

25 August 2011

2011 HALF-YEAR ANNOUNCEMENT

Molins PLC, the international specialist engineering company, announces its results for the six months ended 30 June 2011.

	6 months to 30 June 2011	6 months to 30 June 2010	12 months to 31 Dec 2010
Sales	£38.8m	£40.3m	£86.4m
Underlying operating profit*	£1.7m	£0.8m	£3.7m
Profit before tax	£3.8m	£1.7m	£4.1m
Profit for the period	£2.4m	£1.1m	£2.9m
Underlying earnings per share [§]	6.3p	2.5p	13.9p
Basic earnings per share	12.8p	5.7p	15.3p
Dividends per share	2.5p	2.5p	5.0p
Net funds	£6.3m	£3.9m	£9.0m

* Before exceptional charge of £0.3m (30 June 2010: £0.1m; 31 December 2010: £1.6m)

§ Before exceptional charge of £0.3m (30 June 2010: £0.1m; 31 December 2010: £1.2m) and net financing income on pension scheme balances of £1.5m (30 June 2010: £0.7m; 31 December 2010: £1.5m), all figures after tax

Dick Hunter, Chief Executive, commented:

“As expected, order intake in the first half of the year was significantly higher than last year. Although the phasing of deliveries resulted in slightly lower sales, underlying profits improved through a combination of favourable product mix, strong activity levels and cost reductions.

“Order prospects for the second half remain in line with plans set at the beginning of the year, although the Board is mindful of the continuing uncertain economic conditions. With performance in the first half of the year being slightly stronger than planned, the Board expects that the Group will show progress in the year.”

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INTERIM MANAGEMENT REPORT

MOLINS is an international business providing a range of high performance machinery and instrumentation, as well as services and support for the production, packaging and analysis of consumer products. The Group serves its customers through its wide geographic spread of sales, service and manufacturing locations. The Group is focused on the organic development of its businesses, through targeted product development, excellence in customer service and ongoing operational efficiency improvements, supported by acquisitive growth where appropriate.

Operating results

Group sales in the six months to 30 June 2011 were £38.8m (2010: £40.3m). Underlying operating profit (before exceptional items) was £1.7m (2010: £0.8m). The Group incurred costs of £0.3m (2010: £0.1m) in respect of exceptional items and recorded net financing income of £2.4m (2010: £1.0m), mainly arising from the accounting for the Group's pension schemes. Reported profit before tax was therefore £3.8m (2010: £1.7m). The tax charge was £1.4m (2010: £0.6m), of which £0.5m (2010: £0.3m) related to the underlying profit (before exceptional items and net financing income on pension scheme balances), resulting in profit for the period of £2.4m (2010: £1.1m), of which underlying profit was £1.2m (2010: £0.5m). Basic earnings per share amounted to 12.8p (2010: 5.7p) and underlying earnings per share (before exceptional items and net financing income on pension scheme balances) amounted to 6.3p (2010: 2.5p). The Group's net funds position at 30 June 2011 was £6.3m (31 December 2010: £9.0m).

Scientific Services

Sales in the period were £9.3m (2010: £10.0m) and operating profit was £0.9m (2010: £0.8m). The division, with its main facilities in the UK and US, comprises Cerulean, which supplies process and quality control instruments for the tobacco industry and Arista Laboratories, an independent tobacco and smoke constituent analytical laboratory. Sales at Cerulean were a little lower than the previous year, although order intake was 10% stronger, resulting in a good level of orders to be sold in the third quarter of the year. Profits at Cerulean were maintained at similar levels despite lower sales, mainly as a result of a higher proportion of engineering costs being invested in product development, which remains a key focus of the business. Performance at Arista Laboratories was slightly ahead of last year. US legislation enacted in June 2009 placed the regulation of tobacco products with the US Food and Drug Administration. Although there is still uncertainty about the testing regime that will be prescribed, Arista has made significant progress in the development of its testing methodologies in respect of the analytes that are expected to be required to be tested, as well as in its laboratory practices and systems. Plans are well advanced to expand the business as the market develops.

