

2 March 2017

AIM: MLIN



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

*Global packaging solutions group*

**Final Results for the year to 31 December 2016**

**Key Points**

- Increase in order intake of 20% and significantly higher order book at start of 2017
- Sales of £80.1m (2015: £87.0m)
- Underlying profit before tax of £0.9m (2015: £3.8m)
- Statutory loss before tax of £0.8m (2015: £2.0m profit from continuing operations)
- Underlying earnings per share of 3.7p (2015: 15.1p)
- Basic loss per share of 3.3p (2015: 20.9p)
- Operating cash inflow of £6.2m (2015: £3.6m), leading to net cash balance of £0.8m (2015: £3.2m net debt)
- Decision taken not to pay a final dividend; monies to be invested to support growth

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

*"Although trading was not strong in 2016, emanating from a low order book as the Company entered the 2016 year and the impact of delayed customer investment decisions during most of the year, actions were taken resulting in a number of positive highlights which create a platform for improved performance. Order intake improved in the 4<sup>th</sup> quarter and increased by 20% overall compared with the previous year, leading to a significantly higher order book as we entered 2017. Operating cash flow was strong, at £6.2m.*

*Molins has presence in large and attractive growth markets, an enviable portfolio of global multinational customers, an impressive range of innovative technologies and above all a very talented and engaged workforce. With the implementation of the strategic review findings, I am confident we have significant potential to grow."*

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No. 596/2014.

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## **OPERATING REVIEW**

### **Tony Steels**

I am delighted to have joined Molins and to present my first report as Chief Executive.

On arrival in June I instigated a strategic review process, together with the senior leaders from around our group. The review process looked at all aspects of the business, focused in the first instance on self-help measures. The team's enthusiasm and high level of engagement has been commendable, as we have worked together to understand our market position, competitive environment, growth opportunities and ideas for efficiency improvements.

I have set three strategic priorities, termed Going for Growth, Make Service a Business and Operational Efficiencies, and these priorities developed into five work-streams - two focused on revenue growth, one focused on development of the Services business and two focused on operational efficiencies. Further information on the outcome of the strategic review is set out after this Operating Review.

During my first few months I have visited all our global locations, met employees and key customers face to face, and have listened to their opinions and points of view. All of this has been of considerable help in supporting the strategic review process.

I would like to thank all Molins employees for their openness, support and warm welcome since my arrival.

### **Trading**

Although trading was not strong in 2016, emanating from a low order book as the Company entered the year and delayed customer investment decisions during most of the year, actions were taken resulting in a number of positive highlights which create a platform for improved performance. Order intake improved in the fourth quarter, and increased by 20% overall compared with the previous year, leading to a significantly higher order book as we entered 2017. Operating cash flow was strong, at £6.2m, with working capital reducing by £4.8m. This strong operating cash flow resulted in the Group closing the year with net cash of £0.8m (2015: £3.2m net debt).

In 2016 the Group delivered sales of £80.1m (2015: £87.0m from continuing operations) and underlying profit before tax of £0.9m (2015: £3.8m). Strong cash flow enabled the Group to continue to invest in the business, both in capital items and in the development of new products.

Having considered the trading results for 2016, together with the opportunities for investment in the growth of the Company, the Board has decided that it is appropriate not to pay a final dividend. An interim dividend of 1.25p was paid in October 2016, totalling £0.2m. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2017 trading performance and when the Board believes it is prudent to do so.

### **Packaging Machinery**

This division supplies high speed packaging solutions to the global FMCG industries, with a strong focus on Pharmaceutical, Healthcare, Nutrition and Beverage sectors.

Sales decreased by 19% to £41.5m (2015: £51.0m), with operating profit before non-underlying items reducing to £0.7m (2015: £3.9m). The division started the 2016 financial year with a lower order book than the previous year's strong position. The experience of the last few months of 2015 continued through a large part of 2016, with reasonably strong numbers of projects being discussed, but conversion to orders being delayed, such that sales were significantly reduced, and the operational efficiencies of the businesses suffered through under-utilisation. Towards the end of the year we took the opportunity to reduce the cost base of the division, but only in those areas which do not impact the commercial and service parts of the business, which we remain committed to improving. This action has helped position the business more effectively for 2017.

Encouragingly order intake in the last few months of the year started to improve, across all of the regions and most of the sectors that we serve. Overall order intake improved by 40%, or 28% on a currency adjusted basis, leading to a significantly improved opening order book as the division entered 2017. Order prospects remain positive, and the

division received a valuable pharmaceutical related order in January 2017, although we remain cautious until we see a longer trend of sustained order intake.

### **Instrumentation & Tobacco Machinery**

The division supplies machinery, instrumentation and service solutions into the nicotine delivery sector.

Sales in the year increased to £38.6m (2015: £36.0m), with operating profit of £0.4m (2015: £0.1m), before non-underlying items. The increase arose from the instrumentation business entering the year with a stronger order book than the year before, and converting that order book to sales. Overall order intake in the year was at broadly similar levels to the year before. Encouragingly, order intake for services, a key part of the growth driver for this division and the whole Group, increased in the year.

