MOLINS PLC

Half-Year Report 2016

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.

Contents

To find out more visit:
www.molins.com

Highlights

	6 months to 30 June 2016	6 months to 30 June 2015	12 months to 31 Dec 2015
Sales from continuing operations	**£35.0m**	£39.5m	£87.0m
Underlying operating profit*	**£0.2m**	£1.4m	£4.0m
Underlying profit before tax*	**£0.1m**	£1.3m	£3.8m
Underlying earnings per share*	**0.2p**	5.1p	15.1p
Dividends per share	**1.25p**	2.50p	4.00p
Net debt	**£(4.6)m**	£(3.9)m	£(3.2)m
Statutory loss before tax	**£(0.3)m**	£(5.3)m	£(3.8)m
Statutory loss for the period	**£(0.3)m**	£(5.3)m	£(4.1)m
Basic loss per share	**(1.5)p**	(26.9)p	(20.9)p

* Before discontinued operations and non-underlying items.

Packaging Machinery

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.

Instrumentation & Tobacco Machinery

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.

Half-year management report

Introduction

As expected, tough market conditions have continued to impact the trading performances of both divisions. Low demand for new cigarette-making capacity affected the Instrumentation & Tobacco Machinery Division, and the Packaging Machinery Division experienced delays in customers' investment decisions. Accordingly, results for the first half of the year are lower than the same period last year but are in line with management expectations. Encouragingly, sales of aftermarket products increased in the period.

In June, we were pleased to welcome Tony Steels to the Group as Chief Executive. Tony has extensive experience in engineering both in the UK and internationally and a proven track record in business development. With the support of the senior management team, he is now leading a comprehensive review of the Group's strategic direction to ensure we are in the best position to serve our customers, with a focus on market opportunities and operational efficiency, and which we expect to be completed during the next six months. We are also pleased to welcome Andrew Kitchingman as a non-executive director who joined the Group in May. The Board would like to place on record its appreciation of the many years of service that Dick Hunter gave to the Group as Chief Executive, and wishes him well in his future endeavours.

It is too early to predict with any certainty what the impact of the UK leaving the EU will be on the Group. The recent reduction in the value of sterling compared with most other major trading currencies is likely to be somewhat positive for our trading activities, as the Group is a net exporter of goods from the UK. The fall in interest rates which followed the vote to leave has resulted in the valuation of the Group's UK defined benefit pension obligations increasing; this increase has been partly mitigated by the consequent rise in the value of the scheme's gilts and bonds.

Financial results

Sales from continuing operations in the six months to 30 June 2016 were £35.0m (2015: £39.5m) and the underlying profit before tax was £0.1m (2015: £1.3m). After a net tax charge of £nil (2015: £0.3m), the underlying profit after tax for the period was £0.1m (2015: £1.0m). Underlying earnings per share on continuing operations were 0.2p (2015: 5.1p).

These underlying results are stated before reorganisation costs of £nil (2015: £0.1m) and pension related charges of £0.4m (2015: £0.8m). Pension related costs comprised charges in respect of administering the Group's defined benefit pension schemes of £0.4m (2015: £0.4m) and financing expense on pension scheme balances of £nil (2015: £0.4m).

On a statutory basis, the loss before tax from continuing operations was £0.3m (2015: £0.4m profit). The net tax charge was £nil (2015: £nil - after a tax credit of £0.3m and a tax charge on underlying profit of £0.3m), resulting in a loss for the period of £0.3m (2015: £0.4m profit). Discontinued operations (sold on 31 May 2015) incurred losses of £5.8m in 2015, details of which are shown in note 16. The basic loss per share, which includes losses on discontinued operations, amounted to 1.5p (2015: 26.9p).

Finances

Net debt at 30 June 2016 was £4.6m (30 June 2015: £3.9m and 31 December 2015: £3.2m). Net cash inflow from operating activities (continuing operations) in the first half of the year was £0.2m. This is after an increase in working capital levels of £0.2m, deficit recovery payments to the Group's defined benefit pension scheme of £0.9m and tax paid of £0.3m. Capital and product development expenditure was £1.4m (net). Net cash outflow in relation to the discontinued operations in the period was £0.1m. Ordinary dividends totalling £0.3m were paid in the period.

