1.0)**	(1.6)	**1.0**	1.6	**–**	–
Net deferred tax assets/(liabilities)	**4.2**	6.4	**(4.3)**	–	**(0.1)**	6.4

Company	Assets 2015 £m	Assets 2014 £m	Liabilities 2015 £m	Liabilities 2014 £m	Net 2015 £m	Net 2014 £m
Intangible assets	–	–	(1.3)	(1.2)	(1.3)	(1.2)
Property, plant and equipment	0.1	0.1	–	–	0.1	0.1
Employee benefits	–	2.8	(3.7)	–	(3.7)	2.8
Foreign currency derivatives	0.1	0.1	–	–	0.1	0.1
Provisions	0.1	0.2	–	–	0.1	0.2
Own shares (employee trust)	0.1	0.1	–	–	0.1	0.1
Tax losses	0.3	–	–	–	0.3	–
Deferred tax assets/(liabilities)	0.7	3.3	(5.0)	(1.2)	(4.3)	2.1
Offset of tax	(0.7)	(1.2)	0.7	1.2	–	–
Net deferred tax assets/(liabilities)	–	2.1	(4.3)	–	(4.3)	2.1

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of temporary differences arising in certain subsidiary companies.

These assets are only recognised to the extent that their recovery is reasonably certain. At the year end the Group had £8.8m of unrecognised deferred tax assets (2014: £8.1m) which would become recoverable if the relevant companies were to make sufficient profits in the future. Under current tax legislation these tax assets expire as follows:

Expiry	Group 2015 £m	Group 2014 £m
10 to 20 years	4.3	3.2
No expiry date	4.5	4.9
	8.8	8.1

16. Deferred tax assets and liabilities continued

Movement in temporary differences during the year

Group	Balance at 1 January 2015 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Recorded in equity £m	Retranslation £m	Balance at 31 December 2015 £m
Intangible assets	0.2	(0.1)	–	–	(0.2)	(0.1)
Property, plant and equipment	–	–	–	–	–	–
Employee benefits	5.4	–	(6.6)	–	0.1	(1.1)
Inventories	0.2	–	–	–	–	0.2
Foreign currency derivatives	0.1	–	0.1	–	–	0.2
Provisions	0.5	–	–	–	(0.1)	0.4
Translation movements on foreign currency	(0.3)	–	–	–	0.1	(0.2)
Own shares (employee trust)	0.1	–	–	–	–	0.1
Tax losses	0.2	0.2	–	–	–	0.4
	6.4	0.1	(6.5)	–	(0.1)	(0.1)

Group	Balance at 1 January 2014 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Recorded in equity £m	Retranslation £m	Balance at 31 December 2014 £m
Intangible assets	0.6	(0.3)	–	–	(0.1)	0.2
Property, plant and equipment	0.1	(0.1)	–	–	–	–
Employee benefits	1.7	(0.1)	3.6	–	0.2	5.4
Inventories	0.2	–	–	–	–	0.2
Foreign currency derivatives	0.1	–	–	–	–	0.1
Provisions	0.4	0.1	–	–	–	0.5
Translation movements on foreign currency investments	(0.2)	(0.1)	–	–	–	(0.3)
Own shares (employee trust)	0.1	0.1	–	(0.1)	–	0.1
Tax losses	0.2	–	–	–	–	0.2
	3.2	(0.4)	3.6	(0.1)	0.1	6.4

Company	Balance at 1 January 2015 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Recorded in equity £m	Balance at 31 December 2015 £m
Intangible assets	(1.2)	(0.1)	–	–	(1.3)
Property, plant and equipment	0.1	–	–	–	0.1
Employee benefits	2.8	(0.1)	(6.4)	–	(3.7)
Foreign currency derivatives	0.1	–	–	–	0.1
Provisions	0.2	(0.1)	–	–	0.1
Own shares (employee trust)	0.1	–	–	–	0.1
Tax losses	–	0.3	–	–	0.3
	2.1	–	(6.4)	–	(4.3)

Company	Balance at 1 January 2014 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Recorded in equity £m	Balance at 31 December 2014 £m
Intangible assets	(1.0)	(0.2)	–	–	(1.2)
Property, plant and equipment	0.2	(0.1)	–	–	0.1
Employee benefits	0.5	(0.2)	2.5	–	2.8
Foreign currency derivatives	0.1	–	–	–	0.1
Provisions	0.2	–	–	–	0.2
Own shares (employee trust)	0.1	0.1	–	(0.1)	0.1
	0.1	(0.4)	2.5	(0.1)	2.1

17. Inventories

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Raw materials and consumables	**2.1**	2.6	**1.1**	1.0
Work in progress	**6.3**	7.5	**2.5**	1.4
Finished goods	**6.7**	8.4	**3.7**	4.2
	15.1	18.5	**7.3**	6.6

An amount of £nil (2014: £0.9m) has been charged in the year in respect of inventory write-downs.

18. Construction contracts

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Contracts in progress at statement of financial position date:				
Gross amount due from customers for contract work (included in Trade and other receivables)	**1.0**	0.5	**0.3**	–
Gross amount due to customers for contract work (included in Trade and other payables)	**(0.5)**	(6.5)	**(0.2)**	(3.4)

For contracts in progress at the statement of financial position date, the contract costs incurred plus recognised profits less recognised losses to date was £13.8m (2014: £7.7m) for the Group and £7.9m (2014: £4.7m) for the Company. Deposits received on account from customers for contract work amounted to £13.1m (2014: £2.8m) for the Group and £7.8m (2014: £1.1m) for the Company.

Included within gross amount due to customers for contract work are trade receivables where deposits were invoiced but not received of £0.2m (2014: £4.6m) for the Group and £nil (2014: £2.9m) for the Company.

Revenue recognised during the year in respect of construction contracts amounted to £31.5m (2014: £14.5m) for the Group and £7.9m (2014: £4.9m) for the Company.

19. Trade and other receivables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current assets:				
Trade receivables	**12.3**	20.2	**5.3**	10.0
Amounts owed by Group undertakings	**–**	–	**2.1**	7.8
Construction contracts	**1.0**	0.5	**0.3**	–
Other receivables	**1.1**	0.8	**0.6**	–
Prepayments and accrued income	**3.5**	4.5	**1.6**	2.6
Foreign currency derivatives	**–**	–	**0.4**	–
	17.9	26.0	**10.3**	20.4

20. Interest-bearing loans and borrowings

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Non-current liabilities:				
Bank borrowings	**12.1**	11.0	**12.1**	11.0
Fixed cumulative preference shares	**0.9**	0.9	**0.9**	0.9
	13.0	11.9	**13.0**	11.9
Non-current liabilities:				
Repayable between two and five years	**12.1**	11.0	**12.1**	11.0
More than five years	**0.9**	0.9	**0.9**	0.9
	13.0	11.9	**13.0**	11.9

Preference shares

The preference shares carry a fixed cumulative preferential dividend at the rate of 6% per annum and on the winding-up of the Company entitle the holders to repayment of the capital paid up thereon (together with a sum equal to any arrears or deficiency of the fixed dividend calculated to the date of the return of capital and to be payable irrespective of whether such dividend has been declared or earned or not) in priority to any payment to the holders of the ordinary shares. The preference shares do not entitle the holders to any further participation in the profits or assets of the Company.

The preference shareholders are not entitled to receive notice of or to attend or vote at any general meeting unless either:

- at the date of the notice convening the meeting, the dividend on the preference shares is six months in arrears (for this purpose the dividend on the preference shares is deemed to be payable half-yearly on 30 June and 31 December); or
- the business of the meeting includes the consideration of a resolution for the winding-up of the Company, or for reducing its share capital or for sanctioning a sale of the undertaking, or any resolution directly and adversely affecting any of the special rights or privileges attached to the preference shares.

There were no arrears in the payment of preference dividends at the statement of financial position date.

Preference dividends paid amounted to £0.1m (2014: £0.1m).