Demand within the tobacco machinery business remained low for new machinery. However, we remain encouraged by our introduction to the market of the Alto cigarette-making machine, and the Optima cigarette-packing machine. The Optima machine is nearing the end of its field trials, the results of which have been very positive and enables us to market the product knowing that it is a technically strong machine that is taking Molins back into the cigarette-packing market. The product portfolio of this part of the division is strong and largely complete, and the focus is now on selling these products.

We have continued to take steps to improve the efficiency of the division and have removed costs from some of the regional centres. Headcount reduced by a further 9% in the year, following a 20% reduction the year before. As with the Packaging Machinery division, the emphasis has been on improving the effectiveness of the business, whilst ensuring customer service is improved.

### **Outlook**

The Company entered 2017 with a stronger order book than a year before. A new global leadership structure was introduced at the start of 2017, together with a regional sales and service organisation, supported by global operations and shared services. We are confident that the implementation of our strategic priorities will position the Company, both commercially and in our product offering, such that we can take advantage of the opportunities available to us. In addition we are also continuing to improve the cost effectiveness of the business as the new strategy progressively takes hold.

Looking further ahead, prospects in the medium-term are positive, with our focus on the development of and investment in the growth markets, and improving the operational effectiveness of the business.

## **Our Strategy**

### **Tony Steels**

#### **Market Opportunity**

Packaging machinery solutions is a very broad sector and our accessible markets have two contrasting dynamics. Pharmaceutical, Healthcare, Nutrition and Beverage are markets that are growing at around 5% per annum, driven by macroeconomic factors such as urbanisation, convenience and health awareness. The nicotine delivery market, although cash generative and relatively stable, is undergoing a shift as traditional products decline due to health awareness and government tax schemes. New nicotine delivery products are at the early stage of development with a large proliferation of solutions.

Molins has an excellent portfolio of global FMCG customers, together with large regional players in accessible and attractive growth markets. In addition, we have a large installed base, and with customers demanding ever increasing operating equipment efficiencies, we believe there exists a real opportunity to develop a contractual based service support model which would add incremental revenues to Molins.

Growth rates for packaged products vary significantly by region, depending on their phase of economic development. Asia, South America and Africa are each forecast to grow between 3 to 5% per annum in packaging, driven by urbanisation and convenience, whereas in Europe and North America, where populations are more stable, growth is forecast to be driven by premiumisation and health awareness. Molins has an embedded global footprint and is therefore well positioned to exploit the opportunities that market growth brings.

The extensive product range of process and packaging machinery solutions supports the whole Make, Pack, Test, Service cycle. This encompasses primary packaging, secondary packaging, instrumentation and servicing of equipment. Our Langen and Molins Technologies brands have solutions focused on the Pharmaceutical, Healthcare, Nutrition and Beverage sectors, whereas Molins Tobacco Machinery and Cerulean have focused on cigarette production, packaging and testing. Our business offers a concept feasibility service to customers, which is key in establishing a development partnership with the customer at the onset of a new innovation in product processing and packaging. This can be leveraged across our global key account customers to ensure Molins is in pole position to partner on new projects.

The innovative high speed packaging solutions available within the Company support the customer need for a full solution provider and the Company has the necessary platforms to support the increased market demand for data capture and product traceability throughout the production process.

#### **Business Model**

The Company offers our customers a packaging solution customised to their requirements using a portfolio of proven modules augmented with a customer specific product package handling solution, which is supported by 15% of our employees being qualified engineers with in depth knowledge and know how.

The next phase is contract engineering, procurement and manufacturing, leading to assembly, test and then site delivery and customer acceptance. Common processes are all monitored and controlled by effective project management. Service support is then provided through the life of the product at the customers' sites.

The capital equipment market is cyclical by its nature with a high need for responsiveness and flexibility to adapt to customer demands and lead time needs, seizing the opportunities as they arise.

The opportunity exists to exploit synergies across the Group, utilising best practice across the businesses and a shared services resource in order to improve the operational efficiencies. This creates a model whereby we can increase utilisation with the ability to expand capacity with increased demand and reduce capacity in periods of lower demand.

This leads to the transition to a single enterprise business model - One Molins.

### **Key Opportunities**

The market and customer demands are evolving, with a clear need for full solutions to their packaging requirements supported by a comprehensive services proposition to ensure maximised return on their investments. Demand for data capture and traceability throughout the product life cycle is also an increasing trend. By utilising the impressive array of innovative engineering solutions throughout the Molins businesses, supported by a focused product development roadmap targeted on the attractive growth markets, we will be well positioned to deliver growth beyond industry forecasts.

The Group offers first of a kind innovative solutions, working with the customers' product development engineers and marketing functions on the next generation of innovative products. By partnering with these key global customers, Molins will be well positioned to support the customer from prototype to series production. This capability should be leveraged across our global sales team and into our global key accounts and prospects.

In particular, Service represents a key opportunity based on a substantial installed base. This will benefit from a detailed review of current customers to assess the potential additional revenue opportunities and a customer focused approach to transition to contractual agreements aimed at improved equipment utilisation and therefore customer return on investment.

