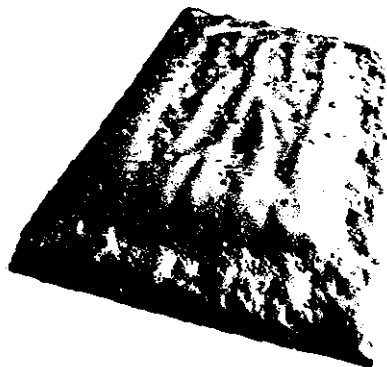
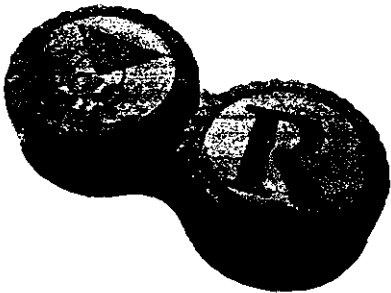
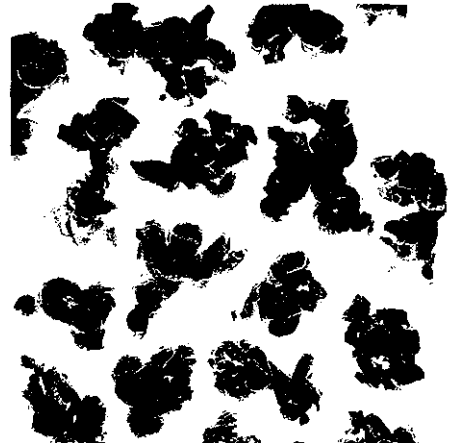
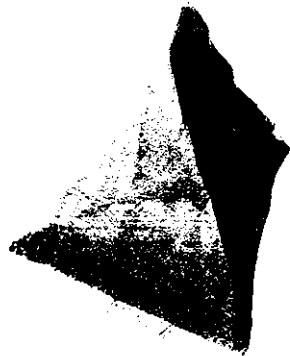
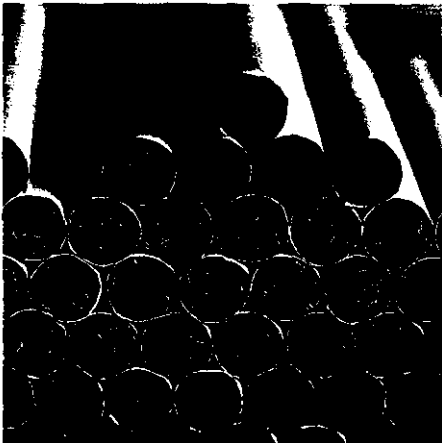


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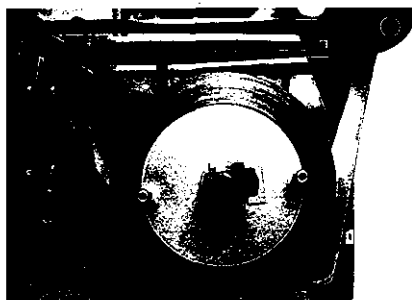
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Value added engineering

Molins is focused on working with customers to meet their business requirements. As markets change, we also change to ensure that we continue to serve clients' needs. We deliver through providing our customers with engineering solutions and service and support.

Group at a glance



Molins supplies quality machinery, related support services and systems, principally to the fast moving consumer goods sectors, including tobacco, food and other high volume products.

Tobacco Machinery

Designs, manufactures, markets and services specialist machinery for the tobacco industry.

Operating units and locations

Molins Tobacco Machinery, Saunderton, UK
Molins do Brasil, Curitiba, Brazil
Molins Far East, Singapore
Molins Kunming Service Centre, China
Molins Richmond, Virginia, USA
Molmac Engineering, Milton Keynes, UK
Kunming Molins Tobacco Machinery Company, China
Molins Tobacco CIS, Moscow, Russia

Packaging Machinery

Designs, manufactures, markets and services specialist machinery for other fast moving consumer goods industries.