21. Reconciliation of net cash flow to movement in net debt/funds

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Net increase/(decrease) in cash and cash equivalents	**0.5**	(5.0)	**1.3**	(3.4)
Cash movement in borrowings	**(1.1)**	(1.8)	**(1.3)**	(1.8)
Change in net debt/funds resulting from cash flows	**(0.6)**	(6.8)	**–**	(5.2)
Translation movements	**(0.5)**	(0.5)	**0.2**	(0.3)
Movement in net debt/funds in the period	**(1.1)**	(7.3)	**0.2**	(5.5)
Opening net (debt)/funds	**(2.1)**	5.2	**(6.8)**	(1.3)
Closing net debt	**(3.2)**	(2.1)	**(6.6)**	(6.8)
Analysis of net debt:				
Cash and cash equivalents – current assets	**10.4**	9.8	**6.4**	5.1
Bank overdrafts – current liabilities	**(0.6)**	–	**–**	–
Interest-bearing loans and borrowings – non-current liabilities	**(13.0)**	(11.9)	**(13.0)**	(11.9)
Closing net debt	**(3.2)**	(2.1)	**(6.6)**	(6.8)

22. Trade and other payables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current liabilities:				
Deposits received on account	**2.9**	1.3	**0.9**	0.2
Trade payables	**5.8**	6.7	**3.3**	3.3
Amounts owed to Group undertakings	**–**	–	**8.9**	9.6
Construction contracts	**0.5**	6.5	**0.2**	3.4
Other taxes and social security	**0.6**	0.8	**0.3**	0.4
Other payables	**2.7**	3.1	**1.7**	1.9
Accruals and deferred income	**5.9**	9.7	**3.2**	3.4
Foreign currency derivatives	**0.5**	0.5	**0.3**	0.3
	18.9	28.6	**18.8**	22.5

Deposits received on account of £2.9m (2014: £1.3m) for the Group and £0.9m (2014: £0.2m) for the Company exclude £2.1m (2014: £2.4m) for the Group and £1.2m (2014: £0.3m) for the Company of deposit amounts billed on short-term contracts but not received. The deposit amounts billed but not received are included in accruals and deferred income.

23. Provisions

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Balance at 1 January	**1.3**	1.6	**0.8**	1.0
Provision created in the year	**0.6**	0.5	**0.1**	0.3
Utilised during the year	**(0.7)**	(0.6)	**(0.3)**	(0.4)
Unused amounts reversed	**–**	(0.2)	**–**	(0.1)
Balance at 31 December	**1.2**	1.3	**0.6**	0.8

Provisions are based on historical data and a weighting of all possible outcomes against their associated possibilities. Except for specific identifiable claims, they are generally utilised within one year of the statement of financial position date.

24. Employee benefits

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes for employees. Contributions to these schemes are recognised as an expense in the Consolidated income statement as they fall due.

Defined benefit pension schemes

The Group is responsible for defined benefit pension schemes in the UK and the USA. All schemes are funded by Group companies as necessary, at rates determined by independent actuaries and as agreed between the trustees of the schemes and the sponsoring company.

The defined benefit pension schemes are administered by bodies that are legally separated from the Group. The trustees of the schemes are required by law to act in the interest of the schemes and of all relevant stakeholders in the schemes. The trustees of the schemes are responsible for the investment policies in respect of the assets of the schemes.

The pension schemes typically expose the Group to certain risks. These include the risk of investment under-performance, a fall in interest rates, an increase in life expectancy and an increase in inflation.

UK pension scheme

The Group operated one defined benefit pension scheme in the UK in which future accruals ceased in November 2012. The assets of the scheme are held separately from those of the Company and it is funded by the Company as necessary in order to ensure that the scheme can meet the expected benefit obligations. The funding policy is to ensure that the assets held by the scheme in the future are adequate to meet expected liabilities, allowing for future increases in pensions. The only assets of the scheme which are invested in the Company are an interest in the cumulative preference shares of the Company with an estimated current market value of £0.2m.

The most recent formal actuarial valuation of the scheme was carried out as at 30 June 2012 using the projected unit credit method. The market value of the scheme assets at that date was £315.8m and the funding level was 86% of liabilities, which represented a deficit of £53.0m. Following agreement between the trustee of the scheme and the Company of a deficit recovery plan, from 1 July 2013 the Company commenced paying to the scheme £1.7m per annum (previously £1.2m per annum) in monthly instalments, increasing by 2.1% per annum. The deficit recovery period from 30 June 2012 was estimated to be 17 years and 2 months, which is scheduled to be formally reassessed following the completion of the actuarial valuation being carried out as at 30 June 2015.

During the year the Company paid deficit recovery contributions of £1.8m (2014: £1.7m). Further payments of £0.1m were made in 2015 in respect of redundancies.

The Company accounts for pension costs under IAS 19 *Employee benefits* and the valuation used has been based on detailed actuarial valuation work carried out as at 30 June 2015, updated by the Company's actuary to assess the value of the liabilities of the scheme at 31 December 2015. Scheme assets are stated at their market value at 31 December 2015.

USA pension schemes

In the USA the Group has three defined benefit pension schemes, all of which are closed to future accrual. Formal independent actuarial valuations of the USA pension schemes were carried out as at 1 January 2015 using the projected unit credit method. The valuations under IAS 19 at 31 December 2015 have been based on these actuarial valuations, updated for conditions existing at the year end.

Employer contributions of £0.1m (2014: £0.1m) were paid during the year.

Assumptions

The key financial assumptions used to calculate scheme liabilities and the financing expense on pension scheme balances are as follows:

	UK (Company)		USA	
	2015	2014	**2015**	2014
Discount rate	**3.7%**	3.5%	**4.0%**	3.7%
Inflation rate				
– CPI	**1.9%**	2.0%	**n/a**	n/a
– RPI	**3.0%**	3.0%	**n/a**	n/a
Increases to pensions in payment				
– final salary benefits	**1.9%**	2.0%	**n/a**	n/a
– career average benefits	**1.9%**	1.9%	**n/a**	n/a

The assumptions relating to longevity underlying the pension liabilities of the defined benefit pension schemes at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting an individual to live for a number of years as follows:

	UK scheme	USA schemes
Current pensioner aged 65 – male	21.2 years	20.7 to 21.3 years
Current pensioner aged 65 – female	23.5 years	22.7 to 23.3 years
Future retiree currently aged 45 upon reaching age 65 – male	22.4 years	19.7 to 23.0 years
Future retiree currently aged 45 upon reaching age 65 – female	24.9 years	22.4 to 25.0 years

At 31 December 2015 the weighted average duration of the defined benefit obligation in the UK scheme was 14 years (2014: 15 years) and in the USA schemes 11 years (2014: 13 years).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate, inflation rate and mortality. The sensitivity analysis below has been determined assuming that all other assumptions are held constant.

Changes in values of pension schemes' liabilities before tax as at 31 December 2015	UK scheme	USA schemes
0.1% change in discount rate	£4.5m	£0.2m
0.1% change in inflation rate	£2.5m	n/a
Change in life expectancy by one year on average	£14.6m	£0.7m

Categories of assets and funded status

The fair values of scheme assets were as follows:

	UK (Company)		USA		Group	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
UK equities	**22.5**	18.2	**–**	–	**22.5**	18.2
Overseas equities	**100.1**	96.2	**5.3**	4.8	**105.4**	101.0
Bonds – index linked gilts	**59.2**	39.7	**–**	–	**59.2**	39.7
Bonds – other	**45.7**	47.6	**8.0**	9.4	**53.7**	57.0
Properties – funds	**37.7**	35.6	**0.8**	0.6	**38.5**	36.2
Properties – directly owned	**1.8**	1.3	**–**	–	**1.8**	1.3
Absolute return funds	**78.3**	50.6	**–**	–	**78.3**	50.6
Alternative investments	**–**	50.2	**0.2**	0.2	**0.2**	50.4
Other	**1.6**	8.5	**0.6**	0.4	**2.2**	8.9
Total fair (bid) value of scheme assets	**346.9**	347.9	**14.9**	15.4	**361.8**	363.3
Present value of defined benefit obligations	**(336.3)**	(362.0)	**(21.5)**	(21.9)	**(357.8)**	(383.9)
Defined benefit asset/(liability)	**10.6**	(14.1)	**(6.6)**	(6.5)	**4.0**	(20.6)

All equities, bonds, property funds, absolute return funds and the majority of alternative investments have quoted prices in active markets. Directly owned properties are subject to an independent valuation.

Notes to the accounts continued

24. Employee benefits continued

Defined benefit pension schemes continued

Disclosed defined benefit pension income/expense for financial year

A) Components of defined benefit pension income/expense

Net defined benefit pension expense recognised in the Consolidated income statement comprises:

	UK (Company)		USA		Group	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Settlement gain	**–**	(0.2)	**–**	–	**–**	(0.2)
Interest expense on net liability	**0.4**	0.1	**0.3**	0.1	**0.7**	0.2
Administration costs	**0.7**	0.7	**0.2**	0.2	**0.9**	0.9
Expense recognised in income statement	**1.1**	0.6	**0.5**	0.3	**1.6**	0.9

B) Statements of comprehensive income (SOCI)

The actuarial gains recognised in the SOCI in respect of pensions were £24.6m (2014: losses of £15.5m), comprising actuarial gains of £24.0m (2014: losses of £12.7m) for the UK defined benefit pension scheme and actuarial gains of £0.6m (2014: losses of £2.8m) for the USA schemes, all figures being before tax.

Actual return on scheme assets

The actual return on scheme assets in 2015 were gains of £16.8m (2014: £30.1m), comprising gains of £17.1m (2014: £28.7m) for the UK defined benefit pension scheme and losses of £0.3m (2014: gains of £1.4m) for the USA schemes, all figures being before tax.