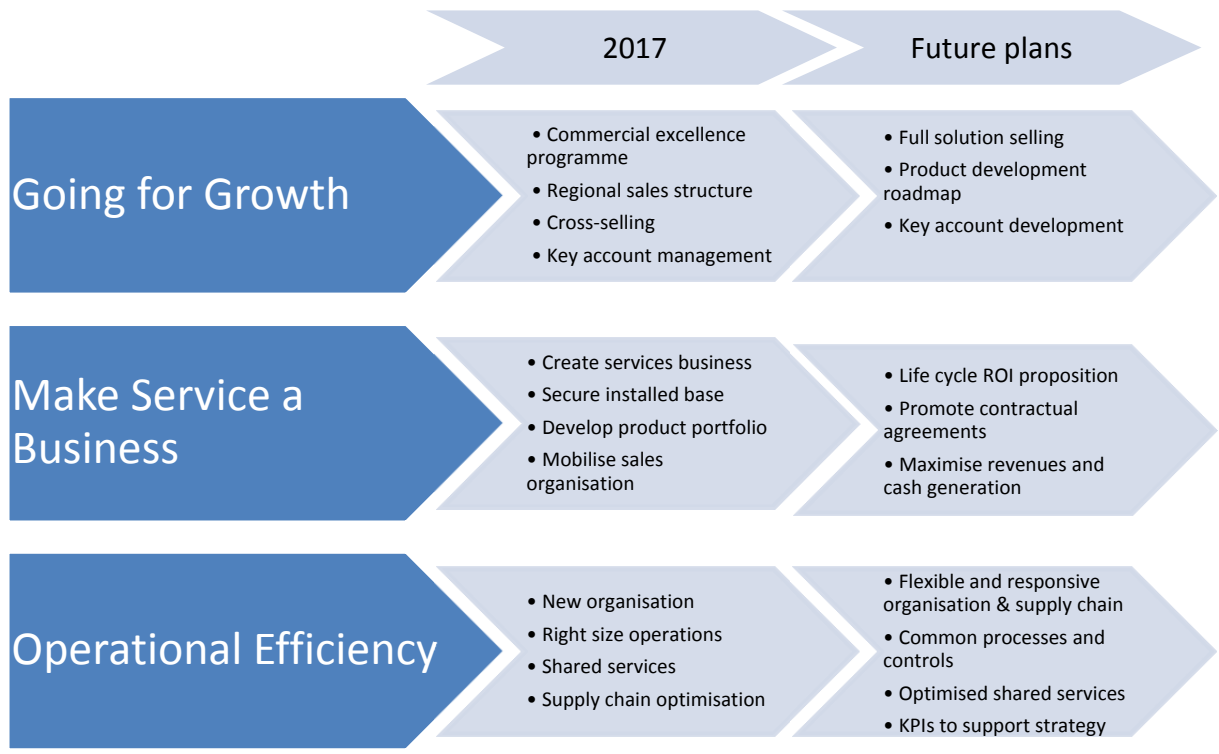
Product innovation and development is key to growth in the large and attractive markets we operate in. Our current product development roadmap is being critically reviewed to ensure it is realigned to effectively support customer trends in the identified growth markets. Innovations to the current product range are planned to address short term needs as well as regional nuances, supported by a longer term roadmap to ensure we supplement the full solution objective in our target markets and address emerging customer demand for increased data capture to support maximised utilisation and product conformity.

A move to a regionally focused, single business entity model has been implemented. New sales and service regions have been created for the Americas, EMEA and Asia Pacific. This is supported by a global service business, operations and shared services function. The new senior leadership team comprises the head of each of the regions together with the global function leaders.

Customer responsiveness and reduced lead times are key competitive advantages and as such we need to continuously improve. By working on a global basis, operations and shared services will be better able to increase operational efficiencies, whilst simultaneously creating a flexible and responsive manufacturing base and supply chain to quickly adapt to changes in customer demand and investment cycles.

### **The Strategic Intent**

Molins' target is to become a global leader of high speed packaging solutions, focused on growth markets and enhanced by a world class service organisation that is customer focused, responsive and flexible through operational excellence, underpinned by a competitive global supply chain and supported by a shared services platform. This is driven by three strategic priorities:



**Chief Executive – Q&A**  
**Tony Steels**

**What were your first impressions of Molins?**

The simple answer would be one of great and as yet unrealised potential. It was clear from day one that the businesses operate in some attractive growth markets, providing leading edge technological solutions to global FMCG customers. The people I met within the businesses during my initial tour around the sites were all very welcoming, open, engaged and talented. However these internal strengths were not translating into profitable growth for Molins, and the challenge was to understand the root causes of this disconnect. There are many common customers across our businesses and a range of complementary products which together could provide a broader solution to our customers' needs, and internally the systems and processes, whilst different, follow a very similar contract engineering, project management and service model. I believe there are many opportunities for greater coordination across the businesses, both commercially and operationally.

**Why are the Pharmaceutical, Healthcare, Nutrition and Beverage markets attractive for the Company?**

These markets have forecast macro growth drivers of more than 5% CAGR based on factors such as increased health awareness, urbanisation, premiumisation and convenience. We already have a very attractive portfolio of global key accounts and regional customers serving these markets. In addition we have an impressive heritage and portfolio of innovative engineered solutions and products which address these markets, which have delivered market leading performance for our customers over a sustained period.