Dividend

In line with the Group's reduction in the 2015 final dividend, the Board has declared an interim dividend of 1.25p per ordinary share (2015: 2.5p) which will be paid on 13 October 2016 to ordinary shareholders registered at the close of business on 16 September 2016. Dividends paid to shareholders in the six months to 30 June 2016 were 1.5p per ordinary share (2015: 3.0p).

Operating performance

Packaging Machinery

The division supplies highly automated product processing, handling, cartoning and robotic end-of-line packaging machinery and systems from its operations in the UK, the Netherlands, Canada and Singapore.

The division experienced a challenging first half of the year, with order intake reduced in most regions, reflecting the continuing deferral of customer investment decisions. As a result, sales decreased to £18.2m (2015: £21.8m). The operational gearing effect of this reduction resulted in breakeven operating profit (2015: £1.1m profit).

Currently, order books are lower than this time last year and, although the division has a robust level of prospects, the conversion of prospects to orders is more difficult to predict in the current environment. We continue to emphasise the importance of customer support and service, and this has helped to achieve growth in the aftermarket business, which we expect to continue in the second half.

Looking further ahead, the division's strategy to solve customer specific needs through the combination of modular designs and innovative engineering and applications skills, continues to place the division in a good position to support the investment plans of its many multinational and regional customers.

Instrumentation & Tobacco Machinery

The division comprises both the Group's tobacco machinery activities and its quality control, testing and analytics instrumentation business, which has customers in both the tobacco and other FMCG sectors.

Sales in the period were £16.8m (2015: £17.7m) and operating profit, before reorganisation costs, was £0.2m (2015: £0.3m).

As anticipated, conditions in the tobacco sector continued to be challenging and market opportunities for sales of cigarette-making machines remain relatively low. As a consequence, competitive pressures to secure machine orders have resulted in reduced margins for those orders that are secured. More encouragingly, orders for the aftermarket activities remained quite strong and demand for our instrumentation activities held up in the period following better order intake in the last few months of 2015. However, we believe that there may be some softening in the key Asia region for instrumentation in the second half.

Despite these conditions, we are encouraged by the market response to the introduction of new tobacco machinery. Field trials of the Alto cigarette-making machine were completed in 2015 and orders for production machines were secured in the first half of 2016. Optima, the new cigarette-packing machine, began field trials this year which are on-going and encouraging. These two major machine introductions, alongside other ancillary equipment, means that the division has completed a significant programme of development, enabling it to supply a complete make-pack cigarette production line of equipment in a range of speeds, thereby expanding the addressable market. We also continued to enhance the product range of the instrumentation business to support both its market-leading position in the tobacco sector and its expansion into new sectors.

Pension schemes

The Group is responsible for defined benefit pension schemes in the UK and the USA. There are no active members and the schemes are accounted for in accordance with IAS 19 *Employee benefits*. The Company is responsible for the payment of 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 will be considerably in excess of the 2015 levy.

The IAS 19 valuation of the UK scheme at 30 June 2016 shows a deficit of £1.9m (£1.6m net of deferred tax), compared with a surplus of £10.6m (£6.9m net of deferred tax) at the beginning of the period. Following the results of the UK referendum in June 2016, the bond rates used to calculate the value of the scheme's liabilities reduced considerably, resulting in the value of the scheme's liabilities increasing to £372.8m (31 December 2015: £336.3m). The impact of this was mitigated to a degree by strong returns of the assets held by the scheme, with the value increasing to £370.9m (31 December 2015: £346.9m).

The UK scheme is subject to a formal triennial actuarial valuation as at 30 June 2015 and the deficit recovery plan is expected to be formally reassessed in the next few months. The results of the last completed funding valuation, as at 30 June 2012, showed a funding level of 86% of liabilities, which represented a deficit of £53.0m. The level of deficit funding is currently £1.8m per annum (increasing by 2.1% per annum).