Reconciliation of the present value of defined benefit obligations

	UK (Company)		USA		Group	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Present value of defined benefit obligations at 1 January	**362.0**	340.4	**21.9**	17.4	**383.9**	357.8
Interest cost	**12.3**	14.2	**0.8**	0.8	**13.1**	15.0
Actuarial (gains)/losses						
– Changes in demographic assumptions	**(6.8)**	–	**(0.5)**	1.5	**(7.3)**	1.5
– Changes in financial assumptions	**(12.4)**	26.5	**(0.9)**	2.0	**(13.3)**	28.5
– Experience	**0.4**	0.8	**–**	–	**0.4**	0.8
Benefit payments	**(19.2)**	(18.7)	**(1.1)**	(1.1)	**(20.3)**	(19.8)
Settlements	**–**	(1.2)	**–**	–	**–**	(1.2)
Retranslation	**–**	–	**1.3**	1.3	**1.3**	1.3
Present value of defined benefit obligations at 31 December	**336.3**	362.0	**21.5**	21.9	**357.8**	383.9

At 31 December 2015 the pensioner population accounted for 61% of the UK scheme's obligations and 61% of the USA schemes' obligations.

Reconciliation of the fair value of scheme assets

	UK (Company)		USA		Group	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Fair value of scheme assets at 1 January	**347.9**	337.9	**15.4**	14.3	**363.3**	352.2
Interest income	**11.9**	14.1	**0.5**	0.7	**12.4**	14.8
Actuarial gains/(losses)						
– Return on scheme assets	**5.2**	14.6	**(0.8)**	0.7	**4.4**	15.3
Company contributions	**1.8**	1.7	**0.1**	0.1	**1.9**	1.8
Administration expenses	**(0.7)**	(0.7)	**(0.2)**	(0.2)	**(0.9)**	(0.9)
Benefit payments	**(19.2)**	(18.7)	**(1.1)**	(1.1)	**(20.3)**	(19.8)
Settlements	**–**	(1.0)	**–**	–	**–**	(1.0)
Retranslation	**–**	–	**1.0**	0.9	**1.0**	0.9
Fair value of scheme assets at 31 December	**346.9**	347.9	**14.9**	15.4	**361.8**	363.3

Experience gains and losses for the year

	UK (Company)		USA		Group	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Fair value of scheme assets	**346.9**	347.9	**14.9**	15.4	**361.8**	363.3
Defined benefit obligations	**(336.3)**	(362.0)	**(21.5)**	(21.9)	**(357.8)**	(383.9)
Net asset/(liability)	**10.6**	(14.1)	**(6.6)**	(6.5)	**4.0**	(20.6)
Actuarial gains/(losses) on scheme assets	**5.2**	14.6	**(0.8)**	0.7	**4.4**	15.3
Actuarial gains/(losses) on defined benefit obligations	**18.8**	(27.3)	**1.4**	(3.5)	**20.2**	(30.8)
Net gain/(loss) recognised in the SOCI during the year	**24.0**	(12.7)	**0.6**	(2.8)	**24.6**	(15.5)

Movements in the net liability/asset of defined benefit pension schemes recognised in the Statements of financial position

	UK (Company)		USA		Group	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Net liability for employee benefits at 1 January	**(14.1)**	(2.5)	**(6.5)**	(3.1)	**(20.6)**	(5.6)
Expense recognised in the income statement (see below)	**(1.1)**	(0.6)	**(0.5)**	(0.3)	**(1.6)**	(0.9)
Company contributions	**1.8**	1.7	**0.1**	0.1	**1.9**	1.8
Actuarial gains/(losses) recognised in the SOCI	**24.0**	(12.7)	**0.6**	(2.8)	**24.6**	(15.5)
Retranslation	**–**	–	**(0.3)**	(0.4)	**(0.3)**	(0.4)
Net asset/(liability) for employee benefits at 31 December	**10.6**	(14.1)	**(6.6)**	(6.5)	**4.0**	(20.6)

At the end of the life of the UK defined benefit pension scheme the Company has an unconditional right to a refund and any such refund would be paid out only on a net of tax basis.

Defined benefit pension schemes income/expense recognised in the Consolidated income statement

The income/expense is recognised in the following line items in the Consolidated income statement:

	UK		USA		Group	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Other operating income	**–**	(0.2)	**–**	–	**–**	(0.2)
Administrative expenses	**0.7**	0.7	**0.2**	0.2	**0.9**	0.9
Financial expense	**0.4**	0.1	**0.3**	0.1	**0.7**	0.2
Net pension expense	**1.1**	0.6	**0.5**	0.3	**1.6**	0.9

The net pension expense is included in non-underlying items.

Share-based payments

The Company currently operates a deferred share plan. Own shares are held in trust and granted to plan participants when certain conditions are met. Further details of the Deferred share plan, including the performance conditions and vesting periods, are in the Remuneration Committee report on pages 20 to 27 and in this note.

24. Employee benefits continued

Share-based payments continued

The share awards that were subject to conditional grants during the year were:

	At 1 January 2015	Lapsed	Exercised	At 31 December 2015
1 March 2011[a]	173,800	–	(173,800)	–
1 December 2011[a]	16,400	–	(16,400)	–
28 February 2012[b]	131,200	–	(131,200)	–
1 December 2012	121,600	(34,800)	–	86,800
27 February 2013	99,200	–	–	99,200
1 December 2013	62,800	(11,800)	–	51,000
27 February 2014	89,600	–	–	89,600
1 December 2014	118,400	(18,400)	–	100,000
	813,000	(65,000)	(321,400)	426,600

[a] Exercised under Deferred share plan on 25 June 2015 at a market price of 83.0p.

[b] Exercised under Deferred share plan on 4 November 2015 at a market price of 75.0p.

Granting of all conditional awards and the exercise of such awards are at nil cost to the participant.

As at 31 December 2015 the shares awarded on 1 December 2012 were exercisable.

The share-based compensation charge for the year amounted to £0.3m (2014: £0.3m).

The fair value of the conditional awards made under the Deferred share plan has been based on the market price of the Company's shares at the date of grant, reduced by the assumptions made (for the purposes of this exercise) in respect of the present value of dividends expected to be paid (at the time of grant) during the vesting period. The fair value of each conditional award is as follows:

Date of award	Fair value per share
1 December 2012	124.5p
27 February 2013	154.5p
1 December 2013	180.0p
27 February 2014	169.0p
1 December 2014	64.0p

25. Capital and reserves

Share capital

Allotted, called up and fully paid	2015 £m	2014 £m
Ordinary shares of 25p each	5.0	5.0

There were 20,171,540 (2014: 20,171,540) ordinary shares in issue at the year end. The holders of the ordinary shares are entitled to one vote per share at meetings of the Company and to receive dividends as declared from time to time. At the year end an employee trust held 504,812 of the ordinary shares and it has agreed to waive all dividends and not to exercise voting rights in respect of these shares. The Company also has in issue 900,000 6% fixed cumulative preference shares of £1 each (see note 20); these are classified as borrowings.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital redemption reserve

The capital redemption reserve records the historical repurchase of the Company's own shares.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Investment in own shares

Included within retained earnings is the carrying value of own shares held in trust for the benefit of employees. These shares are used to service the obligations of the Company's Deferred share plan. Further details of the Deferred share plan can be found in the Remuneration Committee report on pages 20 to 27 and on pages 59 and 60 in note 24.

At 31 December 2015 the employee trust held 504,812 (2014: 656,016) ordinary shares of 25p each, representing 2.5% of the issued shares (2014: 3.3%), 426,600 of which were subject to conditional grants. The shares held by the trust were purchased at an aggregate cost of £0.8m (2014: £1.0m), including 170,200 (2014: 56,900) shares purchased in the year at a cost of £0.1m (2014: £0.1m). The market value of the shares held by the trust at 31 December 2015 was £0.4m (2014: £0.5m).

Dividends

	2015 £m	2014 £m
Dividends to shareholders paid in the period:		
Final dividend for the year ended 31 December 2014 of 3.0p per ordinary share (2013: 3.0p)	**0.6**	0.6
Interim dividend for the year ended 31 December 2015 of 2.5p per ordinary share (2014: 2.5p)	**0.5**	0.5
	1.1	1.1

The Board recommends a final dividend of 1.5p per share. The proposed final dividend is subject to approval at the Annual General Meeting on 22 April 2016 and has not been included as a liability at 31 December 2015. Subject to approval, the dividend will be paid on 11 May 2016 to ordinary shareholders registered at the close of business on 15 April 2016.

26. Financial risk management

The Group has exposure to credit, liquidity and market risks from its use of financial instruments.