Packaging Machinery

Sales in the period were £13.7m (2010: £15.0m) and the operating loss, before exceptional items, was £1.0m (2010: £0.4m profit). The division, which supplies engineering services and capital equipment, operates through three businesses based in the UK, the Netherlands and Canada. First half performance was impacted by lower activity in most of the businesses. However, although economic conditions continue to be challenging, order intake in the period was significantly ahead of the previous year, which has led to a much increased order book for delivery in the second half of the year. This is particularly evident in the Langen Packaging Group, where its continued emphasis on the development of key customer accounts and its product range has led to a more consistent ordering pattern. Consequently, it is expected that the Langen Packaging Group will perform strongly in the second half of the year. ITCM's activity levels tend to be dependent on few, relatively high value prospects. A number of prospects have been delayed, which has impacted on performance in the first half and is likely to in the second half of the year. Cerulean Packing performed at similar levels to last year. Overall, the division is well placed to significantly improve its performance in the second half.

Tobacco Machinery

Sales in the period were £15.8m (2010: £15.3m) and operating profit, before exceptional items, was much improved at £1.8m (2010: £0.4m loss). The division designs, manufactures, markets and services specialist machinery for the tobacco industry from its bases in the UK, US, Brazil, Singapore and Czech Republic. Sales of new and rebuild machines were at similar levels to the previous year, but at improved margins, and sales of aftermarket products were increased. The benefit of good activity levels throughout the division helped to improve performance, as did the beneficial cost reduction initiatives undertaken last year. The product mix and activity levels in the second half of the year are not expected to be as favourable as in the first half. Order intake in the division for new and rebuild machinery increased marginally compared with last year, although new prospects are subject to significant competitive pressures.

Exceptional items

The Group incurred an exceptional charge of £0.3m in the period (2010: £0.1m), which comprised reorganisation costs in the Packaging Machinery and Tobacco Machinery divisions.

Cash

Net funds at 30 June 2011 were £6.3m (30 June 2010: £3.9m; 31 December 2010: £9.0m). Net cash outflow from operating activities in the first half of the year was £0.1m, and is net of reorganisation costs paid of £0.3m and tax paid of £0.4m. Following the early receipt of a number of payments from customers at the end of last year, working capital increased in the period by £2.4m. Net capital and product development expenditure was £2.2m. Ordinary dividends of £0.5m were paid in the period.

Pension valuations

The Group operates defined benefit schemes in the UK and US which it accounts for in accordance with IAS 19 *Employee benefits*. The IAS 19 valuation of the UK scheme at 30 June 2011 shows a surplus of £12.8m (£8.3m net of deferred tax), compared with £9.9m (£6.4m net of deferred tax) at the beginning of the period. The value of the scheme's assets at 30 June 2011 was £327.0m (31 December 2010: £328.6m), and the value of the scheme's liabilities was £314.2m (31 December 2010: £318.7m). The net valuation of the US pension schemes at 30 June 2011, with total assets of £14.1m, showed a deficit of £3.6m (£2.2m net of deferred tax; 31 December 2010: £3.7m before tax; £2.2m net of deferred tax). The aggregate cost of providing pension benefits to active members of the Group's schemes in the period was £0.6m, which was charged to operating profit. Additionally, net financing income on pension scheme balances was £2.4m (2010: £1.0m), comprising £11.3m income on the schemes' assets and £8.9m expense on the schemes' liabilities. Net financing income on pension scheme balances is calculated by applying an interest rate, reflecting the expected rate of return at the beginning of the year, to the value of the pension schemes' assets at the beginning of the year, less an interest expense calculated by applying the discount rate used in valuing the pension schemes' liabilities at the beginning of the year to the value of those liabilities.

The Company is currently paying to the Group's defined benefit scheme in the UK £1.2m per annum in monthly instalments, which commenced in July 2010, following the formal actuarial valuation of the scheme as at 30 June 2009, which showed a deficit as at that date of £12.1m. The deficit recovery period was estimated to be nine years, and is subject to the results of the next formal valuation as at 30 June 2012. The Company also makes payments to the scheme to cover the regular cost of benefits and any extra funding strains that may arise as a consequence of redundancies.

Related party transactions

There has been no material change in the nature of related party transactions from those described in note 30 of the 2010 Annual Report and Accounts and these are also referred to in note 13 of this Half-Yearly Financial Report.