I consider the business to be well positioned to exploit these markets, with our long established global organisation having key sales, service and manufacturing locations in North America, South America, Europe and Asia. We are encouraged by the forecast growth trends and are well positioned to exploit the opportunities these provide.

**How does the Group intend to increase its market share?**

As part of our 'One Molins' strategic growth initiative we will be mobilising our global sales resources to focus on these growth markets. Our customer proposition will be extended to offer a full application scope, encompassing our Make, Pack, Test, Service solutions to support their packaging needs. We will increase our collaboration with key customers on new and innovative solutions, seeking to be the go-to partner at the inception of new projects.

We have a product development roadmap which is focused on these growth markets, aimed at addressing our customers' need to evolve in a more dynamic environment, typified by lower volumes with increased variety and quick changeover of packaging. Compliance with product regulations, safety and quality is a key challenge for our customers, which our product development plans address.

We know that maximising the return on investment for our customers is a major driver in customer retention and increased numbers of equipment orders. In this respect our extensive range of Service products and global service team will be key to supporting our market share growth.

Future investments will be made to support the growth markets with products which complement our product portfolio and broaden our customer base in our target markets. These investments are expected to be principally funded through cash generation by the Group.

**What initiatives are you planning to make to deliver this strategy?**

The central pillar of our 'One Molins' strategy is to bring our four brands, across our two divisions, together as one global organisation.

Our strategic review identified three key initiatives to drive growth:

Going for growth – offering customers comprehensive “Make, Pack, Test, Service” solutions in our target markets.

Make service a business – providing customers with a comprehensive portfolio of Service products to ensure they maximise their return on their capital investments, and provide Molins with an additional revenue stream.

Operational efficiency – operational excellence and flexibility of supply chain to increase responsiveness to investment cycles, as well as a group wide shared back-office function.

Each of the 3 key initiatives is supported by work streams and programmes of actions to ensure delivery of our plans.

Our senior leadership team has been working on the new strategy for a number of months and I am very encouraged by their expertise, enthusiasm and support for the journey ahead. The first visible change will be a new structure of the organisation, as we move to a global model with a leadership team comprising a head of each of the 3 sales and service regions, Americas, EMEA and Asia Pacific, supported by global functions of Service, Operations and Back-Office.

Our branding in the marketplace will be unified to build upon the strong and established platforms we have and further promote the Group's overall capabilities.

We will launch a "Commercial Excellence" programme to support the enhanced customer proposition, which will involve the development and training of our sales teams.

A Service organisation will be established, aimed at maximising the opportunities from our extensive installed base at customer sites and also for new equipment sales.

Already some necessary cost reduction measures have been taken within a number of the parts of the Group to ensure we are right-sized for the future.

#### **What are the key challenges ahead?**

Capital Equipment sales are susceptible to investment cycles, which is why we are prioritising Services as an additional growth platform to mitigate against periodic deferrals in customers' investment decisions. Our global presence and the overall macro growth drivers, whilst advantageous in many aspects, also necessitates that we participate in regions which are susceptible to political changes which can impact on investment cycles.

#### **Where do you see Molins in 5 years' time?**

I believe we have a tremendous opportunity to grow the Company's revenues and operating margins, based on attractive growth markets and an extensive portfolio of innovative solutions well matched to our customers' needs, supported by a global organisation of highly skilled, motivated employees.

This forms our clear vision to be a global leader of high speed packaging solutions, focused on attractive growth markets enhanced by a world class Services programme to ensure our customers obtain maximum return on their investments.

We intend to gain market share and enhance customer intimacy in our target markets, benefiting from greater consistency in branding, cross-selling and a broader, deeper market coverage, delivering sustainable profitable growth and improved return on capital. Our ability to be responsive to our customers' needs and the dynamics of the market are critical to our success.

Our initial focus is to build scale organically, which will be supported in the future by investments in our capabilities and product innovation, and potentially through acquisitions that will enhance our customer proposition and market access.

The development of our people and harnessing their talents is critical in the journey that we are on, which is to target annual sales growth of in excess of 10% per annum and growth in operating margins to in excess of 10% over the medium-term.



## **FINANCIAL REVIEW**

### **David Cowen**

The Group generated strong cash flow in the year, and, together with a significantly higher level of order intake which led to a stronger order book, this positions the Group well for 2017.

### **Revenue and operating results**

The trading performance of the Group is discussed in the Operating review. Group revenue in the year was £80.1m (2015: £87.0m from continuing operations). Sales in the Packaging Machinery division were £41.5m (2015: £51.0m) and underlying operating profit was £0.7m (2015: £3.9m). Instrumentation & Tobacco Machinery division sales were £38.6m (2015: £36.0m) and underlying operating profit was £0.4m (2015: £0.1m).