These risks are regularly considered and the impact of these risks on the Group, and how to mitigate them, assessed. The Board of directors is responsible for the Group's system of internal controls and has established risk management policies to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit Committee assists the Board in the discharge of its duty in relation to the maintenance of proper internal controls. Further details regarding the Audit Committee can be found in its report on pages 18 and 19.

Categories of financial instruments

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Financial assets:				
Derivative instruments in designated hedge accounting relationships	**–**	–	**0.4**	–
Loans and receivables (including cash and cash equivalents)	**22.7**	30.0	**13.8**	22.9
	22.7	30.0	**14.2**	22.9
Financial liabilities:				
Derivative instruments in designated hedge accounting relationships	**0.5**	0.5	**0.3**	0.3
Amortised cost	**32.0**	40.0	**31.5**	34.1
	32.5	40.5	**31.8**	34.4

Amortised cost comprises interest-bearing loans and borrowings and trade and other payables, excluding foreign currency derivatives.

IFRS 7 *Financial instruments: disclosures* for financial instruments that are measured in the Statement of financial position at fair value requires disclosure of fair value measurements in the form of a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 1 January 2015 and 31 December 2015 the Group held all financial instruments at Level 2.

26. Financial risk management continued

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash held at financial institutions. In addition, for the Company, a credit risk exists in respect of amounts owed by Group undertakings.

Trade receivables

The Group ensures that the provision of credit to customers is adequately managed by each individual business in order that the risk of non-payment or delayed payment is minimised. The Group's exposure to risk is influenced mainly by the individual characteristics of each customer, the industry and country in which customers operate. The Group has a relatively diversified base of customers and the customer that accounts for the largest proportion of sales, excluding one-off projects, is routinely responsible for no more than 5% of total sales in any year. In certain years sales to a customer may be more than 5%, although the sales would typically be to a number of different geographic regions.

The Group has written credit control policies which cover procedures for accepting new customers, setting credit limits, dealing with overdue amounts and delinquent payers.

An impairment loss provision against trade receivables is created where it is anticipated that the value of trade receivables is not fully recoverable.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for the Group and the Company at 31 December was:

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade receivables	**12.3**	20.2	**5.3**	10.0
Amounts owed by Group undertakings	**–**	–	**2.1**	7.8
Foreign currency derivatives	**–**	–	**0.4**	–
Cash and cash equivalents	**10.4**	9.8	**6.4**	5.1
	22.7	30.0	**14.2**	22.9

The maximum exposure to credit risk for trade receivables at 31 December by business segment was:

	Group		Company	
Operating segments	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Packaging Machinery	**5.0**	10.0	**0.4**	3.8
Instrumentation & Tobacco Machinery	**7.3**	10.2	**4.9**	6.2
	12.3	20.2	**5.3**	10.0

Impairment loss provisions

The ageing of trade receivables and the impairment loss provisions for the Group and the Company at 31 December were:

	2015			2014		
Group	**Gross £m**	**Impairment loss provisions £m**	**Total £m**	Gross £m	Impairment loss provisions £m	Total £m
Not past due	**8.8**	**–**	**8.8**	17.2	–	17.2
Past due up to 30 days	**2.2**	**–**	**2.2**	1.7	–	1.7
Past due 31–60 days	**0.5**	**–**	**0.5**	0.3	–	0.3
Past due 61–90 days	**0.2**	**–**	**0.2**	0.2	–	0.2
Past due more than 91 days	**0.7**	**(0.1)**	**0.6**	0.8	–	0.8
	12.4	**(0.1)**	**12.3**	20.2	–	20.2

	2015			2014		
Company	Gross £m	Impairment loss provisions £m	Total £m	Gross £m	Impairment loss provisions £m	Total £m
Not past due	**4.0**	**–**	**4.0**	8.4	–	8.4
Past due up to 30 days	**0.7**	**–**	**0.7**	0.8	–	0.8
Past due 31–60 days	**0.2**	**–**	**0.2**	0.2	–	0.2
Past due 61–90 days	**0.1**	**–**	**0.1**	0.1	–	0.1
Past due more than 91 days	**0.3**	**–**	**0.3**	0.5	–	0.5
	5.3	**–**	**5.3**	10.0	–	10.0

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to hold cash and cash equivalents and maintain undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its liabilities as they become due. Further details of the Group's treasury policies can be found in the Financial review on pages 9 to 11.

Contractual maturities of non-derivative financial liabilities

The non-derivative financial liabilities for the Group and the Company at 31 December were:

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current liabilities:				
Trade and other payables (excluding derivatives)	**18.4**	28.1	**18.5**	22.2
Non-current liabilities:				
Interest-bearing loans and borrowings	**13.0**	11.9	**13.0**	11.9

The maturities of the Interest-bearing loans and borrowings are disclosed in note 20. Further details relating to the committed borrowing facilities of the Group can be found in the Financial review on pages 9 to 11.

Trade and other payables shown as current liabilities are expected to mature within six months of the statement of financial position date.

The contractual maturities of forward foreign exchange contracts that the Group and Company had committed at 31 December are shown in the Foreign currency risk section in this note.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. Exposure to interest rate and currency risks arises in the normal course of the Group's business. The Group does not trade in financial instruments and enters into derivatives (principally forward foreign exchange contracts) solely for the purpose of minimising currency exposure on sales or purchases in other than the functional currencies of its various operations.

The Group's treasury policies are explained in the Financial review on page 10.

26. Financial risk management continued

Interest rate risk

Cash and cash equivalents

The cash profile at 31 December was:

Group	2015 Cash at floating rates £m	2015 Cash on which no interest received £m	2015 Total £m	2014 Cash at floating rates £m	2014 Cash on which no interest received £m	2014 Total £m
Currency:						
Sterling	7.1	0.3	7.4	5.0	0.1	5.1
Canadian dollar	0.3	–	0.3	(0.2)	–	(0.2)
US dollar	(0.4)	0.9	0.5	0.1	0.7	0.8
Euro	1.0	0.1	1.1	2.1	–	2.1
Czech koruna	(0.6)	–	(0.6)	0.5	–	0.5
Brazilian real	0.8	–	0.8	0.6	0.7	1.3
Singapore dollar	–	0.1	0.1	–	–	–
Chinese yuan	0.2	–	0.2	0.2	–	0.2
	8.4	1.4	9.8	8.3	1.5	9.8

Company	2015 Cash at floating rates £m	2015 Cash on which no interest received £m	2015 Total £m	2014 Cash at floating rates £m	2014 Cash on which no interest received £m	2014 Total £m
Currency:						
Sterling	6.9	–	6.9	5.0	–	5.0
Canadian dollar	(0.1)	–	(0.1)	(0.4)	–	(0.4)
US dollar	(0.6)	–	(0.6)	–	–	–
Euro	0.2	–	0.2	0.2	–	0.2
Czech koruna	–	–	–	0.3	–	0.3
	6.4	–	6.4	5.1	–	5.1

Interest rates are based on London Interbank Bid Rate (LIBID) and relevant national equivalents. All cash surplus to immediate operational requirements is placed on deposit at floating rates of interest.

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Interest-bearing loans and borrowings

The profile of interest-bearing loans and borrowings at 31 December was:

Group and Company	2015 Borrowings at floating rates £m	2015 Borrowings at fixed rates £m	2015 Total £m	2014 Borrowings at floating rates £m	2014 Borrowings at fixed rates £m	2014 Total £m
Currency:						
Sterling	**12.0**	**0.9**	**12.9**	–	0.9	0.9
Canadian dollar	**–**	**–**	**–**	0.7	–	0.7
US dollar	**–**	**–**	**–**	8.3	–	8.3
Czech koruna	**0.1**	**–**	**0.1**	2.0	–	2.0
	12.1	**0.9**	**13.0**	11.0	0.9	11.9

The borrowings at fixed rates in sterling are the fixed cumulative preference shares which are explained in more detail in note 20.

The floating rate borrowings are based on interest rates at UK base rate, UK London Interbank Offered Rate (LIBOR) and relevant national equivalents.

Sensitivity to interest rate risk

If interest rates had been 100 basis points higher/lower throughout the period, net financial expense (excluding on pension scheme balances) for the Group would have increased/decreased by £0.1m (2014: £nil). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis as for the year ended 31 December 2014.

Foreign currency risk

The majority of the Group's operations are outside of the UK, and therefore a significant portion of its business is conducted overseas in currencies other than sterling. As explained on page 12, foreign currency risk is one of the principal risks and uncertainties to which the Group is exposed. The Group is exposed to both transaction and translation risk.

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The revenues and expenses of foreign operations are translated at an average rate for the period.

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the statement of financial position date and foreign exchange differences are taken directly to the translation reserve.