The net valuation of the USA pension schemes at 30 June 2016, with total assets of £16.8m, showed a deficit of £8.1m (£4.9m net of deferred tax), compared with a deficit of £6.6m (£4.0m net of deferred tax) at the beginning of the period.

The aggregate expense of administering the pension schemes was £0.4m (2015: £0.4m). The net financing expense on pension scheme balances was £nil (2015: £0.4m).

Outlook

As in previous years, the Group's full year trading performance will be significantly weighted towards the second half. However we are experiencing continuing delays in receiving orders and are therefore taking a more cautious view of the short-term trading outlook, such that the Board has revised downwards its trading expectations for the current year.

The Board's comprehensive review of the Group's strategic direction is underway and we look forward to updating shareholders on its results in due course. At the same time we continue to focus on our existing growth initiatives within our core market sectors of nutrition, beverages, healthcare, pharmaceutical and tobacco.

Tony Steels
Chief Executive

David Cowen
Group Finance Director

24 August 2016

Condensed consolidated income statement

		6 months to 30 June 2016			6 months to 30 June 2015		
	Notes	Underlying £m	Non-underlying (note 5) £m	Total £m	Underlying £m	Non-underlying (note 5) £m	Total £m
Revenue	4	35.0	–	35.0	39.5	–	39.5
Cost of sales		(25.4)	–	(25.4)	(28.4)	–	(28.4)
Gross profit		9.6	–	9.6	11.1	–	11.1
Distribution expenses		(3.9)	–	(3.9)	(4.3)	–	(4.3)
Administrative expenses		(5.3)	(0.4)	(5.7)	(5.1)	(0.5)	(5.6)
Other operating expenses		(0.2)	–	(0.2)	(0.3)	–	(0.3)
Operating (loss)/profit	4, 7	0.2	(0.4)	(0.2)	1.4	(0.5)	0.9
Financial income	6	0.1	–	0.1	–	–	–
Financial expenses	6	(0.2)	–	(0.2)	(0.1)	(0.4)	(0.5)
Net financing expense	4, 6	(0.1)	–	(0.1)	(0.1)	(0.4)	(0.5)
(Loss)/profit before tax	4	0.1	(0.4)	(0.3)	1.3	(0.9)	0.4
Taxation	8	–	–	–	(0.3)	0.3	–
(Loss)/profit for the period from continuing operations		0.1	(0.4)	(0.3)	1.0	(0.6)	0.4
Loss for the period from discontinued operations	16	–	–	–	–	(5.7)	(5.7)
Loss for the period		0.1	(0.4)	(0.3)	1.0	(6.3)	(5.3)
Basic loss per ordinary share	9			(1.5)p			(26.9)p
Diluted loss per ordinary share	9			(1.5)p			(26.9)p

Condensed consolidated income statement continued

		12 months to 31 December 2015		
	Notes	Underlying £m	Non–underlying (note 5) £m	Total £m
Revenue	4	87.0	–	87.0
Cost of sales		(63.8)	–	(63.8)
Gross profit		23.2	–	23.2
Other operating income		–	0.2	0.2
Distribution expenses		(7.9)	–	(7.9)
Administrative expenses		(10.6)	(1.3)	(11.9)
Other operating expenses		(0.7)	–	(0.7)
Operating profit	4, 7	4.0	(1.1)	2.9
Financial income	6	0.1	–	0.1
Financial expenses	6	(0.3)	(0.7)	(1.0)
Net financing expense	4, 6	(0.2)	(0.7)	(0.9)
Profit before tax	4	3.8	(1.8)	2.0
Taxation	8	(0.9)	0.6	(0.3)
Profit for the period from continuing operations		2.9	(1.2)	1.7
Loss for the period from discontinued operations	16	–	(5.8)	(5.8)
Loss for the period		2.9	(7.0)	(4.1)
Basic loss per ordinary share	9			(20.9)p
Diluted loss per ordinary share	9			(20.9)p

