25 February 2015
AIM: MLIN

Molins PLC

International specialist technology and services group

Preliminary Results for the year to 31 December 2014

Key Points

- Performance in line with market expectations
- Sales of £89.9m (2013: £105.2m)
- Underlying[1] profit before tax of £3.3m (2013: £5.4m)
  Statutory profit before tax of £0.3m (2013: £3.8m)
- Underlying[1] earnings per share of 11.9p (2013: 23.9p)
  Statutory loss per share of 1.3p (2013: earnings of 18.0p)
- Scientific Services and Packaging Machinery divisions delivered improved profitability
- Tobacco Machinery division impacted by geopolitical and market conditions
- Proposed final dividend of 3.0p, taking total for the year to 5.5p (2013: 5.5p)

[1] Before non-underlying items

Commenting on the performance and outlook, Dick Hunter, Chief Executive, said:

"I am pleased to report results in line with market expectations. As highlighted in our October trading statement, the performance of the Tobacco Machinery division reflects the challenges within the geopolitical environment and general market sector. Both the Scientific Services and Packaging Machinery divisions performed satisfactorily and to the Board's expectations, albeit that our laboratory-based analytical services business in the USA continued to be hampered by ongoing delays in the introduction of new tobacco testing requirements.

We expect to complete a strategic review of our analytical services operation in the USA in the first half of 2015 and with challenging market conditions for tobacco machinery related activities, the Board continues to focus on cost control and margins, as well as product development. Packaging Machinery is well placed to continue to progress. Overall, our order book at the start of the year is encouraging, albeit, as in previous years, we expect to see a significant weighting of performance in the second half of the year."

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OPERATING REVIEW
The Group's results for the year to 31 December 2014 are in line with market expectations, with sales of £89.9m (2013: £105.2m) and underlying profit before tax of £3.3m (2013: £5.4m).

Performance of the Tobacco Machinery division reflects the challenges within the geopolitical environment and general market sector. Both the Scientific Services and Packaging Machinery divisions performed satisfactorily, albeit our laboratory-based analytical services business within the Scientific Services division continues to be affected by delays in the introduction of new testing requirements for tobacco products by the US Food & Drug Administration ("FDA"). The cost reductions we implemented within analytical services in the first half helped the Scientific Services division generate a year-on-year increase in profits and the Packaging Machinery division made good progress as expected, increasing profitability. Its order book is significantly ahead of last year.

The Board is recommending a final dividend of 3.0p, which, together with the interim dividend of 2.5p, results in an unchanged dividend for the year of 5.5p.

Scientific Services
The division comprises two main activities. First, the supply and support of process and quality control instruments and analytics machinery to the tobacco industry, where it is the market leader, as well as the supply and support of equipment to other industrial sectors. This business is based in Milton Keynes, UK, with sales and service offices in a number of key locations that support the needs of our global customer base. Second, the division operates an independent tobacco and cigarette smoke constituent testing laboratory. This business is based in Virginia, USA and its services are used by customers for regulatory, research and product development purposes.

The division delivered sales of £24.8m (2013: £26.5m) and operating profit, before non-underlying items, increased to £1.8m (2013: £1.1m).

Sales of quality control instruments and analytics machinery were strong, although there was a marginal decline year-on-year, with the previous year benefiting from the delivery of a large one-off project. Demand from China, the largest market, continued to be strong, as was demand for our aftermarket products, which comprised 30% of sales. A favourable product mix meant that this activity lifted its contribution ahead of the previous year. The business continues to maintain its position as the leading supplier of quality control instruments to the multinational cigarette companies and sales of cigarette smoke capture machines increased, particularly into North America. Sales of a recently developed machine for the testing of e-cigarettes also contributed to the performance of the business. We are continuing to develop products for non-tobacco industrial applications, including tube packing, carton testing and enzyme sampling, and the business is well placed to develop sales in these newer areas. The business entered the year with a slightly lower order book than twelve months previously, which, combined with competitive pressures, leads us to expect trading to be more challenging in the year ahead.

As expected, sales at our analytical services laboratory decreased year-on-year, with no new regulatory testing requirements for tobacco products in the USA, although progress was made in developing our activity in Canada and in the testing of e-cigarettes. In the first half we took the decision to reduce costs in this area of the division's activities given the continuing delays and uncertainty over the FDA's intention regarding its proposed new testing regime for tobacco products. We have commenced a strategic review of the business where the laboratory infrastructure remains under-utilised and, having evaluated the expected future trading performance of the business, we have also partially written down the related goodwill in the Group's Statement of financial position to a carrying value of £1.3m. This has resulted in a non-underlying charge of £1.6m in the year.