The following exchange rates (relative to sterling), which are significant to the Group, applied during the period:

	Average rate 2015	Average rate 2014	Closing rate 2015	Closing rate 2014
US dollar	**1.53**	1.65	**1.48**	1.56
Canadian dollar	**1.95**	1.82	**2.06**	1.81
Euro	**1.38**	1.24	**1.36**	1.29
Czech koruna	**37.50**	34.19	**36.82**	35.59
Brazilian real	**5.09**	3.88	**5.79**	4.14

26. Financial risk management continued

Forward foreign exchange contracts

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

Fair values

The fair value of forward foreign exchange contracts at 31 December was:

	Group		Company	
Cash flow hedges	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Gain	**0.1**	–	**0.1**	–
Loss	**(1.1)**	(0.9)	**(0.7)**	(0.7)
	(1.0)	(0.9)	**(0.6)**	(0.7)

The fair value is the gain/loss on all open forward foreign exchange contracts at the period end. These amounts are based on the market values of equivalent instruments at the period end date and all relate to those forward foreign exchange contracts that have been designated as effective cash flow hedges under IAS 39 *Financial instruments: recognition and measurement.*

There were no open forward foreign exchange contracts, as at either 31 December 2015 or 2014, that had been designated as fair value hedges under IAS 39 *Financial instruments: recognition and measurement.*

During the period a charge of £0.1m for the Group (2014: £0.1m) and £nil for the Company (2014: a credit of £0.1m) was recognised in the Statements of comprehensive income in respect of cash flow hedges.

Contractual maturity date and future cash flows

The contractual maturity date and period when cash flows are expected to occur in relation to open forward foreign exchange contracts at 31 December were:

	2015			2014		
Group	**Less than six months £m**	**Between six and twelve months £m**	**Total £m**	Less than six months £m	Between six and twelve months £m	Total £m
Outflow	**(4.1)**	**(0.4)**	**(4.5)**	(5.4)	(2.4)	(7.8)
Inflow	**4.7**	**0.3**	**5.0**	7.3	2.1	9.4
	0.6	**(0.1)**	**0.5**	1.9	(0.3)	1.6

	2015			2014		
Company	**Less than six months £m**	**Between six and twelve months £m**	**Total £m**	Less than six months £m	Between six and twelve months £m	Total £m
Outflow	**(7.6)**	**(0.7)**	**(8.3)**	(10.4)	(4.9)	(15.3)
Inflow	**4.9**	**0.3**	**5.2**	13.3	4.2	17.5
	(2.7)	**(0.4)**	**(3.1)**	2.9	(0.7)	2.2

Currency profile

The currency profiles at 31 December of Cash and cash equivalents and Interest-bearing loans and borrowings are shown within the interest rate risk section in this note.

The main functional currency of the Group is sterling. The following analysis of financial assets and liabilities (excluding net funds/debt) shows the Group and Company exposure after the effects of forward foreign exchange contracts used to manage currency exposure.

The amounts shown represent the transactional exposures that give rise to net currency gains and losses which are recognised in the Consolidated income statement. Such exposures represent the financial assets and liabilities of the Group and the Company that are not denominated in the functional currency of the business involved.

Group	2015 US dollar £m	2015 Euro £m	2015 Singapore dollar £m	2015 Total £m	2014 US dollar £m	2014 Euro £m	2014 Singapore dollar £m	2014 Total £m
Functional currency:								
Sterling	–	0.1	(0.3)	(0.2)	–	–	–	–
Canadian dollar	0.1	0.1	–	0.2	0.1	0.2	–	0.3
Brazilian real	0.1	–	–	0.1	0.1	–	–	0.1
	0.2	0.2	(0.3)	0.1	0.2	0.2	–	0.4

Company	2015 US dollar £m	2014 US dollar £m
Functional currency:		
Sterling	(0.1)	0.1

Sensitivity to foreign currency risk

Average exchange rates are used to translate the profits of foreign operations in the Consolidated income statement. If sterling had been 10% stronger/weaker against all foreign currencies during the year, the effect of this on the average exchange rates used to translate profits would have increased/decreased Group profit for the year by £0.2m (2014: £nil).

If sterling had been 10% stronger against all foreign currencies at 31 December 2015, Group equity would have reduced by £0.8m (2014: £1.2m). Conversely, if sterling had been 10% weaker against all foreign currencies at 31 December 2015, Group equity would have increased by £1.0m (2014: £1.4m). This analysis assumes that all other variables remain constant.

Fair values

The fair value of borrowings at fixed rates for both the Group and the Company at 31 December 2015 is £0.8m (2014: £0.8m) and has been calculated by discounting the expected future cash flows at prevailing interest rates.

There are no other significant differences between book and fair values for any of the other financial assets or liabilities included in either the Group or Company Statement of financial position.

Capital management

Capital comprises total equity as shown in the Statements of financial position. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group manages its capital structure and makes adjustments to it in light of the economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital through measures of earnings per share (see note 11), return on capital employed (profit for the period divided by average equity) and tangible net worth (total equity before intangible assets and employee benefits, net of tax). There were no changes to the Group's approach to capital management during the year and neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Less than one year	1.2	1.7	0.6	0.6
Between one and five years	2.8	5.2	1.7	2.0
More than five years	0.7	2.4	0.7	1.0
	4.7	9.3	3.0	3.6

The Group leases a number of manufacturing and service facilities under operating leases. The lease terms have the option to renew at the end of the lease term. During the year £1.3m was recognised as an expense in the Consolidated income statement in respect of operating leases of the continuing operations (2014: £1.3m). In addition, £0.1m (2014: £0.4m) was recognised as an expense in the Consolidated income statement in respect of operating leases of the discontinued operations.

28. Capital commitments

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Capital investment contracted but not provided for	**0.1**	–	**–**	–

29. Contingent liabilities

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Contingent liabilities in respect of guarantees and indemnities related to sales and other contracts	**1.8**	2.3	**1.7**	2.2

30. Discontinued operations

On 31 May 2015 the Group sold the trade and assets of Arista Laboratories, Inc. The table below shows the results of the discontinued operations included in the Group's Consolidated income statement and the Group's Statement of cash flow.

Income	**2015 £m**	2014 £m
Revenue from trading activities	**0.7**	2.5
Costs from trading activities	**(1.6)**	(4.5)
Operating loss from trading activities	**(0.9)**	(2.0)
Proceeds from disposal	**0.3**	–
Costs incurred on disposal	**(0.4)**	–
Loss on disposal of net assets	**(3.5)**	–
Impairment of goodwill	**(1.3)**	(1.6)
Loss before and after tax	**(5.8)**	(3.6)

Cash flow	**2015 £m**	2014 £m
Operating activities		
Operating loss	**(0.9)**	(2.0)
Depreciation	**0.2**	0.6
Net movements in working capital	**0.2**	(0.7)
Cash used in operations before reorganisation	**(0.5)**	(2.1)
Reorganisation costs paid	**(0.7)**	–
Cash flows from operating activities	**(1.2)**	(2.1)
Investing activities		
Cash flows from investing activities – net proceeds on disposal	**0.2**	–
Net decrease in cash and cash equivalents	**(1.0)**	(2.1)

Included within the Group's Statement of financial position at 31 December 2015 is a provision of £0.2m in respect of discontinued operations.

Impact on earnings per share from discontinued operations

The loss per ordinary share and diluted loss per ordinary share from discontinued operations was 29.8p (2014: 18.4p).

31. Related parties

Identity of related parties

The Company has a related party relationship with its subsidiaries (see note 32), directors and the UK and USA defined benefit pension schemes. In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's-length basis.

Details regarding transactions involving the directors and their remuneration can be found in the Remuneration report on pages 21 to 23.

The Group recharges the UK defined benefit pension scheme with the costs of administration incurred by the Group. The total amount recharged in the year to 31 December 2015 was £0.2m (2014: £0.2m).

At 31 December 2015 there were no outstanding balances with related parties.

32. Group entities

All intra-group related party transactions and outstanding balances are eliminated in the preparation of the Consolidated financial statements of the Group and therefore in accordance with IAS 24 *Related party disclosures* are not disclosed.

Subsidiary undertakings

Details of all subsidiary undertakings are shown below and principal subsidiary undertakings are shown on page 72. Subsidiary undertakings are, unless otherwise shown in brackets below, registered in England and Wales. Unless otherwise specified below, all subsidiaries are 100% owned by the Company.