Condensed consolidated statement of comprehensive income

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Loss for the period	**(0.3)**	(5.3)	(4.1)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains	**(13.9)**	6.9	24.6
Tax on items that will not be reclassified to profit or loss	**4.5**	(1.5)	(6.6)
	(9.4)	5.4	18.0
Items that may be reclassified subsequently to profit or loss			
Currency translation movements arising on foreign currency net investments	**2.9**	(1.7)	(2.2)
Effective portion of changes in fair value of cash flow hedges	**0.9**	(0.2)	(0.1)
	3.8	(1.9)	(2.3)
Other comprehensive (expense)/income for the period	**(5.6)**	3.5	15.7
Total comprehensive (expense)/income for the period	**(5.9)**	(1.8)	11.6
Total comprehensive (expense)/income for the period arises from:			
Continuing operations	**(5.9)**	3.9	17.4
Discontinued operations	**–**	(5.7)	(5.8)
	(5.9)	(1.8)	11.6

Condensed consolidated statement of changes in equity

6 months to 30 June 2016	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2016	**5.0**	**26.0**	**(1.5)**	**3.9**	**(0.7)**	**3.9**	**36.6**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Other comprehensive expense for the period	**–**	**–**	**2.9**	**–**	**0.7**	**(9.2)**	**(5.6)**
Total comprehensive expense for the period	**–**	**–**	**2.9**	**–**	**0.7**	**(9.5)**	**(5.9)**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners, recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Balance at 30 June 2016	**5.0**	**26.0**	**1.4**	**3.9**	**–**	**(5.9)**	**30.4**
6 months to 30 June 2015							
Balance at 1 January 2015	5.0	26.0	0.7	3.9	(0.6)	(9.1)	25.9
Loss for the period	–	–	–	–	–	(5.3)	(5.3)
Other comprehensive income for the period	–	–	(1.7)	–	(0.2)	5.4	3.5
Total comprehensive expense for the period	–	–	(1.7)	–	(0.2)	0.1	(1.8)
Dividends to shareholders	–	–	–	–	–	(0.6)	(0.6)
Equity-settled share-based transactions	–	–	–	–	–	0.1	0.1
Total transactions with owners, recorded directly in equity	–	–	–	–	–	(0.5)	(0.5)
Balance at 30 June 2015	5.0	26.0	(1.0)	3.9	(0.8)	(9.5)	23.6
12 months to 31 December 2015							
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 for the period	–	–	(2.2)	–	(0.1)	18.0	15.7
Total comprehensive income 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

Condensed consolidated statement of financial position

	Notes	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
Non-current assets				
Intangible assets		**15.3**	15.0	14.9
Property, plant and equipment		**8.7**	8.1	8.0
Investment property		**0.8**	0.8	0.8
Employee benefits		**–**	–	10.6
Deferred tax assets		**5.0**	4.9	4.2
		29.8	28.8	38.5
Current assets				
Inventories		**16.9**	19.7	15.1
Trade and other receivables		**17.2**	21.7	17.9
Current tax assets		**0.2**	0.1	–
Cash and cash equivalents		**4.5**	4.3	10.4
		38.8	45.8	43.4
Current liabilities				
Bank overdraft		**(0.2)**	–	(0.6)
Trade and other payables		**(17.5)**	(27.2)	(18.9)
Current tax liabilities		**(0.3)**	(0.4)	(0.5)
Provisions		**(1.0)**	(1.2)	(1.2)
Provisions held within discontinued operations		**(0.2)**	(0.3)	(0.2)
		(19.2)	(29.1)	(21.4)
Net current assets		**19.6**	16.7	22.0
Total assets less current liabilities		**49.4**	45.5	60.5
Non-current liabilities				
Interest-bearing loans and borrowings		**(8.9)**	(8.2)	(13.0)
Employee benefits	7	**(10.0)**	(13.6)	(6.6)
Deferred tax liabilities		**(0.1)**	–	(4.3)
Provisions held within discontinued operations		**–**	(0.1)	–
		(19.0)	(21.9)	(23.9)
Net assets	4	**30.4**	23.6	36.6
Equity				
Issued capital		**5.0**	5.0	5.0
Share premium		**26.0**	26.0	26.0
Reserves		**5.3**	2.1	1.7
Retained earnings		**(5.9)**	(9.5)	3.9
Total equity		**30.4**	23.6	36.6