### **Non-underlying items**

The net non-underlying operating charge was £1.8m (2015: £1.1m from continuing operations). This comprised £0.9m (2015: £0.9m) of administration costs relating to the Group's defined benefit pension schemes (see Pension schemes section) and reorganisation costs relating to the Packaging Machinery division of £0.8m (2015: £nil) and Instrumentation & Tobacco Machinery division of £0.1m (2015: £0.2m, net of a credit of £0.2m arising from the sale of surplus property). Financing income/expense on pension scheme balances (see Interest and taxation section) is also considered to be a non-underlying item, as is the loss from discontinued operations in 2015.

Non-underlying items merit separate presentation in the Consolidated income statement to allow better understanding of the Group's financial performance, by facilitating comparisons with prior periods and assessments of trends in financial performance.

### **Interest and taxation**

Net financing expense was £0.1m (2015: £0.9m), which includes a net financing income of £0.1m (2015: £0.7m financing expense) on pension scheme balances. The tax charge on underlying profit before tax was £0.1m (2015: £0.9m), an underlying effective rate of 16% (2015: 24%). The total tax credit on the Group's profit before tax was £0.2m (2015: £0.3m charge).

### **Goodwill and intellectual property**

Included within intangible assets in the Consolidated statement of financial position at 31 December 2016 is goodwill arising on consolidation of £7.8m, 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. Other intangibles comprise the 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.

### **Dividends**

Having considered the trading results for 2016, together with the opportunities for investment in the growth of the Company, the Board has decided that it is appropriate not to pay a final dividend. An interim dividend of 1.25p was paid in October 2016, totalling £0.2m. Future dividend payments and the development of a new dividend policy will be considered by the Board in the context of 2017 trading performance and when the Board believes it is prudent to do so.

### **Cash, treasury and funding activities**

Net cash at the end of the year was £0.8m (2015: £3.2m net debt). Net cash inflow from operating activities was £6.2m (2015: £3.6m), after a decrease in working capital of £4.8m (2015: £0.4m), reorganisation payments of £0.3m (2015: £0.4m), defined benefit pension payments of £2.0m (2015: £1.9m), net taxation payments of £0.2m (2015: £0.1m) and cash outflows in respect of discontinued operations of £0.2m (2015: £1.2m). Capital expenditure on property, plant and equipment, net of proceeds from the sale of property, plant and equipment, was £0.9m (2015: £0.9m) and capitalised product development expenditure was £1.2m (2015: £1.9m). In 2015, 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 £0.2m in the year (2015: £1.0m). Dividends of £0.5m (2015: £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 multi-currency denominated bank facilities appropriate to its expected needs. These were renegotiated in 2017 and comprise £13.0m of secured, committed facilities with Lloyds Bank plc. These facilities, which include borrowing, and bonds, indemnities and guarantees lines, are committed until September 2018 and are subject to covenants covering leverage, interest cover, tangible net worth and capital expenditure. Short-term overdrafts and borrowings are utilised 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. 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.

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 2016 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 2016 year end and the specific requirements of IAS 19. The smaller USA defined benefit schemes were valued as at 31 December 2016, using actuarial data as of 1 January 2016, 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 £4.6m (2015: £10.6m). The value of the scheme's assets at 31 December 2016 was £401.9m (2015: £346.9m) and the value of the scheme's liabilities was £397.3m (2015: £336.3m). The main cause of the increase in the valuation of the liabilities in the UK scheme was the decrease in the discount rate, reflecting lower interest rates at the year end compared with twelve months previously. The scheme's assets have benefited from strong returns in the year which has partially offset the increase in the scheme's obligations.

The accounting valuations of the USA pension schemes showed an aggregated net deficit of £6.8m (2015: £6.6m) with total assets of £17.1m (2015: £14.9m).

The UK scheme is subject to a formal triennial actuarial valuation as at 30 June 2015, which is expected to be completed in the next few months. 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 level of deficit funding is currently £1.8m per annum, increasing by 2.1% per annum with an estimated recovery period of 17 years from 30 June 2012. The deficit recovery plan will be reassessed as part of the 30 June 2015 actuarial valuation, which is expected to be completed in the first half of 2017.

The aggregate cost of administering the defined benefit schemes charged to operating profit was £0.9m (2015: £0.9m). As reported in note 4, net financing income in respect of the schemes was £0.1m (2015: £0.7m expense).

During the year the Company made payments to the UK defined benefit scheme of £1.8m (2015: £1.8m) in respect of the deficit recovery plan. Payments of £0.2m (2015: £0.1m) were made to the USA schemes in the year.

**Equity**

Group equity at 31 December 2016 was £35.4m (2015: £36.6m). The movement arises mainly from the net actuarial losses in respect of the Group's defined benefit pension schemes of £4.3m, a loss for the period of £0.6m, currency translation gains on foreign currency net investments of £3.7m and dividend payments of £0.5m, all figures net of tax where applicable.