1456074 Ontario Limited (Canada)	Langenpac BV (Netherlands)	Molins Machinery Limited
928142 Ontario Inc (Canada)	Molins Corporate Services Limited	Molins Overseas Holdings Limited
Arista Laboratories Europe Limited	Molins Del Paraguay SA (Paraguay)	Molins Richmond, Inc (USA)
Cerulean Corporation (USA)	Molins Delaware, Inc (USA)	Molins sro (Czech Republic)
Cerulean GmbH (Germany)	Molins Do Brasil Maquinas Automaticas Ltda (Brazil)	Molins Tobacco CIS (69% owned by Molins PLC) (Russia)
Cerulean Shanghai Company Limited (China)	Molins Far East PTE Ltd (Singapore)	Molins Tobacco Machinery Limited
DPML (MK) Limited	Molins ITCM Limited	Molmac Engineering Limited
Hartsvale Limited	Molins Laboratories, Inc (USA)	SASIB Corporation of America (USA)
ITCM North America Inc (USA)	Molins Machine Company Limited	Thrissell Limited
Langen Packaging Inc (Canada)	Molins Machine Company, Inc (USA)	

During the year ended 31 December 2015 the Company made sales of £7.3m (2014: £6.9m) and purchased goods totalling £3.9m (2014: £7.0m) to and from other Group undertakings.

During the year ended 31 December 2015 the Company received interest income from subsidiary undertakings of £0.1m (2014: £0.3m) and management fees of £0.6m (2014: £0.5m).

At 31 December 2015 amounts owed by subsidiary undertakings to the Company were £2.1m (2014: £7.8m) and amounts owed by the Company to subsidiary undertakings were £8.9m (2014: £9.6m).

Included within amounts owed by subsidiary undertakings to the Company is a provision of £8.8m (2014: £5.2m) representing amounts owed to the Company which are no longer considered recoverable.

At 31 December 2015 investments in subsidiaries by the Company were £50.6m (2014: £50.6m).

Notes to the accounts continued

33. Accounting estimates and judgements

The development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates, are considered as part of the remit of the Audit Committee.

Pension accounting

Changes to key assumptions used for calculating the net pension asset/liability of the Group can have a significant impact on the accounting valuation of the Group's defined benefit pension schemes. The key assumptions used in calculating the net pension asset/liability for the Group are disclosed in note 24. The value of the schemes' liabilities is particularly sensitive to the discount, inflation and mortality rates used. An analysis of the impact on the net pension asset/liability to changes in these assumptions is also disclosed in note 24.

Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGUs) to which the goodwill relates. The value in use calculation requires the Group to estimate the future cash flows expected to arise from each CGU and to determine a suitable discount rate to calculate the present value. The carrying value of goodwill at 31 December 2015 was £7.6m.

Investment impairment

Determining whether the Company's investments in subsidiaries are impaired requires an estimation of the value in use of the CGUs to which the investments relate. The value in use calculation requires the Company to estimate the future cash flows expected to arise from each CGU and to determine a suitable discount rate to calculate the present value. The carrying value of investments in subsidiaries by the Company at 31 December 2015 was £50.6m and there has been no impairment of investments in subsidiaries during the period.

Provisions

The Group assesses the carrying value of both receivable balances and inventory balances based on past losses, current trading patterns and anticipated future events. Provisions for expected future cash flows are made based upon past experience and management's assessment of the likely outflow, after taking professional advice where appropriate.

Construction contracts

The timing of revenue recognition on construction contracts is based on the assessed stage of completion of contract activity at the statement of financial position date. The assessed stage of completion is based on an estimate of the labour costs expended on each contract at the statement of financial position date as a proportion of estimated total labour costs on each contract.

Five year record

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Revenue	**87.0**	87.4	102.1	89.2	87.6
Underlying operating profit[a]	**4.0**	5.4	8.1	6.1	5.0
Non-underlying items	**(1.1)**	(1.2)	(0.9)	(0.3)	0.2
Operating profit	**2.9**	4.2	7.2	5.8	5.2
Net financing (expense)/income	**(0.9)**	(0.3)	(0.8)	(0.1)	0.5
Profit before tax	**2.0**	3.9	6.4	5.7	5.7
Taxation	**(0.3)**	(0.6)	(0.3)	(0.7)	(1.9)
Profit for the period from continuing operations	**1.7**	3.3	6.1	5.0	3.8
Loss for the period from discontinued operations	**(5.8)**	(3.6)	(2.6)	(1.2)	(0.5)
(Loss)/profit for the period	**(4.1)**	(0.3)	3.5	3.8	3.3
Underlying operating return on sales[a]	**4.6%**	6.2%	7.9%	6.8%	5.7%
Underlying earnings per ordinary share[a]	**15.1p**	22.4p	37.5p	28.0p	21.1p
Basic (loss)/earnings per ordinary share	**(20.9)p**	(1.3)p	18.0p	20.6p	17.2p
Dividends per ordinary share in respect of the year	**4.0p**	5.5p	5.5p	5.5p	5.25p
Intangible assets	**14.9**	15.7	15.2	14.5	14.9
Property, plant and equipment and investment property	**8.8**	12.1	12.0	11.7	10.5
Inventories	**15.1**	18.5	18.5	18.1	15.9
Trade and other receivables (including taxation)	**22.1**	32.6	27.5	29.3	23.8
Employee benefits	**4.0**	(20.6)	(5.6)	(19.2)	(3.4)
Trade and other payables (including taxation and provisions)	**(25.1)**	(30.3)	(32.3)	(31.3)	(27.8)
	39.8	28.0	35.3	23.1	33.9
Net (debt)/funds	**(3.2)**	(2.1)	5.2	7.4	7.1
Net assets	**36.6**	25.9	40.5	30.5	41.0
Net assets per ordinary share	**181p**	128p	201p	151p	203p
Ordinary shares in issue (000's)	**20,172**	20,172	20,172	20,172	20,172

[a] Before non-underlying items and discontinued operations.

Principal divisions and subsidiaries

The divisions and subsidiary undertakings shown include those which principally affect the profits and net assets of the Group as at the date of this report. Overseas companies operate and are incorporated in the countries in which they are based. In all cases the class of shares held is ordinary equity shares (or equivalent) and the proportion held is 100% unless otherwise indicated. Shares in the UK and Czech Republic companies are held directly by Molins PLC and those in the other overseas subsidiaries by intermediate holding companies.

A full list of subsidiaries will be included in the next annual return filed at Companies House and are shown on page 69.

Packaging Machinery

Langen Packaging Inc
6154 Kestrel Road, Mississauga,
Ontario L5T 1Z2, Canada
Tel: +1 905 670 7200
E-mail: info@langengroup.com
José Cornejo, General Manager

Langenpac BV
Edisonstraat 14, 6604 BV
Wijchen, The Netherlands
Tel: +31 24 648 6655
E-mail: info@langengroup.com
Geert van den Heiligenberg,
Managing Director

Langen Asia
5 Pereira Road,
05–04 Asiawide Building,
Singapore 368025
Tel: +65 6289 3788
E-mail: info@langengroup.com
Richard Yu, Managing Director

Molins Technologies
13 Westwood Way, Westwood Business Park, Coventry CV4 8HS, UK
Tel: +44 (0)2476 421100
E-mail: info@molinstechnologies.com
Dan Murthi, Managing Director

Instrumentation & Tobacco Machinery

Cerulean
Rockingham Drive, Linford Wood East,
Milton Keynes MK14 6LY, UK
Tel: +44 (0)1908 233833
E-mail: info@cerulean.com
Steve Frankham, Managing Director

Cerulean Corporation
1470 East Parham Road,
Richmond,
Virginia 23228-2300, USA
Tel: +1 804 887 2525
E-mail: info@cerulean.com
Steve Frankham, Managing Director

Cerulean Shanghai Co Ltd
Units 2011 & 2012, Commerce Spirit,
No. 1258 Yu Yuan Road, Shanghai
200050, Peoples Republic of China
Tel: +86 21 6125 3288
E-mail: info@cerulean.com
Mark Liu, General Manager

Molins Tobacco Machinery
Unit A1, Regent Park, Summerleys Road,
Princes Risborough, HP27 9LE, UK
Tel: +44 (0)1844 276600
E-mail: mtm@molins.com
Mark Aldridge, Managing Director

Molins Do Brasil Maquinas Automaticas Ltda
Rua Joao Lunardelli,
810 CIC, Curitiba,
Parana, CEP 81.460.100, Brazil
Tel: +55 41 3227 8300
E-mail: molins.brazil@molins.com.br
Fabio de Souza, President

Molins Far East Pte Ltd
5 Pereira Road,
05–04 Asiawide Building,
Singapore 368025
Tel: +65 6289 3788
E-mail: mfe@molins.com
Mark Aldridge, Managing Director

Molins Richmond Inc
1470 East Parham Road, Richmond,
Virginia 23228-2300, USA
Tel: +1 804 887 2525
E-mail: molins.richmond@molins.com
Clive Watson, President

Molins sro
Korandova 12, 301 00 Plzen,
Czech Republic
Tel: +420 378 080 111
E-mail: info@molins.cz
Jiri Honomichl, Managing Director

Notice of meeting

The one hundred and fourth Annual General Meeting (the Meeting) of Molins PLC will be held at Rockingham Drive, Linford Wood East, Milton Keynes MK14 6LY on Friday 22 April 2016 at 12 noon for the following purposes:

As ordinary business

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive the Annual Report and Accounts 2015 now laid before the Meeting. (*Resolution 1*)
2. To declare a final dividend for the year ended 31 December 2015 of 1.5p per ordinary share to be paid on 11 May 2016 to the shareholders who were on the Register of Members at the close of business on 15 April 2016. (*Resolution 2*)
3. To re-appoint Mr P J Moorhouse as a director. (*Resolution 3*)
4. To re-appoint Mr R C Hunter as a director. (*Resolution 4*)
5. To re-appoint KPMG LLP as auditors and to authorise the directors to determine their remuneration. (*Resolution 5*)
6. To approve the Remuneration report set out on pages 21 to 23 in the Annual Report and Accounts 2015. (*Resolution 6*)

As special business

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

7. Power to allot securities

   That, in substitution for all existing authorities, the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Companies Act 2006) up to an aggregate nominal value of £1,512,865 (representing 30% of the total ordinary share capital in issue at 25 February 2016) provided that this authority shall expire on the day 15 months following the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. (*Resolution 7*)

To consider and, if thought fit, to pass the following resolutions as special resolutions:

8. Disapplication of pre-emption rights

   That the directors be and are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 (the Act) to allot equity securities for cash, pursuant to the general authority conferred upon them by the resolution passed under item number 7 in the notice of the Annual General Meeting of the Company, for the period ending on the date of the next Annual General Meeting following the passing of this resolution or at the end of 15 months following the passing of this resolution, whichever is the earlier (unless previously revoked or varied) as if section 561 of the Act did not apply to any such allotment and so that the power conferred by this resolution shall enable the Company to make any offer or agreement before the expiry of this power (unless previously revoked or varied by the Company in general meeting), which would or might require equity securities to be allotted after such expiry and so that notwithstanding such expiry the directors may allot equity securities pursuant to any such offer or agreement previously made by the Company as if the power conferred hereby had not expired PROVIDED however that the power conferred by this resolution shall be limited:

   a to the allotment of equity securities in connection with or pursuant to any arrangement whereby the holders of ordinary shares at a record date or dates adopted for the purposes of the arrangement are entitled to acquire any equity securities of the Company issued for cash pursuant to such arrangement, in the proportion (as nearly as may be) to such holders' holdings of shares (or, as appropriate, to the numbers of ordinary shares which such holders are for the purpose deemed to hold) subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under or resulting from the application of the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and

   b to the allotment (otherwise than pursuant to sub-paragraph a above) of equity securities having an aggregate nominal value not exceeding £504,288.50 (representing 10% of the total ordinary share capital in issue as at 25 February 2016).

   Words and expressions defined in or for the purposes of the Act shall bear the same meanings in this resolution. (*Resolution 8*)

Notice of meeting continued

9. Purchase of own shares

   That the directors be empowered in the terms of Article 11 of the Company's Articles of Association and pursuant to section 701 of the Companies Act 2006 to make market purchases (as defined in section 693(4) of that Act) of ordinary shares of 25p each in the capital of the Company on such terms and in such manner as the directors may from time to time determine, provided that:

   a the maximum aggregate number of shares which may be so purchased shall be 3,000,000 ordinary shares (representing approximately 15% of the Company's issued ordinary share capital at the date of the Notice convening the Meeting at which this resolution is to be proposed);

   b the maximum price (excluding expenses) which may be paid for an ordinary share shall be an amount equal to 105% of the average middle market quotations taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the shares in question are to be purchased;

   c the minimum price which may be paid for an ordinary share shall be 25p (exclusive of expenses); and

   d this authority shall expire, unless previously revoked or varied, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or twelve months from the date of the resolution (whichever is the earlier) provided that the Company may before this authority expires make contracts for purchases of ordinary shares under this authority which would or might be executed wholly or partly after this authority expires and may make a purchase of ordinary shares pursuant to any such contract. (*Resolution 9)*

10. Authority to hold general meetings (other than annual general meetings) on 14 clear days' notice.

    That a General Meeting of the Company, other than annual general meetings of the Company, may be called on not less than 14 clear days' notice. (*Resolution 10*)

By order of the Board

S P Cannon
Secretary
25 February 2016

Notes relating to the Notice

Entitlement to attend and vote

1. Only those members registered on the Company's Register of Members 48 hours prior to the time of the Annual General Meeting (the Meeting) or, if this Meeting is adjourned, 48 hours prior to the time of the adjourned Meeting shall be entitled to attend and vote at the Meeting.

Website giving information regarding the meeting

2. A copy of this Notice of Meeting (the Notice) and other information required by section 311A of the Companies Act 2006 (the Act) is available online at www.molins.com.

Appointment of proxies

3. Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the Meeting using the proxy form accompanying this Notice. The person appointed proxy does not need to be a member of the Company but must attend the Meeting to represent the member. The Chairman of the meeting or another person may be appointed as proxy. Members wishing their proxy to speak on their behalf at the Meeting will need to appoint their own choice of proxy (not the Chairman) and give instructions directly to them. Members can only appoint a proxy using the procedures set out in this Notice and the notes to the proxy form. The appointment of a proxy does not preclude a shareholder from attending and voting in person at the Meeting. More than one proxy may be appointed provided each proxy is appointed to exercise rights attached to different shares. More than one proxy to exercise rights attached to any one share may not be appointed. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior).

   The notes to the proxy form explain how to direct the proxy to vote on each resolution or withhold their vote. The manner in which the proxy(ies) is/are to vote should be indicated by marking either 'Vote for' or 'Vote against' or 'Vote withheld'. If none is marked, the proxy(ies) will vote or abstain at his/her/their discretion. A 'Vote withheld' option is provided on the proxy form to enable instructions to be given to a proxy not to vote on any particular resolution. It should, however, be noted that a vote withheld is not a vote in law and therefore will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

4. Those that are not members of the Company but who have been nominated by a member of the Company under section 146 of the Act to enjoy information rights, do not have a right to appoint any proxies under the procedures set out herein or in the proxy form. They may have a right under an agreement with the member of the Company who has nominated them (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting. If they either do not have such a right or if they have such a right but do not wish to exercise it, they may have a right under an agreement with the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. The main point of contact in terms of their investment in the Company is the Relevant Member and they should contact them (and not the Company) regarding their interest in the Company.

Appointment of proxy using hard copy proxy form

5. To appoint a proxy using the proxy form, the form must be:

   a completed and signed;

   b sent or delivered to the Company's registrars at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; and

   c received by the Company's registrars not less than 48 hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the proxy form proposes to vote.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a notarised copy of such power or authority or a copy of such power and written authority certified in accordance with the Powers of Attorney Act 1971) must be included with the proxy form. In the case of a poll taken more than 48 hours after it is demanded, the proxy document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, and where the poll is taken less than 48 hours after it was demanded, the proxy documents must either be delivered at the meeting at which the demand is made, or at the proxy notification address not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or otherwise as the Chairman of the meeting at which a poll is demanded may direct.

Notes relating to the Notice continued

Appointment of proxy using email

6. As an alternative to submitting the hard copy proxy form by hand or by post, a proxy may be appointed electronically by emailing a copy of the signed hard copy proxy form and any accompanying documents to agm@molinsplc.com with details of the full name and address of the registered shareholder. For an electronic proxy appointment to be valid it must be delivered not less than 48 hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the proxy form proposes to vote. Please refer to note 5 for details as to when proxy notices appointing a proxy in the event of a poll are to be delivered.

Changing proxy instructions

7. To change proxy instructions simply submit a new proxy form using the methods set out above. Note that the cut-off times for receipt of proxy forms (see note 5) also apply in relation to amended instructions; any amended proxy form received after the relevant cut-off time will be disregarded. Where another hard copy proxy form is required please contact the Company (see note 17). If a member submits more than one valid proxy form, the form received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

8. To revoke a proxy instruction the Company must be informed by either:

   a sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the Company's registrars at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or

   b sending an email clearly stating the registered shareholder's name and address and the intention to revoke the previous proxy appointment to agm@molinsplc.com.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company (any power of attorney or any other authority under which the revocation notice is signed (or a notarised copy of such power or authority or a copy of such power and written authority certified in accordance with the Powers of Attorney Act 1971) must be included with the revocation notice).

   The revocation notice must be received by the Company's registrars or delivered to agm@molinsplc.com (as the case may be) no later than six hours before the time fixed for holding the relevant meeting or adjourned meeting or, in the case of a poll not taken on the same day as the meeting or adjourned meeting, before the time fixed for taking the poll.

   If the revocation is received after the time specified then the original proxy appointment will remain valid.

Corporate representatives

9. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. Representatives will be required to produce documentary evidence of their appointment.