Condensed consolidated statement of cash flows

	Notes	**6 months to 30 June 2016 £m**	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Operating activities				
Operating (loss)/profit from continuing operations		**(0.2)**	0.9	2.9
Non-underlying items included in operating profit		**0.4**	0.5	1.1
Amortisation		**0.7**	0.6	1.4
Depreciation		**0.7**	0.5	1.2
Other non-cash items		**–**	(0.1)	0.2
Defined benefit pension payments		**(0.9)**	(0.9)	(1.9)
Working capital movements:				
– (increase)/decrease in inventories		**(0.5)**	(2.5)	2.2
– decrease in trade and other receivables		**2.1**	2.6	6.4
– (decrease)/increase in trade and other payables		**(1.7)**	0.2	(8.1)
– decrease in provisions		**(0.1)**	(0.1)	(0.1)
Cash generated from operations before reorganisation and discontinued operations		**0.5**	1.7	5.3
Cash used in discontinued operations	16	**(0.1)**	(0.9)	(1.2)
Reorganisation costs paid	5	**–**	(0.2)	(0.4)
Cash flows from operations		**0.4**	0.6	3.7
Taxation paid		**(0.3)**	(0.1)	(0.1)
Cash flows from operating activities		**0.1**	0.5	3.6
Investing activities				
Interest received		**0.1**	–	0.1
Proceeds from sale of property, plant and equipment		**0.2**	0.3	0.4
Acquisition of property, plant and equipment		**(0.8)**	(0.7)	(1.3)
Acquisition of intellectual property		**–**	(0.2)	(0.2)
Capitalised development expenditure		**(0.8)**	(1.2)	(1.9)
Net proceeds on disposal of discontinued operations		**–**	0.2	0.2
Cash flows from investing activities		**(1.3)**	(1.6)	(2.7)
Financing activities				
Interest paid		**(0.2)**	(0.1)	(0.3)
Purchase of own shares		**–**	–	(0.1)
Net (decrease)/increase against revolving facilities		**(4.3)**	(3.6)	1.1
Dividends paid	10	**(0.3)**	(0.6)	(1.1)
Cash flows from financing activities		**(4.8)**	(4.3)	(0.4)
Net (decrease)/increase in cash and cash equivalents	11	**(6.0)**	(5.4)	0.5
Cash and cash equivalents at 1 January		**9.8**	9.8	9.8
Effect of exchange rate fluctuations on cash held		**0.5**	(0.1)	(0.5)
Cash and cash equivalents at period end		**4.3**	4.3	9.8

Notes to the condensed set of financial statements

1. General information

The Half-year results for the current and comparative period are unaudited but have been reviewed by the auditors, KPMG LLP, and their report is set out after the notes. The comparative information for the year ended 31 December 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's statutory accounts have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's statutory accounts for the year ended 31 December 2015 are available from the Company's registered office at Rockingham Drive, Linford Wood East, Milton Keynes MK14 6LY or from the Group's website at www.molins.com.

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 condensed set of financial statements.

The condensed set of financial statements was approved by the Board of directors on 24 August 2016.

2. Basis of preparation

(a) Statement of compliance

The condensed set of financial statements for the 6 months ended 30 June 2016 has been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the EU. It does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2015.

(b) Judgements and estimates

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

In preparing the condensed set of financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were of the same type as those that applied to the financial statements for the year ended 31 December 2015.

3. Significant accounting policies

The accounting policies, presentation and methods of computation applied by the Group in this condensed set of financial statements are the same as those applied in the Group's latest audited financial statements.

4. Operating segments

The Group has two operating segments which are the Group's two divisions. These divisions form the basis of the Group's management and internal reporting structure. Further details in respect of the Group structure and performance of the two divisions are set out in the Half-year management report.

