25 February 2016
AIM: MLIN

Molins PLC

("Molins", "the Company" or "the Group")

International specialist technology and services group

Preliminary Results for the year to 31 December 2015

Key Points

- Results in line with market expectations
- Disposal of analytical services business in May 2015 following strategic review
- New reporting structure – Packaging Machinery and Instrumentation & Tobacco Machinery
- Sales from continuing operations of £87.0m (2014: £87.4m)
- Underlying profit before tax from continuing operations of £3.8m (2014: £5.3m)
  Statutory profit before tax from continuing operations of £2.0m (2014: £3.9m)
  Loss for the period of £4.1m (2014: £0.3m)
- Underlying earnings per share from continuing operations of 15.1p (2014: 22.4p)
  Basic loss per share of 20.9p (2014: 1.3p)
- Proposed final dividend of 1.5p, taking total for the year to 4.0p (2014: 5.5p)
- Instrumentation & Tobacco Machinery division affected by continuing challenging market conditions
- Packaging Machinery division continued progress with significantly improved sales and profitability

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

"The Group's results are in line with market expectations. The performance of the Packaging Machinery division was pleasing, with strong sales growth and significantly increased profits, but the challenges within the geopolitical environment and general market sector continued to impact the Instrumentation & Tobacco Machinery division.

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 to reduce the level of the proposed final dividend.

Looking further ahead, both divisions remain well positioned to progress as the trading environment improves, and we continue to view medium-term prospects more positively."

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OPERATING REVIEW

Results for the year were in line with market expectations, with 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.

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.

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.

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.

FINANCIAL REVIEW

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 9.

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).

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 above in the Interest and taxation section, 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.

CONSOLIDATED INCOME STATEMENT

	Note	2015 Underlying £m	2015 Non-underlying (note 3) £m	2015 Total £m	2014 Underlying £m	2014 Non-underlying (note 3) £m	2014 Total £m
Revenue	2	**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		**-**	**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		**(0.7)**	**-**	**(0.7)**	(0.4)	-	(0.4)
Operating profit	2, 3	**4.0**	**(1.1)**	**2.9**	5.4	(1.2)	4.2
Financial income		**0.1**	**-**	**0.1**	0.2	-	0.2
Financial expenses		**(0.3)**	**(0.7)**	**(1.0)**	(0.3)	(0.2)	(0.5)
Net financing expense	4	**(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		**(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	9	**-**	**(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	5			**(20.9)p**			(1.3)p
Diluted loss per ordinary share				**(20.9)p**			(1.3)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 £m	2014 £m
Loss for the period	**(4.1)**	(0.3)
Other comprehensive income /(expense)		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses)	**24.6**	(15.5)
Tax on items that will not be reclassified to profit or loss	**(6.6)**	3.6
	18.0	(11.9)
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)
	(2.3)	(1.4)
Other comprehensive income/(expense) for the period	**15.7**	(13.3)
Total comprehensive income/(expense) for the period	**11.6**	(13.6)

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 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**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2015**	2014
		£m	£m
Non-current assets			
Intangible assets		**14.9**	15.7
Property, plant and equipment		**8.0**	11.3
Investment property		**0.8**	0.8
Employee benefits	6	**10.6**	-
Deferred tax assets		**4.2**	6.4
		38.5	34.2
Current assets			
Inventories		**15.1**	18.5
Trade and other receivables		**17.9**	26.0
Current tax assets		**-**	0.2
Cash and cash equivalents		**10.4**	9.8
		43.4	54.5
Current liabilities			
Bank overdraft		**(0.6)**	-
Trade and other payables		**(18.9)**	(28.6)
Current tax liabilities		**(0.5)**	(0.4)
Provisions		**(1.2)**	(1.3)
Provisions held within discontinued operations	9	**(0.2)**	-
		(21.4)	(30.3)
Net current assets		**22.0**	24.2
Total assets less current liabilities		**60.5**	58.4
Non-current liabilities			
Interest-bearing loans and borrowings	8	**(13.0)**	(11.9)
Employee benefits	6	**(6.6)**	(20.6)
Deferred tax liabilities		**(4.3)**	-
		(23.9)	(32.5)
Net assets	2	**36.6**	25.9
Equity			
Issued capital		**5.0**	5.0
Share premium		**26.0**	26.0
Reserves		**1.7**	4.0
Retained earnings		**3.9**	(9.1)
Total equity		**36.6**	25.9