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 in the Netherlands and in Singapore. Innovative machinery and technical consultancy to solve packaging and processing challenges are provided from our base in Coventry, UK.

In local currencies, sales were broadly flat year-on-year. Reflecting the relative strength of sterling, reported sales show a 9% reduction to £40.5m (2013: £44.3m). Operating profit increased to £1.8m (2013: £1.5m), in line with our focus on improving margins and the growth of our aftermarket products.

Order intake in the year was strong across both the UK and overseas-based businesses, with progress across most geographic regions, and the division has continued to broaden its customer base, particularly in the pharmaceutical and healthcare sectors. Overall, order intake was up more than 20% in local currencies. Our sales and service operation in Asia, established in 2012, is performing well and helped to drive a three-fold increase in orders in this region, where it has established a firm presence with both existing and new customers.

Our focus on improving margins continued. We have introduced a more standardised range of products which benefits operational efficiency and we are also focusing on growing our aftermarket sales through implementing a more targeted approach, concentrating on key product applications. The division's margins improved year-on-year, although this improvement was diluted by the under-utilisation of available resource in the early part of the year. We are continuing to make progress with developing a responsive supply chain in lower cost areas and are making increasing use of the Group's manufacturing and assembly facility in the Czech Republic. The division's strong opening order book for the current financial year will also help to smooth the work-flows through the businesses.

The division is well positioned for further progress, supported by established customer relationships, including many large, multinational customers, an attractive product offering and strong engineering skills. While the ongoing challenge is to be able to deploy resources efficiently through the year, the division has entered 2015 with an order book significantly higher than twelve months previously and we expect it to continue to improve its performance.

Tobacco Machinery

The division designs, manufactures, markets and services specialist machinery for the tobacco industry and provides extensive aftermarket support to its customers globally. It is headquartered in Buckinghamshire, 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 our sales across Europe, the Middle East and Africa (EMEA). The division also operates a facility with full manufacturing capability in Curitiba, Brazil, which serves the South American markets. In addition, it has sales, service and distribution operations in Virginia, USA and in Singapore, which support the North American and Asia Pacific regions. We also have a sales office in Moscow, Russia. The division's main machining and assembly operation is in Plzen, Czech Republic. This operation also supports the Group's other divisions as well as servicing a number of non-tobacco industry customers.

Sales in the year reduced to £24.6m (2013: £34.4m) and the division incurred an operating loss, before non-underlying items, of £0.2m (2013: £2.9m profit). After a promising start to 2014, with good order prospects, trading conditions toughened considerably as evidenced by the closures of a number of large cigarette factories by the multinational manufacturers. As well as a widespread slowdown in activity, which affected all geographic regions, sales were impacted more specifically by geopolitical concerns in the Middle East and eastern Europe. This led to anticipated orders not materialising and, in particular, the division's performance was adversely affected by the termination of an order from the Middle East received in 2012 and by competitive pricing pressures, as the machinery suppliers tried to secure those relatively few orders that were placed. The division secured orders for delivery at the end of 2014 to a major customer in North Africa, but at particularly competitive prices. Reflecting the general slowdown, sales of aftermarket products also reduced. In response to these conditions, we took action to reduce costs and this has resulted in a decrease during the year of 8% in employee numbers.

Despite reduced sales activity, the loading in the division's manufacturing facilities in the Czech Republic held up reasonably well, partly through the utilisation of the facility by other Group businesses and partly through an increasing level of machining and assembly activity for third-party customers, which is set to develop further.

The division continued with the development of two new products. The production trial of Alto, our 10,000 per minute cigarette making machine, is nearing completion, and Optima, our new cigarette packing machine, which is being developed in collaboration with our Packaging Machinery division, will be available for production trials later in the year. These new products will help to reinforce Molins' well-established position as a specialist machinery manufacturer within the tobacco industry.

The division entered 2015 with a lower order book than the previous year and while we do not expect to see any material improvement in market conditions in the short-term, the division's strong product range and reputation for customer service mean that it is well positioned in its marketplace.

Outlook

We expect to complete a strategic review of our analytical services operation in the USA in the first half and with challenging market conditions for tobacco machinery related activities, the Board continues to focus on cost control and margins, as well as product development. Packaging Machinery is well placed to continue to progress. Overall, our order book at the start of the year is encouraging, albeit, as in previous years, we expect to see a significant weighting of performance in the second half of the year.