	Revenue			Profit		
Continuing operations	**6 months to 30 June 2016 £m**	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m	**6 months to 30 June 2016 £m**	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Packaging Machinery	**18.2**	21.8	51.0	**–**	1.1	3.9
Instrumentation & Tobacco Machinery	**16.8**	17.7	36.0	**0.2**	0.3	0.1
	35.0	39.5	87.0			
Underlying operating profit				**0.2**	1.4	4.0
Non-underlying items included in operating profit				**(0.4)**	(0.5)	(1.1)
Operating (loss)/profit				**(0.2)**	0.9	2.9
Net financing expense				**(0.1)**	(0.5)	(0.9)
(Loss)/profit before tax from continuing operations				**(0.3)**	0.4	2.0
Loss for the period from discontinued operations				**–**	(5.7)	(5.8)
Loss before tax for the period				**(0.3)**	(5.3)	(3.8)

Net financing expense includes dividends paid on preference shares. The Company has in issue 900,000 6% fixed cumulative preference shares. The preference dividend is payable on 30 June and 31 December and amounted to £0.1m in the 12 months ended 31 December 2015.

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
Segment assets			
Packaging Machinery	**19.0**	29.0	18.7
Instrumentation & Tobacco Machinery	**33.5**	35.0	31.9
Total segment assets	**52.5**	64.0	50.6
Total segment liabilities	**(19.9)**	(33.2)	(20.5)
Segment net assets – continuing operations	**32.6**	30.8	30.1
Net liabilities – discontinued operations	**(0.1)**	(0.3)	(0.2)
Unallocated net (liabilities)/assets	**(2.1)**	(6.9)	6.7
Total net assets	**30.4**	23.6	36.6

5. Non-underlying items

Charges classified as non-underlying items were incurred in respect of the administration costs of the Group's defined benefit pension schemes, which are paid from the assets of the pension schemes, and financing expense on pension scheme balances, which are detailed in note 7.

In the 6 months to 30 June 2016, charges in respect of reorganisations of £nil (6 months to 30 June 2015: £0.1m; 12 months to 31 December 2015: £0.2m) were incurred. In the period to 30 June 2016 cash payments of £nil (6 months to 30 June 2015: £0.1m; 12 months to 31 December 2015: £0.1m) were made in respect of reorganisations.

6. Net financing expense

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Financial income			
Amounts receivable on cash and cash equivalents	**0.1**	–	0.1
	0.1	–	0.1
Financial expenses			
Defined benefit pension scheme finance expense	**–**	(0.4)	(0.7)
Amounts payable on bank loans and overdrafts	**(0.2)**	(0.1)	(0.2)
Preference dividends paid	**–**	–	(0.1)
	(0.2)	(0.5)	(1.0)
Net financing expense	**(0.1)**	(0.5)	(0.9)

7. Employee benefits

The Group accounts for pensions under IAS 19 *Employee benefits*. A formal valuation of the UK defined benefit pension scheme was carried out as at 30 June 2012, and formal valuations of the USA defined benefit schemes were carried out as at 1 January 2015, and their assumptions, updated to reflect actual experience and conditions at 30 June 2016 and modified as appropriate for the purposes of IAS 19, have been applied in the condensed set of financial statements. Profit before tax for the 6 months to 30 June 2016 includes charges in respect of pension scheme administration costs of £0.4m (6 months to 30 June 2015: £0.4m; 12 months to 31 December 2015: £0.9m) and financing expense on pension scheme balances of £nil (6 months to 30 June 2015: £0.4m; 12 months to 31 December 2015: £0.7m). Payments to the Group's UK defined benefit pension scheme in the period of £0.9m (6 months to 30 June 2015: £0.9m; 12 months to 31 December 2015: £1.8m) were in respect of the agreed deficit recovery plan.