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	**2015 £m**	2014 £m
Operating activities			
Operating profit from continuing operations		**2.9**	4.2
Non-underlying items included in operating profit		**1.1**	1.2
Amortisation		**1.4**	1.2
Depreciation		**1.2**	1.2
Other non-cash items		**0.2**	0.1
Pension payments		**(1.9)**	(1.8)
Working capital movements:			
- decrease/(increase) in inventories		**2.2**	(0.6)
- decrease/(increase) in trade and other receivables		**6.4**	(1.5)
- decrease in trade and other payables		**(8.1)**	(0.7)
- decrease in provisions		**(0.1)**	(0.2)
Cash flows from continuing operations before reorganisation		**5.3**	3.1
Cash used in discontinued operations	9	**(1.2)**	(2.1)
Reorganisation costs paid	3	**(0.4)**	(0.5)
Cash flows from operations		**3.7**	0.5
Taxation paid		**(0.1)**	(1.0)
Cash flows from operating activities		**3.6**	(0.5)
Investing activities			
Interest received		**0.1**	0.2
Proceeds from sale of property, plant and equipment		**0.4**	0.2
Capitalised development expenditure		**(1.9)**	(3.1)
Acquisition of intellectual property		**(0.2)**	-
Acquisition of property, plant and equipment		**(1.3)**	(2.1)
Net proceeds on disposal of discontinued operations	9	**0.2**	-
Cash flows from investing activities		**(2.7)**	(4.8)
Financing activities			
Interest paid		**(0.3)**	(0.3)
Purchase of own shares		**(0.1)**	(0.1)
Net increase against revolving facilities		**1.1**	1.8
Dividends paid		**(1.1)**	(1.1)
Cash flows from financing activities		**(0.4)**	0.3
Net increase/(decrease) in cash and cash equivalents	7	**0.5**	(5.0)
Cash and cash equivalents at 1 January		**9.8**	15.0
Effect of exchange rate fluctuations on cash held		**(0.5)**	(0.2)
Cash and cash equivalents at 31 December		**9.8**	9.8

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 2015 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 2015 or 2014. Statutory accounts for 2014 have been delivered to the Registrar of Companies. The auditors have reported on the 2015 and 2014 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

	Packaging Machinery		Instrumentation & Tobacco Machinery		Total	
	2015	2014	**2015**	2014	**2015**	2014
	£m	£m	**£m**	£m	**£m**	£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 (note 3)					**(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

Geographical information

Continuing operations	**Revenue (by location of customer)**			
	2015	**2015**	2014	2014
	£m	**%**	£m	%
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

3. 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, as is loss from discontinued operations (see note 9). Cash payments of £0.1m were made in 2015 (2014: £0.1m) in respect of reorganisations in earlier periods.

4. The Group accounts for pensions under IAS 19 *Employee benefits*. The 2015 accounting valuation of the UK defined benefit pension scheme was carried out as at 31 December 2015 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 existing at the 2015 year end and the specific requirements of IAS 19. The smaller USA defined benefit pension schemes were valued as at 31 December 2015 using actuarial data as of 1 January 2015, updated for conditions existing at the year end. Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £0.9m (2014: £0.9m) and financing expense on pension scheme balances of £0.7m (2014: £0.2m). 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 £1.8m in respect of the agreed deficit recovery plan.

5. Basic loss per ordinary share is based upon the loss for the period of £4.1m (2014: £0.3m) and on a weighted average of 19,574,724 shares in issue during the year (2014: 19,491,966). 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 15.1p for the year (2014: 22.4p) and is based on underlying profit for the period of £2.9m (2014: £4.4m), which is calculated on profit before non-underlying items.

6. Employee benefits include the net pension asset of the UK defined benefit pension scheme of £10.6m (2014: £14.1m liability) and the net pension liability of the USA defined benefit pension schemes of £6.6m (2014: £6.5m), all figures before tax.

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

	2015 £m	2014 £m
Net increase/(decrease) in cash and cash equivalents	**0.5**	(5.0)
Cash movement in borrowings	**(1.1)**	(1.8)
Change in net debt/funds resulting from cash flows	**(0.6)**	(6.8)
Translation movements	**(0.5)**	(0.5)
Movement in net debt/funds in the period	**(1.1)**	(7.3)
Opening net (debt)/funds	**(2.1)**	5.2
Closing net debt	**(3.2)**	(2.1)

8. Analysis of net debt

	2015 £m	2014 £m
Cash and cash equivalents – current assets	**10.4**	9.8
Bank overdraft – current liabilities	**(0.6)**	-
Interest-bearing loans and borrowings – non-current liabilities	**(13.0)**	(11.9)
Closing net debt	**(3.2)**	(2.1)

9. 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 Consolidated income statement and Consolidated 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 Consolidated 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).

10. The Annual Report and Accounts will be sent to all shareholders in March 2016 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.