Risks

Molins is subject to a number of risks which could have a serious impact on the performance of the business. The Board regularly considers the principal risks that the Group faces and how to mitigate their potential impact. The key risks to which the business is exposed have not changed significantly over the past six months and are not expected to do so over the remaining six months of the financial year. Further information on the principal risks and uncertainties faced by the Group is included on pages 10 and 11 of the Group's 2010 Annual Report and Accounts.

Cautionary statement

This Interim management report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other reason. The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such information should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. This IMR has been prepared for the Group as a whole and therefore emphasises those matters which are significant to Molins PLC and its subsidiary undertakings when viewed as a whole.

Dividend

The Board has declared an interim dividend in respect of 2011 of 2.5p per ordinary share (2010: 2.5p), which will be paid on 13 October 2011 to shareholders on the register on 16 September 2011. Dividends paid to shareholders in the six months to 30 June 2011 were 2.5p per ordinary share (2010: 2.5p).

Outlook

As expected, order intake in the first half of the year was significantly higher than last year and order prospects for the second half remain in line with plans set at the beginning of the year, although the Board is mindful of the continuing uncertain economic conditions. With performance in the first half of the year being slightly stronger than planned, the Board expects that the Group will show progress in the year.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the EU; and
- the Interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Dick Hunter

Chief Executive

David Cowen

Group Finance Director

25 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

	6 months to 30 June 2011			6 months to 30 June 2010			
	Notes	Before exceptional items £m	Exceptional Items (note 6) £m	Total £m	Before exceptional items £m	Exceptional Items (note 6) £m	Total £m
Revenue	5	38.8	-	38.8	40.3	-	40.3
Cost of sales		(26.3)	(0.2)	(26.5)	(29.5)	(0.1)	(29.6)
Gross profit		12.5	(0.2)	12.3	10.8	(0.1)	10.7
Other operating income		-	-	-	-	-	-
Distribution expenses		(4.1)	-	(4.1)	(3.6)	-	(3.6)
Administrative expenses		(6.6)	(0.1)	(6.7)	(6.2)	-	(6.2)
Other operating expenses		(0.1)	-	(0.1)	(0.2)	-	(0.2)
Operating profit	5, 8	1.7	(0.3)	1.4	0.8	(0.1)	0.7
Financial income	7	11.4	-	11.4	10.6	-	10.6
Financial expenses	7	(9.0)	-	(9.0)	(9.6)	-	(9.6)
Net financing income	5, 7	2.4	-	2.4	1.0	-	1.0
Profit before tax	5	4.1	(0.3)	3.8	1.8	(0.1)	1.7
Taxation	9	(1.4)	-	(1.4)	(0.6)	-	(0.6)
Profit for the period		2.7	(0.3)	2.4	1.2	(0.1)	1.1
Basic earnings per ordinary share	10			12.8p			5.7p
Diluted earnings per ordinary share	10			12.5p			5.7p

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

12 months to 31 December 2010

	Notes	Before exceptional items £m	Exceptional Items (note 6) £m	Total £m
Revenue	5	86.4	-	86.4
Cost of sales		(62.8)	(0.3)	(63.1)
Gross profit		23.6	(0.3)	23.3
Other operating income		0.1	-	0.1
Distribution expenses		(6.9)	(0.2)	(7.1)
Administrative expenses		(12.5)	(0.4)	(12.9)
Other operating expenses		(0.6)	(0.7)	(1.3)
Operating profit	5, 8	3.7	(1.6)	2.1
Financial income	7	21.1	-	21.1
Financial expenses	7	(19.1)	-	(19.1)
Net financing income	5, 7	2.0	-	2.0
Profit before tax	5	5.7	(1.6)	4.1
Taxation	9	(1.6)	0.4	(1.2)
Profit for the period		4.1	(1.2)	2.9
Basic earnings per ordinary share	10			15.3p
Diluted earnings per ordinary share	10			15.0p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
Profit for the period	2.4	1.1	2.9
Other comprehensive income/(expense)			
Currency translation movements arising on foreign currency net investments	0.6	0.3	0.9
Effective portion of changes in fair value of cash flow hedges	0.6	(0.4)	0.4
Net changes in fair value of cash flow hedges transferred to profit or loss	(0.3)	(0.2)	(0.6)
Actuarial gains/(losses)	0.3	(25.7)	19.4
Tax on items in other comprehensive income/(expense)	(0.2)	7.5	(6.1)
Other comprehensive income/(expense) for the period	1.0	(18.5)	14.0
Total comprehensive income/(expense) for the period	3.4	(17.4)	16.9