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

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
UK scheme			
Fair value of assets	**370.9**	349.3	346.9
Present value of defined benefit obligations	**(372.8)**	(356.9)	(336.3)
Defined benefit (liability)/asset	**(1.9)**	(7.6)	10.6
USA schemes			
Fair value of assets	**16.8**	14.6	14.9
Present value of defined benefit obligations	**(24.9)**	(20.6)	(21.5)
Defined benefit liability	**(8.1)**	(6.0)	(6.6)
Total defined benefit (liability)/asset	**(10.0)**	(13.6)	4.0

8. Taxation

The tax charge for the 6 months to 30 June 2016 amounted to £nil (6 months to 30 June 2015: £nil; 12 months to 31 December 2015: £0.3m) and is calculated as follows:

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Tax charge on underlying profit	**–**	0.3	0.9
Tax credit on non-underlying items	**–**	(0.3)	(0.6)
	–	–	0.3

The Group's consolidated effective tax rate in respect of underlying profit for the 6 months to 30 June 2016 is 12% (6 months to 30 June 2015: 24%; 12 months to 31 December 2015: 24%).

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, and an additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 arising in the UK has been calculated based on the rates enacted.

9. Earnings per share

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period excluding shares held by the employee trust in respect of the Company's long-term incentive arrangements. For diluted earnings per ordinary share, the weighted average number of shares includes the diluting effect, if any, of own shares held by the employee trust. The effect of dilution for each of the periods reported would be to decrease the loss per ordinary share and is therefore excluded from the dilution calculation.

The weighted average number of ordinary shares for both the basic EPS, diluted EPS and underlying EPS calculations in the 6 months to 30 June 2016 is 19,708,637 (6 months to 30 June 2015: 19,522,213; 12 months to 31 December 2015: 19,574,724).

The adjusted weighted average number of ordinary shares for the diluted underlying EPS calculation in the 6 months to 30 June 2016 is 19,832,504 (6 months to 30 June 2015: 19,808,933; 12 months to 31 December 2015: 19,831,957).

Underlying EPS and diluted underlying EPS, which are calculated on profit before non-underlying items, for the 6 months to 30 June 2016 amounted to 0.2p (6 months to 30 June 2015: 5.1p; 12 months to 31 December 2015: 15.1p) and 0.2p (6 months to 30 June 2015: 5.0p; 12 months to 31 December 2015: 14.9p) respectively.

The calculations of underlying EPS and diluted underlying EPS are based on underlying profit for the 6 months to 30 June 2016 of £0.1m (6 months to 30 June 2015: £1.0m; 12 months to 31 December 2015: £2.9m) which is calculated as follows:

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Loss for the period	**(0.3)**	(5.3)	(4.1)
Non-underlying items (net of tax)	**0.4**	0.6	1.2
Loss from discontinued operations	**–**	5.7	5.8
Underlying profit for the period	**0.1**	1.0	2.9

10. Dividends

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Dividends to shareholders paid in the period			
Final dividend for the year ended 31 December 2014 of 3.0p per share	–	0.6	0.6
Interim dividend for the year ended 31 December 2015 of 2.5p per share	–	–	0.5
Final dividend for the year ended 31 December 2015 of 1.5p per share	0.3	–	–
	0.3	0.6	1.1

An interim dividend for the year ending 31 December 2016 of 1.25p per ordinary share will be paid on 13 October 2016 to ordinary shareholders registered at the close of business on 16 September 2016.

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

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Net (decrease)/increase in cash and cash equivalents	(6.0)	(5.4)	0.5
Cash inflow/(outflow) from movement in borrowings	4.3	3.6	(1.1)
Change in net (debt)/funds resulting from cash flows	(1.7)	(1.8)	(0.6)
Translation movements	0.3	–	(0.5)
Movement in net debt in the period	(1.4)	(1.8)	(1.1)
Opening net debt	(3.2)	(2.1)	(2.1)
Closing net debt	(4.6)	(3.9)	(3.2)
Analysis of net debt			
Cash and cash equivalents – current assets	4.5	4.3	10.4
Bank overdrafts	(0.2)	–	(0.6)
Interest-bearing loans and borrowings – non-current liabilities	(8.9)	(8.2)	(13.0)
Closing net debt	(4.6)	(3.9)	(3.2)

12. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2015.