FINANCIAL REVIEW

Both the Scientific Services and Packaging Machinery divisions progressed in the year, but market conditions in the tobacco industry for machinery caused a reversal in the progress the Group has made over the last few years. The continuing lack of demand for the services provided by our laboratory-based analytical services operation, Arista Laboratories, has also held back the development of the Group and we have commenced a strategic review of that business.

Revenue and operating results

The trading performance of the Group is discussed in the Operating review. Group revenue in the year was £89.9m (2013: £105.2m). Sales in the Scientific Services division were £24.8m (2013: £26.5m) and underlying operating profit was £1.8m (2013: £1.1m). Packaging Machinery division sales were £40.5m (2013: £44.3m) and underlying operating profit was £1.8m (2013: £1.5m). Tobacco Machinery division sales were £24.6m (2013: £34.4m) and underlying operating loss was £0.2m (2013: £2.9m profit).

Non-underlying items

Net non-underlying operating charges of £2.8m (2013: £0.9m) were incurred. These comprised charges of £0.9m (2013: £0.8m) in respect of administration costs relating to the Group's defined benefit pension schemes (see Pension schemes section), £0.5m (2013: £0.1m) of reorganisation costs relating to the Scientific Services and Tobacco Machinery divisions, and £1.6m in respect of a partial write-down of goodwill (see Goodwill section), partially offset by a credit of £0.2m arising from actions taken in the Group's UK defined benefit pension scheme (see Pension schemes section). Financing expense on pension scheme balances (see Interest and taxation section) is also considered to be a non-underlying item.

Interest and taxation

Net financing expense was £0.3m (2013: £0.8m), which includes a charge of £0.2m (2013: £0.7m) in respect of financing expense on pension scheme balances. The tax charge on underlying profit before tax was £0.9m (2013: £0.8m), an effective rate of 31% (2013: 14%). The total taxation charge on the Group's profit before tax was £0.6m (2013: £0.3m).

Goodwill

Included within intangible assets in the Consolidated statement of financial position is goodwill arising on consolidation, which represents the excess of the cost of acquisition of Arista Laboratories and Cerulean over the Group's interest in the fair value of the identifiable assets and liabilities of those businesses at the date of their acquisition. Goodwill is reviewed for impairment at least annually. Having carried out such a review in respect of Arista, with a particular focus on the expected future timing and scale of activity arising from the regulation of tobacco products in the USA, it was concluded that the carrying value of goodwill at 31 December 2014 should be impaired by £1.6m, from £2.9m to £1.3m. The carrying value of goodwill in respect of Cerulean at 31 December 2014 was £7.3m and no impairment was required.

Dividends

The Board is recommending a final dividend of 3.0p per ordinary share which, together with the interim dividend of 2.5p paid in October 2014, results in a total dividend of 5.5p per ordinary share in respect of 2014 (2013: 5.5p per ordinary share). The dividend, which is subject to shareholder approval at the Group's AGM, will be paid on 13 May 2015 to shareholders registered at the close of business on 24 April 2015.

Cash, treasury and funding activities

Net debt at the end of the year was £2.1m (2013: £5.2m net funds). Net cash outflow from operating activities was £0.5m (2013: £4.1m inflow), which was after an increase in working capital of £3.7m (2013: £1.6m), reorganisation payments of £0.5m (2013: £0.7m), defined benefit pension payments of £1.8m (2013: £1.5m) and net taxation payments of £1.0m (2013: £1.0m). Capital expenditure on plant and equipment, net of proceeds from the sale of plant and equipment, was £1.9m (2013: £1.7m) and capitalised product development expenditure was £3.1m (2013: £2.2m). Additionally, in 2013 an investment property was purchased at a cost of £0.7m. Dividends of £1.1m (2013: £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 (principally 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 secured, committed borrowing facilities with Lloyds Bank plc of £13.0m in aggregate. 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. The Group is operating well within its covenant levels. 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, which is 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 2014 based on the funding valuation work carried out as at 30 June 2012, updated to both reflect conditions at the 2014 year end and the specific requirements of IAS 19. The smaller USA defined benefit schemes were valued as at 31 December 2014, using actuarial data as of 1 January 2014, 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 deficit at the end of the year of £14.1m (2013: £2.5m), before tax. The value of the scheme's assets at 31 December 2014 was £347.9m (2013: £337.9m) and the value of the scheme's liabilities was £362.0m (2013: £340.4m). The accounting valuations of the USA pension schemes showed an aggregated net deficit of £6.5m (2013: £3.1m), all amounts being before tax, with total assets of £15.4m (2013: £14.3m). The main cause of the increases in the valuation of the liabilities was the reduction in the discount rates, reflecting lower interest rates at the year end compared with twelve months previously.