CONDENSED 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
6 months to 30 June 2011							
Balance at 1 January 2011	5.0	26.0	5.3	3.9	0.3	6.6	47.1
Profit for the period	-	-	-	-	-	2.4	2.4
Other comprehensive income/(expense) for the period	-	-	0.6	-	0.2	0.2	1.0
Total comprehensive income/(expense) for the period	-	-	0.6	-	0.2	2.6	3.4
Dividends to shareholders	-	-	-	-	-	(0.5)	(0.5)
Equity-settled share-based transactions	-	-	-	-	-	0.1	0.1
Total transactions with owners, recorded directly in equity	-	-	-	-	-	(0.4)	(0.4)
Balance at 30 June 2011	5.0	26.0	5.9	3.9	0.5	8.8	50.1
6 months to 30 June 2010							
Balance at 1 January 2010	5.0	26.0	4.4	3.9	0.5	(8.5)	31.3
Profit for the period	-	-	-	-	-	1.1	1.1
Other comprehensive income/(expense) for the period	-	-	0.3	-	(0.5)	(18.3)	(18.5)
Total comprehensive income/(expense) for the period	-	-	0.3	-	(0.5)	(17.2)	(17.4)
Dividends to shareholders	-	-	-	-	-	(0.5)	(0.5)
Equity-settled share-based transactions	-	-	-	-	-	(0.2)	(0.2)
Total transactions with owners, recorded directly in equity	-	-	-	-	-	(0.7)	(0.7)
Balance at 30 June 2010	5.0	26.0	4.7	3.9	-	(26.4)	13.2
12 months to 31 December 2010							
Balance at 1 January 2010	5.0	26.0	4.4	3.9	0.5	(8.5)	31.3
Profit for the period	-	-	-	-	-	2.9	2.9
Other comprehensive income/(expense) for the period	-	-	0.9	-	(0.2)	13.3	14.0
Total comprehensive income/(expense) for the period	-	-	0.9	-	(0.2)	16.2	16.9
Dividends to shareholders	-	-	-	-	-	(1.0)	(1.0)
Equity-settled share-based transactions	-	-	-	-	-	(0.1)	(0.1)
Total transactions with owners, recorded directly in equity	-	-	-	-	-	(1.1)	(1.1)
Balance at 31 December 2010	5.0	26.0	5.3	3.9	0.3	6.6	47.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 £m	30 June 2010 (restated) (note 5) £m	31 Dec 2010 £m
Non-current assets				
Intangible assets		14.7	14.2	13.8
Property, plant and equipment		10.3	11.1	10.5
Employee benefits	8	12.8	-	9.9
Deferred tax assets		1.9	11.4	1.9
		<u>39.7</u>	<u>36.7</u>	<u>36.1</u>
Current assets				
Inventories		18.1	18.6	15.6
Trade and other receivables		19.4	15.9	15.6
Current tax assets		0.1	0.3	-
Cash and cash equivalents		12.0	8.8	13.8
		<u>49.6</u>	<u>43.6</u>	<u>45.0</u>
Current liabilities				
Bank overdrafts		-	(0.1)	-
Trade and other payables		(22.4)	(19.9)	(19.0)
Current tax liabilities		(0.9)	(0.9)	(0.8)
Provisions		(1.2)	(1.6)	(1.3)
		<u>(24.5)</u>	<u>(22.5)</u>	<u>(21.1)</u>
Net current assets		<u>25.1</u>	<u>21.1</u>	<u>23.9</u>
Total assets less current liabilities		<u>64.8</u>	<u>57.8</u>	<u>60.0</u>
Non-current liabilities				
Interest-bearing loans and borrowings		(5.7)	(4.8)	(4.8)
Employee benefits	8	(3.6)	(39.7)	(3.7)
Deferred tax liabilities		(5.4)	(0.1)	(4.4)
		<u>(14.7)</u>	<u>(44.6)</u>	<u>(12.9)</u>
Net assets	5	<u>50.1</u>	<u>13.2</u>	<u>47.1</u>
Equity				
Issued capital		5.0	5.0	5.0
Share premium		26.0	26.0	26.0
Reserves		10.3	8.6	9.5
Retained earnings		8.8	(26.4)	6.6
Total equity		<u>50.1</u>	<u>13.2</u>	<u>47.1</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
Continuing operations				
Operating activities				
Operating profit		1.4	0.7	2.1
Exceptional items included in operating profit		0.3	0.1	1.6
Amortisation		0.6	0.7	1.5
Impairment charge		-	-	0.3
Depreciation		0.9	0.9	1.8
Profit on sale of property, plant and equipment		-	-	(0.1)
Pension service costs		0.6	0.6	1.2
Other non-cash items		0.1	(0.2)	(0.1)
Pension payments		(0.9)	(0.4)	(1.2)
Working capital movements:				
- (increase)/decrease in inventories		(2.0)	(0.5)	3.4
- (increase)/decrease in trade and other receivables		(3.2)	1.6	2.2
- increase/(decrease) in trade and other payables		2.9	(1.0)	(1.8)
- (decrease)/increase in provisions		(0.1)	0.2	-
Cash generated from operations before reorganisation		0.6	2.7	10.9
Reorganisation costs paid		(0.3)	(0.2)	(1.0)
Cash generated from operations		0.3	2.5	9.9
Taxation paid		(0.4)	(0.5)	(0.7)
Net cash from operating activities		(0.1)	2.0	9.2
Investing activities				
Interest received		0.1	0.1	0.1
Net payments in respect of sale of Saunderton site		-	(0.4)	(0.5)
Proceeds from sale of other property, plant and equipment		0.1	-	0.2
Acquisition of property, plant and equipment		(0.7)	(1.7)	(2.2)
Development expenditure		(1.6)	(0.5)	(1.5)
Net cash from investing activities		(2.1)	(2.5)	(3.9)
Financing activities				
Interest paid		(0.1)	(0.1)	(0.2)
Net increase/(decrease) against revolving facilities		0.8	(0.4)	(0.5)
Dividends paid	11	(0.5)	(0.5)	(1.0)
Net cash from financing activities		0.2	(1.0)	(1.7)
Discontinued operations				
Net cash from investing activities		-	-	(0.1)
Net cash from discontinued operations		-	-	(0.1)
Net (decrease)/increase in cash and cash equivalents	12	(2.0)	(1.5)	3.5
Cash and cash equivalents at 1 January		13.8	10.2	10.2
Effect of exchange rate fluctuations on cash held		0.2	-	0.1
Cash and cash equivalents at period end		12.0	8.7	13.8