## CONSOLIDATED INCOME STATEMENT

	Note	2016			2015		
		Underlying £m	Non- underlying (note 3) £m	Total £m	Underlying £m	Non- underlying (note 3) £m	Total £m
<b>Revenue</b>	2	<b>80.1</b>	-	<b>80.1</b>	87.0	-	87.0
Cost of sales		<b>(58.5)</b>	-	<b>(58.5)</b>	(63.8)	-	(63.8)
<b>Gross profit</b>		<b>21.6</b>	-	<b>21.6</b>	23.2	-	23.2
Other operating income		-	-	-	-	0.2	0.2
Distribution expenses		<b>(8.5)</b>	-	<b>(8.5)</b>	(7.9)	-	(7.9)
Administrative expenses		<b>(11.2)</b>	<b>(1.8)</b>	<b>(13.0)</b>	(10.6)	(1.3)	(11.9)
Other operating expenses		<b>(0.8)</b>	-	<b>(0.8)</b>	(0.7)	-	(0.7)
<b>Operating (loss)/profit</b>	2, 3	<b>1.1</b>	<b>(1.8)</b>	<b>(0.7)</b>	4.0	(1.1)	2.9
Financial income		<b>0.1</b>	<b>0.4</b>	<b>0.5</b>	0.1	-	0.1
Financial expenses		<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.6)</b>	(0.3)	(0.7)	(1.0)
<b>Net financing expense</b>	4	<b>(0.2)</b>	<b>0.1</b>	<b>(0.1)</b>	(0.2)	(0.7)	(0.9)
<b>(Loss)/profit before tax</b>		<b>0.9</b>	<b>(1.7)</b>	<b>(0.8)</b>	3.8	(1.8)	2.0
Taxation		<b>(0.1)</b>	<b>0.3</b>	<b>0.2</b>	(0.9)	0.6	(0.3)
<b>(Loss)/profit for the period from continuing operations</b>		<b>0.8</b>	<b>(1.4)</b>	<b>(0.6)</b>	2.9	(1.2)	1.7
Loss for the period from discontinued operations	9	-	-	-	-	(5.8)	(5.8)
<b>Loss for the period</b>		<b>0.8</b>	<b>(1.4)</b>	<b>(0.6)</b>	2.9	(7.0)	(4.1)
Basic loss per ordinary share	5			<b>(3.3)p</b>			(20.9)p
Diluted loss per ordinary share				<b>(3.3)p</b>			(20.9)p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 £m	2015 £m
Loss for the period	(0.6)	(4.1)
<b>Other comprehensive (expense)/income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial (losses)/gains	(6.3)	24.6
Tax on items that will not be reclassified to profit or loss	2.0	(6.6)
	<u>(4.3)</u>	<u>18.0</u>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation movements arising on foreign currency net investments	3.7	(2.2)
Effective portion of changes in fair value of cash flow hedges	0.7	(0.1)
Tax on items that may be reclassified to profit or loss	(0.2)	-
	<u>4.2</u>	<u>(2.3)</u>
<b>Other comprehensive (expense)/income for the period</b>	<u>(0.1)</u>	<u>15.7</u>
<b>Total comprehensive (expense)/income for the period</b>	<u>(0.7)</u>	<u>11.6</u>

## 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 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
<b>Total comprehensive income/(expense) for the period</b>	-	-	(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)
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	-	-	(0.9)	(0.9)
Balance at 31 December 2015	5.0	26.0	(1.5)	3.9	(0.7)	3.9	36.6
<b>Balance at 1 January 2016</b>	<b>5.0</b>	<b>26.0</b>	<b>(1.5)</b>	<b>3.9</b>	<b>(0.7)</b>	<b>3.9</b>	<b>36.6</b>
Loss for the period	-	-	-	-	-	(0.6)	(0.6)
Other comprehensive (expense)/income for the period	-	-	3.7	-	0.5	(4.3)	(0.1)
<b>Total comprehensive (expense)/income for the period</b>	-	-	3.7	-	0.5	(4.9)	(0.7)
Dividends to shareholders	-	-	-	-	-	(0.5)	(0.5)
Equity-settled share-based transactions	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	-	-	(0.5)	(0.5)
<b>Balance at 31 December 2016</b>	<b>5.0</b>	<b>26.0</b>	<b>2.2</b>	<b>3.9</b>	<b>(0.2)</b>	<b>(1.5)</b>	<b>35.4</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2016 £m	2015 £m
<b>Non-current assets</b>			
Intangible assets		15.2	14.9
Property, plant and equipment		8.5	8.0
Investment property		0.8	0.8
Employee benefits	6	4.6	10.6
Deferred tax assets		4.6	4.2
		<u>33.7</u>	<u>38.5</u>
<b>Current assets</b>			
Inventories		13.0	15.1
Trade and other receivables		24.5	17.9
Current tax assets		0.2	-
Cash and cash equivalents		9.0	10.4
		<u>46.7</u>	<u>43.4</u>
<b>Current liabilities</b>			
Bank overdraft		(0.3)	(0.6)
Trade and other payables		(25.9)	(18.9)
Current tax liabilities		(0.4)	(0.5)
Provisions		(1.7)	(1.2)
Provisions held within discontinued operations	9	-	(0.2)
		<u>(28.3)</u>	<u>(21.4)</u>
<b>Net current assets</b>		<u>18.4</u>	<u>22.0</u>
<b>Total assets less current liabilities</b>		<u>52.1</u>	<u>60.5</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	8	(7.9)	(13.0)
Employee benefits	6	(6.8)	(6.6)
Deferred tax liabilities		(2.0)	(4.3)
		<u>(16.7)</u>	<u>(23.9)</u>
<b>Net assets</b>	2	<u>35.4</u>	<u>36.6</u>
<b>Equity</b>			
Issued capital		5.0	5.0
Share premium		26.0	26.0
Reserves		5.9	1.7
Retained earnings		(1.5)	3.9
<b>Total equity</b>		<u>35.4</u>	<u>36.6</u>