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 trustee of the scheme and the Company agreed a deficit recovery plan, 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 next scheme specific funding valuation, which will be carried out as at 30 June 2015.

The aggregate cost of administering the defined benefit schemes charged to operating profit was £0.9m (2013: £0.8m). In 2014 an aggregate credit of £0.2m was reported, arising as a result of a trivial commutation exercise carried out in the year. As reported above in the Interest and taxation section, net financing expense in respect of the schemes was £0.2m (2013: £0.7m).

During the year the Company made payments to the UK defined benefit scheme of £1.7m (2013: £1.4m) in respect of the deficit recovery plan. Payments of £0.1m (2013: £0.1m) were made to the USA schemes in the year.

Equity

Group equity at 31 December 2014 was £25.9m (2013: £40.5m). The movement arises mainly from the net actuarial losses in respect of the Group's defined benefit pension schemes of £11.9m, currency translation losses on foreign currency net investments of £1.3m and dividend payments of £1.1m, all figures net of tax where applicable.

CONSOLIDATED INCOME STATEMENT

		2014			2013		
	Note	**Underlying £m**	**Non-underlying (note 3) £m**	**Total £m**	Underlying £m	Non-underlying (note 3) £m	Total £m
Revenue	2	**89.9**	**-**	**89.9**	105.2	-	105.2
Cost of sales		**(64.6)**	**-**	**(64.6)**	(76.6)	-	(76.6)
Gross profit		**25.3**	**-**	**25.3**	28.6	-	28.6
Other operating income		**-**	**0.2**	**0.2**	-	-	-
Distribution expenses		**(9.0)**	**-**	**(9.0)**	(8.5)	-	(8.5)
Administrative expenses		**(12.3)**	**(1.4)**	**(13.7)**	(13.8)	(0.9)	(14.7)
Other operating expenses		**(0.6)**	**(1.6)**	**(2.2)**	(0.8)	-	(0.8)
Operating profit	2, 3	**3.4**	**(2.8)**	**0.6**	5.5	(0.9)	4.6
Financial income		**0.2**	**-**	**0.2**	0.2	-	0.2
Financial expenses		**(0.3)**	**(0.2)**	**(0.5)**	(0.3)	(0.7)	(1.0)
Net financing expense	4	**(0.1)**	**(0.2)**	**(0.3)**	(0.1)	(0.7)	(0.8)
Profit before tax		**3.3**	**(3.0)**	**0.3**	5.4	(1.6)	3.8
Taxation		**(0.9)**	**0.3**	**(0.6)**	(0.8)	0.5	(0.3)
(Loss)/profit for the period		**2.4**	**(2.7)**	**(0.3)**	4.6	(1.1)	3.5
Basic (loss)/earnings per ordinary share	5			**(1.3)p**			18.0p
Diluted (loss)/earnings per ordinary share				**(1.3)p**			17.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014	2013
	£m	£m
(Loss)/profit for the period	**(0.3)**	3.5
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains	**(15.5)**	13.5
Tax on items that will not be reclassified to profit or loss	**3.6**	(3.6)
	(11.9)	9.9
Items that may be reclassified subsequently to profit or loss		
Currency translation movements arising on foreign currency net investments	**(1.3)**	(1.5)
Effective portion of changes in fair value of cash flow hedges	**(0.1)**	(0.8)
Tax on items that may be reclassified to profit or loss	-	0.1
	(1.4)	(2.2)
Other comprehensive (expense)/income for the period	**(13.3)**	7.7
Total comprehensive (expense)/income for the period	**(13.6)**	11.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2013	5.0	26.0	3.5	3.9	0.2	(8.1)	30.5
Profit for the period	-	-	-	-	-	3.5	3.5
Other comprehensive income/ (expense) for the period	-	-	(1.5)	-	(0.7)	9.9	7.7
Total comprehensive income/ (expense) for the period	-	-	(1.5)	-	(0.7)	13.4	11.2
Dividends to shareholders	-	-	-	-	-	(1.1)	(1.1)
Equity-settled share-based transactions	-	-	-	-	-	0.2	0.2
Purchase of own shares	-	-	-	-	-	(0.2)	(0.2)
Tax on items recorded directly in equity	-	-	-	-	-	(0.1)	(0.1)
Total transactions with owners, recorded directly in equity	-	-	-	-	-	(1.2)	(1.2)
Balance at 31 December 2013	5.0	26.0	2.0	3.9	(0.5)	4.1	40.5
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**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2014 £m	2013 £m
Non-current assets			
Intangible assets		**15.7**	15.2
Property, plant and equipment		**11.3**	11.2
Investment property	6	**0.8**	0.8
Deferred tax assets		**6.4**	3.2
		34.2	30.4
Current assets			
Inventories		**18.5**	18.5
Trade and other receivables		**26.0**	24.3
Current tax assets		**0.2**	-
Cash and cash equivalents		**9.8**	15.0
		54.5	57.8
Current liabilities			
Trade and other payables		**(28.6)**	(29.5)
Current tax liabilities		**(0.4)**	(1.2)
Provisions		**(1.3)**	(1.6)
		(30.3)	(32.3)
Net current assets		**24.2**	25.5
Total assets less current liabilities		**58.4**	55.9
Non-current liabilities			
Interest-bearing loans and borrowings		**(11.9)**	(9.8)
Employee benefits	6	**(20.6)**	(5.6)
		(32.5)	(15.4)
Net assets	2	**25.9**	40.5
Equity			
Issued capital		**5.0**	5.0
Share premium		**26.0**	26.0
Reserves		**4.0**	5.4
Retained earnings		**(9.1)**	4.1
Total equity		**25.9**	40.5