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

1. General information

The half-year results for the current and comparative period are unaudited but have been reviewed by the auditors, KPMG Audit Plc, and their report is set out on page 16. The comparative figures for the financial year ended 31 December 2010 are not the Group's statutory accounts as defined in section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2010 have been extracted from the Group's statutory accounts for that year. The Group's statutory accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's statutory accounts for the year ended 31 December 2010 are available from the Company's registered office at Rockingham Drive, Linford Wood East, Milton Keynes MK14 6LY or from the Group's website at www.molins.com.

Having made due enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed set of financial statements.

The condensed set of financial statements was approved by the Board of directors on 25 August 2011.

2. Accounting policies

The condensed set of financial statements for the six months ended 30 June 2011 has been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the EU and the Disclosure and Transparency Rules of the UK's Financial Services Authority. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2010.

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

3. Estimates

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

In preparing the condensed set of financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were of the same type as those that applied to the financial statements for the year ended 31 December 2010.

4. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2010.

5. Operating segments

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

	Revenue			Profit		
	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
	Scientific Services	9.3	10.0	20.9	0.9	0.8
Packaging Machinery	13.7	15.0	32.9	(1.0)	0.4	1.0
Tobacco Machinery	15.8	15.3	32.6	1.8	(0.4)	0.6
	38.8	40.3	86.4			
Underlying operating profit				1.7	0.8	3.7
Exceptional items				(0.3)	(0.1)	(1.6)
Operating profit				1.4	0.7	2.1
Net financing income				2.4	1.0	2.0
Profit before tax				3.8	1.7	4.1

Net financing income includes dividends paid on preference shares. The Company has in issue 900,000 6% fixed cumulative preference shares. The preference dividend is payable on 30 June and 31 December and amounted to £0.1m in the 12 months ended 31 December 2010.