At 1 January 2016 and 30 June 2016 the Group held all financial instruments at Level 2 (as defined in IFRS 7 *Financial instruments: disclosures*) and there have been no transfers of assets or liabilities between levels of the fair value hierarchy.

Categories of financial instruments	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
Financial assets			
Derivative instruments in designated hedge accounting relationship	**0.3**	0.2	–
Loans and receivables (including cash and cash equivalents)	**16.9**	17.6	22.7
	17.2	17.8	22.7
Financial liabilities			
Derivative instruments in designated hedge accounting relationship	**0.1**	0.6	0.5
Amortised cost	**26.6**	34.7	32.0
	26.7	35.3	32.5

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

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

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*.

13. Related parties

The Group has related party relationships with its directors and with the UK and USA defined benefit pension schemes. There has been no material change in the nature of the related party transactions described in note 31 of the 2015 Annual Report and Accounts.

14. Principal risks and uncertainties

Molins is subject to a number of risks which could have a serious impact on the performance of the business. The Board regularly considers the principal risks that the Group faces and how to mitigate their potential impact. The key risks to which the business is exposed have not changed significantly over the past six months (other than the elimination of exposure to the testing regime for tobacco related products in the USA following the sale of the analytical services laboratories business) and are not expected to do so over the remaining six months of the financial year. Further information on the principal risks and uncertainties faced by the Group is included on pages 12 and 13 of the Group's 2015 Annual Report and Accounts.

15. Half-year report

The Half-year report will be made available to shareholders on or before 9 September 2016 on the Group's website at www.molins.com. The Half-year report will not be available in printed form.

16. 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 which are included in the Group's Condensed consolidated income statement and Condensed consolidated statement of cash flow.

Income	**6 months to 30 June 2016 £m**	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Revenue from trading activities	**–**	0.7	0.7
Costs from trading activities	**–**	(1.6)	(1.6)
Operating loss from trading activities	**–**	(0.9)	(0.9)
Proceeds from disposal	**–**	0.3	0.3
Costs incurred on disposal	**–**	(0.4)	(0.4)
Loss on disposal of net assets	**–**	(3.4)	(3.5)
Impairment of goodwill	**–**	(1.3)	(1.3)
Loss before and after tax	**–**	(5.7)	(5.8)

Cash flow	**6 months to 30 June 2016 £m**	6 months to 30 June 2015 £m	12 months to 31 Dec 2015 £m
Operating activities			
Operating loss	**–**	(0.9)	(0.9)
Depreciation	**–**	0.2	0.2
Net movements in working capital	**–**	0.1	0.2
Cash used in operations before reorganisation	**–**	(0.6)	(0.5)
Reorganisation costs paid	**(0.1)**	(0.3)	(0.7)
Cash flows from operating activities	**(0.1)**	(0.9)	(1.2)
Investing activities			
Cash flows from investing activities – net proceeds on disposal	**–**	0.2	0.2
Net decrease in cash and cash equivalents	**(0.1)**	(0.7)	(1.0)

Independent review report to Molins PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-year report for the six months ended 30 June 2016 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity, Condensed consolidated statement of financial position, Condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the Half-year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-year report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The condensed set of financial statements included in this Half-year report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-year report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-year report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

Peter Selvey

for and on behalf of KPMG LLP

Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

24 August 2016

Contacts

For further information, please contact:

Molins PLC
Tony Steels, Chief Executive
David Cowen, Group Finance Director
Tel: +44 (0) 1908 246870

Panmure Gordon (UK) Limited (NOMAD)
Andrew Potts/Peter Steel – Corporate Finance
Tom Salvesen – Corporate Broking
Tel: +44 (0) 20 7886 2500

KTZ Communications
Katie Tzouliadis, Viktoria Langley, Emma Pearson
Tel: +44 (0) 20 3178 6378

Designed and produced by Luminous
www.luminous.co.uk

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