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2014 £m	2013 £m
Operating activities			
Operating profit		**0.6**	4.6
Non-underlying items included in operating profit (excluding impairments)		**1.2**	0.9
Amortisation		**1.2**	1.4
Depreciation		**1.8**	1.8
Impairment		**1.6**	-
Other non-cash items		**0.1**	0.2
Pension payments		**(1.8)**	(1.5)
Working capital movements:			
- increase in inventories		**(0.7)**	(1.0)
- increase in trade and other receivables		**(1.9)**	(3.4)
- (increase)/decrease in trade and other payables		**(0.9)**	2.4
- (increase)/decrease in provisions		**(0.2)**	0.4
Cash generated from operations before reorganisation		**1.0**	5.8
Reorganisation costs paid	3	**(0.5)**	(0.7)
Cash generated from operations		**0.5**	5.1
Taxation paid		**(1.0)**	(1.0)
Cash flows from operating activities		**(0.5)**	4.1
Investing activities			
Interest received		**0.2**	0.2
Proceeds from sale of property, plant and equipment		**0.2**	0.2
Acquisition of property, plant and equipment		**(2.1)**	(1.9)
Acquisition of investment property		**-**	(0.7)
Capitalised development expenditure		**(3.1)**	(2.2)
Cash flows from investing activities		**(4.8)**	(4.4)
Financing activities			
Interest paid		**(0.3)**	(0.3)
Purchase of own shares		**(0.1)**	(0.2)
Net increase against revolving facilities		**1.8**	4.2
Dividends paid		**(1.1)**	(1.1)
Cash flows from financing activities		**0.3**	2.6
Net (decrease)/increase in cash and cash equivalents	7	**(5.0)**	2.3
Cash and cash equivalents at 1 January		**15.0**	13.3
Effect of exchange rate fluctuations on cash held		**(0.2)**	(0.6)
Cash and cash equivalents at 31 December		**9.8**	15.0

NOTES TO PRELIMINARY ANNOUNCEMENT

1. The Group's accounts have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards that were effective at 31 December 2014 and adopted by the EU.

   The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013. Statutory accounts for 2013 have been delivered to the Registrar of Companies. The auditors have reported on the 2014 and 2013 statutory accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