	30 June 2011 £m	30 June 2010 (restated) £m	31 Dec 2010 £m
Segment assets			
Scientific Services	10.1	9.3	8.6
Packaging Machinery	19.8	15.2	15.6
Tobacco Machinery	26.4	27.5	22.9
Total segment assets	56.3	52.0	47.1
Total segment liabilities	(27.6)	(23.5)	(21.6)
Segment net assets – continuing operations	28.7	28.5	25.5
Net liabilities – discontinued operations	(0.1)	(0.2)	(0.1)
Unallocated net assets/(liabilities)	21.5	(15.1)	21.7
Total net assets	50.1	13.2	47.1

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2010.

The Group applied the amendment to IAS 17 *Leases*, which states that leases of land should be assessed in the same way as all other leases, when reporting the statement of financial position as at 31 December 2010. The statement of financial position at 30 June 2010 has been restated accordingly. Land and buildings at 30 June 2010 has been restated to include £0.5m relating to a lease premium that was previously accounted for as an operating lease. This lease has been assessed as a finance lease and the carrying value of £0.5m reclassified from other receivables to property, plant and equipment.

6. Exceptional items

The exceptional charge of £0.3m in the 6 months to 30 June 2011 comprises reorganisation costs in the Packaging Machinery and Tobacco Machinery divisions. Cash payments of £0.3m were made in the period in respect of this reorganisation.

The exceptional charge of £0.1m in the 6 months to 30 June 2010 (12 months to 31 December 2010: £1.6m) related to reorganisations carried out within the Tobacco Machinery division. Payments totalling £0.8m in respect of the charge in the 12 months to 31 December 2010 are expected to be paid in the second half of 2011 to the Molins UK Pension Fund.

7. Net financing income

	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
Financial income:			
Expected return on pension scheme assets	11.3	10.5	21.0
Amounts receivable on cash and cash equivalents	0.1	0.1	0.1
	11.4	10.6	21.1
Financial expenses:			
Interest cost on pension scheme obligations	(8.9)	(9.5)	(18.9)
Amounts payable on bank loans and overdrafts	(0.1)	(0.1)	(0.1)
Preference dividends paid	-	-	(0.1)
	(9.0)	(9.6)	(19.1)
Net financing income	2.4	1.0	2.0

8. Employee benefits

The Group accounts for pensions under IAS 19 *Employee benefits*. A formal valuation of the UK defined benefit pension scheme was carried out as at 30 June 2009, and formal valuations of the US defined benefit schemes were carried out as at 1 January 2011, and their assumptions, modified as appropriate, have been applied in the condensed set of financial statements, updated to reflect actual experience and conditions at 30 June 2011. Operating profit includes the aggregate cost of providing pension benefits to active members for the 6 months to 30 June 2011 of £0.6m (6 months to 30 June 2010: £0.6m; 12 months to 31 December 2010: £1.2m). In addition, profit before tax for the 6 months to 30 June 2011 includes net financing income on pension scheme balances of £2.4m (6 months to 30 June 2010: £1.0m; 12 months to 31 December 2010: £2.1m).

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

	30 June 2011 £m	30 June 2010 £m	31 Dec 2010 £m
UK scheme:			
Fair value of assets	327.0	301.9	328.6
Present value of defined benefit obligations	(314.2)	(336.6)	(318.7)
Defined benefit asset/(liability)	12.8	(34.7)	9.9
US schemes:			
Fair value of assets	14.1	14.1	14.5
Present value of defined benefit obligations	(17.7)	(19.1)	(18.2)
Defined benefit liability	(3.6)	(5.0)	(3.7)

9. Taxation

The Group tax charge for the 6 months to 30 June 2011 amounted to £1.4m (6 months to 30 June 2010: £0.6m; 12 months to 31 December 2010: £1.2m) and is calculated as follows:

	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
Tax charge on underlying profit	0.5	0.3	1.0
Tax credit on exceptional items	-	-	(0.4)
Tax charge on pension scheme balances	0.9	0.3	0.6
Taxation	1.4	0.6	1.2

The Group's consolidated effective tax rate in respect of underlying profit for the 6 months to 30 June 2011 is 30% (6 months to 30 June 2010: 42%; 12 months to 31 December 2010: 28%).