## CONSOLIDATED STATEMENT OF CASH FLOW

	Note	2016 £m	2015 £m
<b>Operating activities</b>			
Operating (loss)/profit from continuing operations		(0.7)	2.9
Non-underlying items included in operating profit		1.8	1.1
Amortisation		1.5	1.4
Depreciation		1.3	1.2
Other non-cash items		0.2	0.2
Pension payments		(2.0)	(1.9)
Working capital movements:			
- decrease in inventories		3.5	2.2
- (increase)/decrease in trade and other receivables		(4.2)	6.4
- increase/(decrease) in trade and other payables		5.6	(8.1)
- decrease in provisions		(0.1)	(0.1)
<b>Cash flows from continuing operations before reorganisation</b>		<b>6.9</b>	<b>5.3</b>
Cash used in discontinued operations	9	(0.2)	(1.2)
Reorganisation costs paid	3	(0.3)	(0.4)
<b>Cash flows from operations</b>		<b>6.4</b>	<b>3.7</b>
Taxation paid		(0.2)	(0.1)
<b>Cash flows from operating activities</b>		<b>6.2</b>	<b>3.6</b>
<b>Investing activities</b>			
Interest received		0.1	0.1
Proceeds from sale of property, plant and equipment		0.3	0.4
Capitalised development expenditure		(1.2)	(1.9)
Acquisition of intellectual property		-	(0.2)
Acquisition of property, plant and equipment		(1.2)	(1.3)
Net proceeds on disposal of discontinued operations	9	-	0.2
<b>Cash flows from investing activities</b>		<b>(2.0)</b>	<b>(2.7)</b>
<b>Financing activities</b>			
Interest paid		(0.3)	(0.3)
Purchase of own shares		-	(0.1)
Net (decrease)/increase against revolving facilities		(5.2)	1.1
Dividends paid		(0.5)	(1.1)
<b>Cash flows from financing activities</b>		<b>(6.0)</b>	<b>(0.4)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	7	<b>(1.8)</b>	<b>0.5</b>
Cash and cash equivalents at 1 January		9.8	9.8
Effect of exchange rate fluctuations on cash held		0.7	(0.5)
<b>Cash and cash equivalents at 31 December</b>		<b>8.7</b>	<b>9.8</b>



## NOTES TO ANNOUNCEMENT

- The Group's accounts have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards that were effective at 31 December 2016 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 2016 or 2015. Statutory accounts for 2015 have been delivered to the Registrar of Companies. The auditors have reported on the 2016 and 2015 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.

- Operating segments

Segment information

	<b>Packaging Machinery</b>		<b>Instrumentation &amp; Tobacco Machinery</b>		<b>Total</b>	
	<b>2016</b>	2015	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£m</b>	£m	<b>£m</b>	£m	<b>£m</b>	£m
<b>Revenue</b>	<b>41.5</b>	51.0	<b>38.6</b>	36.0	<b>80.1</b>	87.0
<b>Underlying segment operating profit</b>	<b>0.7</b>	3.9	<b>0.4</b>	0.1	<b>1.1</b>	4.0
Segment non-underlying items	<b>(0.8)</b>	-	<b>(0.1)</b>	(0.4)	<b>(0.9)</b>	(0.4)
<b>Segment operating profit/(loss)</b>	<b>(0.1)</b>	3.9	<b>0.3</b>	(0.3)	<b>0.2</b>	3.6
Unallocated non-underlying items (note 3)					<b>(0.9)</b>	(0.7)
<b>Operating (loss)/profit</b>					<b>(0.7)</b>	2.9
Net financing expense					<b>(0.1)</b>	(0.9)
<b>(Loss)/profit before tax</b>					<b>(0.8)</b>	2.0
Taxation					<b>0.2</b>	(0.3)
<b>(Loss)/profit for the period from continuing operations</b>					<b>(0.6)</b>	1.7
Loss for the period from discontinued operations					-	(5.8)
<b>Loss for the period</b>					<b>(0.6)</b>	(4.1)
Segment assets	<b>23.2</b>	18.7	<b>30.3</b>	31.9	<b>53.5</b>	50.6
Segment liabilities	<b>(18.4)</b>	(10.4)	<b>(8.8)</b>	(10.1)	<b>(27.2)</b>	(20.5)
<b>Segment net assets - continuing operations</b>	<b>4.8</b>	8.3	<b>21.5</b>	21.8	<b>26.3</b>	30.1
Unallocated net assets/(liabilities)					<b>9.1</b>	6.7
Net liabilities – discontinued operations					-	(0.2)
<b>Total net assets</b>					<b>35.4</b>	36.6