Issued shares and total voting rights

10. As at the close of business on 24 February 2016 (being the last business day prior to publication of this notice), the Company's issued share capital comprised 20,171,540 ordinary shares of 25p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at that time was 20,171,540.

Questions at the meeting

11. Under section 319A of the Act, the Company must answer any question asked at the Meeting relating to the business being dealt with at the Meeting unless:

    a answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;

    b the answer has already been given on a website in the form of an answer to a question; or

    c it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

Members' right to require circulation of resolution to be proposed at the meeting

12. Under section 338 of the Act, a member or members meeting the qualification criteria set out at note 14, may, subject to conditions, require the Company to give its members notice of a resolution which may properly be moved and is intended to be moved at that Meeting. The conditions are that:

    a the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

    b the resolution must not be defamatory of any person, frivolous or vexatious; and

    c the request:

       i may be in hard copy form or in electronic form (see note 15);

       ii must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported;

       iii must be authenticated by the person or persons making it (see note 15); and

       iv must be received by the Company not later than six weeks before the Meeting to which the request relates, or if later, the time at which notice is given of that Meeting.

Members' right to have a matter of business dealt with at the meeting

13. Under section 338A of the Act, a member or members meeting the qualification criteria set out at note 14, may, subject to conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that:

    a the matter of business must not be defamatory of any person, frivolous or vexatious; and

    b the request:

       i may be in hard copy form or in electronic form (see note 15);

       ii must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported;

       iii must be accompanied by a statement setting out the grounds for the request;

       iv must be authenticated by the person or persons making it (see note 15); and

       v must be received by the Company not later than six weeks before the Meeting to which the request relates, or if later, the time at which notice is given of that Meeting.

Members' qualification criteria

14. A request under section 338 or section 338A of the Act (see notes 12 to 13) may only be made by:

    a a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or

    b at least 100 members having a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital per member.

    For information on voting rights, including the total number of voting rights, see note 10 and the website referred to in note 2.

Submission of hard copy and electronic requests and authentication requirements

15. A request made under section 338 or section 338A of the Act (see notes 12 to 13) must be made in accordance with one of the following ways:

    a a hard copy request which is signed by the Relevant Member(s), stating their full name(s) and address(es) and sent for the attention of the Company Secretary at the Company's Registered Office address; or

    b a request which states the Relevant Member's full name and address emailed to agm@molinsplc.com.

Documents on display

16. Copies of directors' letters of appointment and service contracts will be available for inspection for 15 minutes before, and during, the Meeting.

Notice of meeting continued

Notes relating to the Notice continued

Communication

17. Except where specifically provided above, members who have general queries about the Meeting or who require additional copies of the Notice and/or proxy form should write to or telephone the Company Secretary at the Company's registered office (see page 80). No other methods of communication will be accepted.

After the meeting

18. Members will have the opportunity to meet the directors of the Company.

Explanatory notes on the resolutions

Resolutions 1 to 7 are ordinary resolutions; resolutions 8, 9 and 10 are special resolutions. To be passed, ordinary resolutions require more than half the votes cast to be in favour of the resolution whilst special resolutions require at least three-quarters of the votes cast to be in favour of the resolution.

The resolutions

Ordinary business

Resolution 1 – To receive the Annual Report and Accounts 2015

The Companies Act 2006 requires the directors to lay before the Company in a general meeting copies of the Company's annual accounts, and the auditor's report on those accounts.

Resolution 2 – Declaration of a final dividend

The Company's Articles of Association state that the Company may, by ordinary resolution, declare a final dividend be paid to members.

Resolutions 3 and 4– Directors' re-appointments

The Company's Articles of Association require a director to retire:

a who was appointed by the Board since the last Annual General Meeting; or

b at the third Annual General Meeting following the Annual General Meeting at which they were elected or last re-elected.

In both cases the retiring director can offer themselves for appointment/re-appointment.

No directors have been appointed since the last Annual General Meeting. At the Annual General Meeting three years ago Mr Hunter was the only director who was re-appointed and therefore he retires at the forthcoming Annual General Meeting. The Chairman, Mr Moorhouse, has offered himself for re-appointment and will also retire at the forthcoming Annual General Meeting. Being eligible, both Mr Hunter and Mr Moorhouse offer themselves for re-appointment. Biographical information for Mr Hunter and Mr Moorhouse is given on page 17 of the Annual Report and Accounts 2015.

Resolution 5 – To re-appoint KPMG LLP as auditors and to authorise the directors to determine their remuneration

It is a Companies Act 2006 (the Act) requirement that a company appoint an auditor at each general meeting at which accounts are laid, to hold office from the conclusion of the meeting until the conclusion of the next similar general meeting. The Company has evaluated the work of KPMG LLP and recommends that they be re-appointed as the Company's auditors from the conclusion of the Meeting until the conclusion of the next similar meeting. In addition, the Act states that the auditors' remuneration shall be fixed by the Meeting or in such manner as the Company in general meeting may determine. For simplicity of administration the directors are seeking authorisation to determine KPMG LLP's remuneration.

Resolution 6 – To approve the Remuneration report

This resolution seeks shareholders' approval for the Remuneration report which can be found at pages 21 to 23 of the Annual Report and Accounts 2015. The vote is advisory only.

Special business

Resolution 7 – Power to allot securities

The Companies Act 2006 and the Company's Articles of Association permit the allotment of new shares only if the Company is authorised to do so by resolution of the Company. Such authorisation was given for a period of 15 months at a General Meeting held on 24 April 2015 and therefore the directors are seeking new shareholder authorisation at this Meeting.

The directors have no current intention of exercising the power to be conferred by this resolution and will exercise this power only when they believe that such exercise is in the best interests of the shareholders.

Resolution 8 – Disapplication of pre-emption rights

In Resolution 7 above the directors seek authority to allot securities up to an aggregate nominal value of £1,512,865 in accordance with the requirements of section 551 of the Companies Act 2006 (the Act). However section 561 of the Act requires such securities to be offered to existing shareholders (pre-emption rights). This resolution, which is permitted by sections 570 and 573 of the Act, seeks shareholders' authorisation for the directors to disapply, albeit to the extent limited within the resolution, the section 561 pre-emption rights so that the Company can satisfy immediate allotment requirements. Currently the directors have no plans to allot securities.

Resolution 9 – Purchase of own shares
At the 2015 Annual General Meeting authority to purchase for cancellation 3,000,000 ordinary shares was granted. The 2015 Annual General Meeting authority expires on 22 April 2016 and the directors consider it appropriate to seek further authority from the shareholders at the forthcoming Meeting for the Company to purchase up to a maximum number of 3,000,000 ordinary shares representing approximately 15% of the issued ordinary share capital at the date of the Notice convening the Meeting.

In reaching a decision to purchase ordinary shares, the directors will take account of the Company's cash resources and capital and the general effect of such purchase on the Company's business. The authority would only be exercised by the directors if they considered it to be in the best interests of the shareholders generally and if the purchase could be expected to result in an increase in earnings per ordinary share.

Resolution 10 – Authority to hold general meetings (other than annual general meetings) on 14 clear days' notice
The notice period required by the Companies Act 2006 for general meetings is 21 days unless shareholders approve a shorter notice period which cannot, however, be less than 14 clear days. Annual general meetings must always be held on at least 21 clear days' notice. Whereas Article 28 (1) of the Company's Articles of Association permits the Company to call a general meeting (other than an annual general meeting) on 14 clear days' notice, shareholder approval is also required by the Companies Act 2006 to give effect to this. The authority granted by Resolution 10, if passed, will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting. Resolution 10 seeks the approval of shareholders to give the Company the authority to be able to call general meetings (other than the Annual General Meeting) on 14 days' clear notice. The flexibility offered by Resolution 10 will only be used where, taking into account the circumstances, the directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole.

Corporate information

Registered office

Rockingham Drive
Linford Wood East
Milton Keynes MK14 6LY
Tel: +44 (0)1908 246870
Email: molins.ho@molinsplc.com

Registered number

124855

Secretary

Mrs S P Cannon
Solicitor

Auditors

KPMG LLP
Altius House
One North Fourth Street
Milton Keynes MK9 1NE

Nominated Advisor & Broker

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Share price

Available from:
FT Cityline – tel: +44 (0)905 817 1690
Certain national newspapers

Website

Further information is available at www.molins.com

Timetable

Annual General Meeting
22 April 2016

Payment dates for preference dividend
30 June 2016 and 31 December 2016

Record date for proposed final dividend
15 April 2016

Payment date for proposed final dividend
11 May 2016

Half-year announcement
August 2016

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MOLINS PLC

Molins PLC
Rockingham Drive
Linford Wood East
Milton Keynes MK14 6LY
Tel: +44 (0) 1908 246870
Email: molins.ho@molinsplc.com
www.molins.com