The Finance Bill 2011, which contains legislation for some of the proposals announced by the Chancellor in the 23 March 2011 Budget, was enacted on 19 July 2011. The Bill introduced a further reduction in the rate of UK corporation tax to 25% from 1 April 2012. Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the end of the reporting period and therefore the reduction in the corporate tax rate from 26% to 25% has not been taken into account in the calculation of the effective tax rate applied in this condensed set of financial statements.

10. Earnings per share

Basic earnings per ordinary share is based upon the profit for the period and on a weighted average of 18,968,324 shares in issue during the period (6 months to 30 June 2010: 18,968,324; 12 months to 31 December 2010: 18,968,324). The weighted average number of shares excludes shares held by the employee trust in respect of the Company's long-term incentive arrangements.

Diluted earnings per ordinary share is based upon the profit for the period and on a diluted weighted average of 19,437,241 shares in issue during the period (6 months to 30 June 2010: 19,053,202; 12 months to 31 December 2010: 19,353,413). The diluted weighted average number of shares includes the diluting effect, if any, of own shares held by the employee trust.

Underlying earnings per ordinary share, which is calculated on profit before exceptional items and net financing income on pension scheme balances, amounted to 6.3p for the 6 months to 30 June 2011 (6 months to 30 June 2010: 2.5p; 12 months to 31 December 2010: 13.9p). The calculation of underlying earnings per ordinary share is based on underlying profit for the 6 months to 30 June 2011 of £1.2m (6 months to 30 June 2010: £0.5m; 12 months to 31 December 2010: £2.6m) and is calculated as follows:

	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
Profit for the period	2.4	1.1	2.9
Net financing income on pension scheme balances (net of tax)	(1.5)	(0.7)	(1.5)
Exceptional items (net of tax)	0.3	0.1	1.2
Underlying profit for the period	1.2	0.5	2.6

11. Dividends

	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
Dividends to shareholders paid in the period:			
Final dividend for the year ended 31 December 2009 of 2.5p per share	-	0.5	0.5
Interim dividend for the year ended 31 December 2010 of 2.5p per share	-	-	0.5
Final dividend for the year ended 31 December 2010 of 2.5p per share	0.5	-	-
	0.5	0.5	1.0

An interim dividend for the year ending 31 December 2011 of 2.5p per ordinary share will be paid on 13 October 2011 to shareholders on the register on 16 September 2011.

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

	6 months to 30 June 2011 £m	6 months to 30 June 2010 £m	12 months to 31 Dec 2010 £m
Net (decrease)/increase in cash and cash equivalents	(2.0)	(1.5)	3.5
Cash (outflow)/inflow from movement in borrowings	(0.8)	0.4	0.5
Change in net funds resulting from cash flows	(2.8)	(1.1)	4.0
Translation movements	0.1	-	-
Movement in net funds in the period	(2.7)	(1.1)	4.0
Opening net funds	9.0	5.0	5.0
Closing net funds	6.3	3.9	9.0
Analysis of net funds			
Cash and cash equivalents – current assets	12.0	8.8	13.8
Bank overdrafts – current liabilities	-	(0.1)	-
Interest-bearing loans and borrowings – non-current liabilities	(5.7)	(4.8)	(4.8)
Closing net funds	6.3	3.9	9.0

13. Related parties

The Group has related party relationships with its directors and with the UK and US pension schemes. There has been no material change in the nature of the related party transactions described in note 30 of the 2010 Annual Report and Accounts.

14. Half-Yearly Financial Report

The Half-Yearly Financial Report will be sent to all shareholders in September 2011 and additional copies will be available from the Company's registered office at Rockingham Drive, Linford Wood East, Milton Keynes MK14 6LY or from the Group's website at www.molins.com.

INTERIM REVIEW REPORT TO MOLINS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2011 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-Yearly Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Financial Report in accordance with the DTR of the UK FSA.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

**M Matthewman
for and on behalf of KPMG Audit Plc**

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

25 August 2011