2. Operating segments

   Segment information

	Scientific Services		**Packaging Machinery**		**Tobacco Machinery**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Revenue	**24.8**	26.5	**40.5**	44.3	**24.6**	34.4	**89.9**	105.2
Underlying segment operating profit/(loss)	**1.8**	1.1	**1.8**	1.5	**(0.2)**	2.9	**3.4**	5.5
Segment non-underlying items	**(0.1)**	(0.1)	**-**	-	(0.4)	-	**(0.5)**	(0.1)
Segment operating profit/(loss)	**1.7**	1.0	**1.8**	1.5	**(0.6)**	2.9	**2.9**	5.4
Unallocated non-underlying items (note 3)							**(2.3)**	(0.8)
Operating profit							**0.6**	4.6
Net financing expense							**(0.3)**	(0.8)
Profit before tax							**0.3**	3.8
Taxation							**(0.6)**	(0.3)
(Loss)/profit for the period							**(0.3)**	3.5
Segment assets	**14.1**	14.0	**24.4**	25.1	**23.9**	23.8	**62.4**	62.9
Segment liabilities	**(4.6)**	(5.9)	**(17.0)**	(12.9)	**(5.6)**	(10.1)	**(27.2)**	(28.9)
Segment net assets - continuing operations	**9.5**	8.1	**7.4**	12.2	**18.3**	13.7	**35.2**	34.0
Unallocated net assets							**(9.3)**	6.5
Total net assets							**25.9**	40.5

Geographical information

	Revenue (by location of customer)			
	2014	**2014**	2013	2013
	£m	**%**	£m	%
UK	**9.2**	**10**	9.8	9
USA	**17.5**	**20**	27.9	27
Europe (excl. UK)	**18.4**	**20**	23.5	22
Americas (excl. USA)	**9.7**	**11**	9.5	9
Africa	**8.4**	**9**	7.3	7
Asia	**26.7**	**30**	27.2	26
	89.9	**100**	105.2	100

3. Net non-underlying operating charges of £2.8m (2013: £0.9m) were incurred. These comprised charges of £0.9m (2013: £0.8m) in respect of administration costs relating to the Group's defined benefit pension schemes, £1.6m (2013: £nil) relating to charges as a result of the impairment of goodwill at Arista Laboratories and £0.5m (2013: £0.1m) of reorganisation costs, partially offset by a credit of £0.2m arising from actions taken in the Group's UK defined benefit pension scheme. Additionally, interest costs on pension scheme balances are included in non-underlying items. Cash payments of £0.1m were made in 2014 (2013: £0.7m) in respect of reorganisations in earlier periods.

4. The Group accounts for pensions under IAS 19 *Employee benefits*. The 2014 accounting valuation of the UK defined benefit pension scheme was carried out as at 31 December 2014 based on the funding valuation carried out as at 30 June 2012, updated to reflect conditions existing at the 2014 year end and to reflect the specific requirements of IAS 19. The smaller USA defined benefit pension schemes were valued as at 31 December 2014 using actuarial data as of 1 January 2014, updated for conditions existing as at the year end. Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £0.9m (2013: £0.8m) and financing expense on pension scheme balances of £0.2m (2013: £0.7m). Also included within profit before tax in the 12 months to 31 December 2014 were credits totalling £0.2m in respect of actions taken within the Group's defined benefit pension scheme in the UK. Payments to the Group's UK defined benefit pension scheme in the period included £1.7m in respect of the agreed deficit recovery plan.

5. Basic loss per ordinary share is based upon the loss for the period of £0.3m (2013: £3.5m earnings) and on a weighted average of 19,491,966 shares in issue during the year (2013: 19,399,424). The weighted average number of shares excludes shares held by the employee trust in respect of the Company's long-term incentive arrangements.

   Underlying earnings per ordinary share amounted to 11.9p for the year (2013: 23.9p) and is based on underlying profit for the period of £2.4m (2013: £4.6m), which is calculated on profit before non-underlying items.

6. Employee benefits include the net pension liability of the UK defined benefit pension scheme of £14.1m (2013: £2.5m) and the net pension liability of the USA defined benefit pension schemes of £6.5m (2013: £3.1m), all figures before tax.

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

	2014 **£m**	2013 £m
Net (decrease)/increase in cash and cash equivalents	**(5.0)**	2.3
Cash inflow from movement in borrowings	**(1.8)**	(4.2)
Change in net debt/funds resulting from cash flows	**(6.8)**	(1.9)
Translation movements	**(0.5)**	(0.3)
Movement in net (debt)/funds in the period	**(7.3)**	(2.2)
Opening net funds	**5.2**	7.4
Closing net (debt)/funds	**(2.1)**	5.2

8. Analysis of net funds

	2014 **£m**	2013 £m
Cash and cash equivalents – current assets	**9.8**	15.0
Interest-bearing loans and borrowings – non-current liabilities	**(11.9)**	(9.8)
Closing net (debt)/funds	**(2.1)**	5.2

9. The Annual Report and Accounts will be sent to all shareholders in March 2015 and copies will be available on the Group's website at www.molins.com, or from the Company's registered office at Rockingham Drive, Linford Wood East, Milton Keynes MK14 6LY.