## Geographical information

	Revenue			
	(by location of customer)			
Continuing operations	2016	2016	2015	2015
	£m	%	£m	%
UK	5.1	6	6.8	8
Europe (excl. UK)	17.3	22	22.2	26
Africa & Middle East	7.8	10	7.9	9
USA	20.2	25	22.1	25
Americas (excl. USA)	9.3	12	7.5	9
Asia Pacific	20.4	25	20.5	23
	<b>80.1</b>	<b>100</b>	87.0	100

- A net non-underlying operating charge was incurred of £1.8m (2015: £1.1m from continuing operations). This comprised £0.9m (2015: £0.9m) of administration costs relating to the Group's defined benefit pension schemes and reorganisation costs relating to the Packaging Machinery division of £0.8m (2015: £nil) and Instrumentation & Tobacco Machinery division of £0.1m (2015: £0.2m, net of a credit of £0.2m arising from the sale of surplus property). Financing income/expense on pension scheme balances is also considered to be a non-underlying item, as is the loss on discontinued operations in 2015. Cash payments of £0.2m were made in 2016 (2015: £0.1m) in respect of reorganisations in earlier periods.
- The Group accounts for pensions under IAS 19 *Employee benefits*. The 2016 accounting valuation of the UK defined benefit pension scheme was carried out as at 31 December 2016 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 2016 year end and the specific requirements of IAS 19. The smaller USA defined benefit pension schemes were valued as at 31 December 2016 using actuarial data as of 1 January 2016, 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 (2015: £0.9m) and a net financing income on pension scheme balances of £0.1m (2015: £0.7m financing expense). Payments to the Group's UK defined benefit pension scheme in the period included £1.8m (2015: £1.8m) in respect of the agreed deficit recovery plan.
- Basic loss per ordinary share is based upon the loss for the period of £0.6m (2015: £4.1m) and on a weighted average of 19,754,631 shares in issue during the year (2015: 19,574,724). 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 3.7p for the year (2015: 15.1p) and is based on underlying profit for the period of £0.8m (2015: £2.9m), which is calculated on profit before non-underlying items.
- Employee benefits include the net pension asset of the UK defined benefit pension scheme of £4.6m (2015: £10.6m) and the net pension liability of the USA defined benefit pension schemes of £6.8m (2015: £6.6m), all figures before tax.

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

	<b>2016</b>	2015
	<b>£m</b>	£m
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1.8)</b>	0.5
Cash movement in borrowings	<b>5.2</b>	(1.1)
<b>Change in net funds/(debt) resulting from cash flows</b>	<b>3.4</b>	(0.6)
Translation movements	<b>0.6</b>	(0.5)
<b>Movement in net funds/(debt) in the period</b>	<b>4.0</b>	(1.1)
Opening net debt	<b>(3.2)</b>	(2.1)
<b>Closing net funds/(debt)</b>	<b>0.8</b>	(3.2)

8. Analysis of net funds/(debt)

	<b>2016</b>	2015
	<b>£m</b>	£m
Cash and cash equivalents – current assets	<b>9.0</b>	10.4
Bank overdraft – current liabilities	<b>(0.3)</b>	(0.6)
Interest-bearing loans and borrowings – non-current liabilities	<b>(7.9)</b>	(13.0)
<b>Closing net funds/(debt)</b>	<b>0.8</b>	(3.2)

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.

	<b>2016</b>	2015
	<b>£m</b>	£m
<b>Income</b>		
Revenue from trading activities	-	0.7
Costs from trading activities	-	(1.6)
<b>Operating loss from trading activities</b>	<b>-</b>	<b>(0.9)</b>
Proceeds from disposal	-	0.3
Costs incurred on disposal	-	(0.4)
Loss on disposal of net assets	-	(3.5)
Impairment of goodwill	-	(1.3)
<b>Loss before and after tax</b>	<b>-</b>	<b>(5.8)</b>

<b>Cash flow</b>	<b>2016</b>	2015
	<b>£m</b>	£m
<b>Operating activities</b>		
Operating loss	-	(0.9)
Depreciation	-	0.2
Net movements in working capital	<b>(0.2)</b>	0.2
<b>Cash used in operations before reorganisation</b>	<b>(0.2)</b>	(0.5)
Reorganisation costs paid	-	(0.7)
<b>Cash flows from operating activities</b>	<b>(0.2)</b>	(1.2)
<b>Investing activities</b>		
<b>Cash flows from investing activities – net proceeds on disposal</b>	-	0.2
<b>Net decrease in cash and cash equivalents</b>	<b>(0.2)</b>	(1.0)

Included within the Consolidated statement of financial position at 31 December 2016 is a provision of £nil (2015: £0.2m) in respect of discontinued operations.

**Impact on earnings per share from discontinued operations**

In 2015 loss per ordinary share and diluted loss per ordinary share from discontinued operations was 29.8p.

10. The Annual Report and Accounts, together with the Company's Notice of Annual General Meeting ("AGM") and related form of proxy, will be sent to all shareholders on or around 20 March 2017 and copies will be available on the Group's website at [www.molins.com](http://www.molins.com), or from the Company's registered office at Rockingham Drive, Linford Wood East, Milton Keynes MK14 6LY. The AGM will be held at 12 noon on 20 April 2017 at the Company's registered office.