Operating units and locations

Langen Packaging, Ontario, Canada
Langenpac, Wijchen, The Netherlands
Molins ITC Machinery, Coventry, UK
Sandiacre Packaging Machinery, Nottingham, UK
Sandiacre Richmond, Virginia, USA

Financial highlights

For the year ended 31 December

Operations

	1999 £m	1998 £m
Turnover	110.6	170.2
Profit before taxation (before exceptional items)	3.7	9.2
Profit/(loss) before taxation (after exceptional items)	3.4	(6.6)
Shareholders' funds	68.3	70.4
Net cash	8.2	10.9

UK exports

Exports from UK	52.1	91.2
Percentage of total UK turnover	76%	86%

Amount per ordinary share

Earnings (before exceptional items)	6.6p	16.3p
Earnings/(loss) (after exceptional items)	11.8p	(36.2)p
Dividends	6.5p	8.0p
Net assets	208p	196p

Turnover by division in 1999 (£m)

1	68.4
2	42.2

1 Tobacco Machinery
2 Packaging Machinery

Turnover (£m)

1997	254.8
1998	170.2
1999	110.6

Profit before taxation before exceptional items (£m)

1997	11.2
1998	9.2
1999	3.7

Turnover by destination in 1999 (£m)

1	41.2
2	18.6
3	18.1
4	17.4
5	15.3

1 North America
2 United Kingdom
3 Continental Europe
4 Asia
5 Rest of the world

Earnings per share before exceptional items (pence)

1997	16.3
1998	16.3
1999	6.6

Dividends per share (pence)

1997	15.0
1998	8.0
1999	6.5

Chairman's statement and operating review



Peter Byrom Chairman

Chairman's statement

The Packaging Machinery division achieved good growth in orders, activity, sales and profits. The market for tobacco machinery showed further decline, affecting sales of original equipment and, to a lesser extent, spares.

Turnover (continuing operations)

	1999 £m	1998 £m	% change
Tobacco Machinery	68.4	100.2	-32
Packaging Machinery	42.2	40.4	+5
	110.6	140.6	-21

Tobacco Machinery

Demand for tobacco machinery continued to decline through the year. The market has been affected by the major consolidation among manufacturers of cigarettes, the rationalisation of manufacturing facilities by most manufacturers and the decline in smoking in many Western economies. There have been very few new orders for original equipment throughout the industry and the demand for spares has reduced as manufacturers retire surplus equipment and consolidate spares inventories within fewer factories.

Molins has responded by reducing the scale of its operations. At the end of 1999 there were 815 people employed in the Tobacco Machinery division compared with 2,000 in June 1997. The transfer of the spares business from Peterborough to Saunderton was more difficult than originally envisaged and resulted in a decline in factory efficiency. The issues are being addressed and efficiencies and customer service are improving progressively.

Molins has the greatest share of machines installed with cigarette manufacturers worldwide. We are continuing to develop partnerships with our customers to prolong the life and enhance the efficiency of installed equipment while maintaining the resources necessary to respond to any increases in demand for original equipment.

Packaging Machinery

Langen, based in Toronto, Canada, is a leading manufacturer of horizontal cartoning equipment for manufacturers of pharmaceutical and fast moving consumer goods. Its sister company, Langenpac, is based in Wijchen, the Netherlands. They provide innovative solutions for complex and novel packaging concepts as well as a standard range of equipment. Sandiacre, based in Nottingham and in Richmond, Virginia, USA, is a leading manufacturer of vertical form fill and seal packaging equipment. Coventry based Molins International Technology Centre Machinery ("ITCM") carries out specific product developments on behalf of Molins' existing businesses as well as for external customers.

Excluding the turnover of Molins Australia, sold in 1999, the Packaging Machinery division's sales grew by 9% in the year. The sales growth is less than the increase in activity rate. At the end of 1999 there were several contracts, including a major one for a multinational pharmaceutical group, which were well advanced and will be delivered and taken to profit in the first half of 2000. The new management teams at Langen and Langenpac have settled in well. Both companies have strong order books. Sandiacre has had a mixed year, with sales in the Americas growing by some 24% but, while the UK remained quite buoyant, demand in continental Europe was weak. This resulted in an overall reduction in Sandiacre's sales.

ITCM continues its development work with Unilever for pyramid and other tea-bag equipment. Sales have been made into the UK, France and South Africa in the year. Other innovations in the year included the development of machines for personal hygiene products, cereal packaging and flexible packaging applications.

Operating results

Operating profits for the Packaging Machinery division increased from £2.1m to £3.0m, an increase of 43%, while those of the Tobacco Machinery division fell from £6.4m to £0.3m in line with the expectation expressed in the interim statement.

The Company had a positive net cash balance throughout the year and earned interest of £0.4m (1998: £0.1m).

In the second half of the year the Company closed its Australian subsidiary. It was no longer viable having lost its Langston distributorship following the sale of Langston by the Company in 1998. This resulted in an exceptional post-tax loss of £0.2m. Also, in the second half of the year agreement was reached with the purchasers of Langston on all outstanding matters arising from the sale. This resulted in an exceptional charge before tax of £0.2m and an exceptional tax credit of £2.2m. The effect of the exceptional items was to increase earnings by £1.8m.

Tax on operating results amounted to £1.3m, an effective rate of 35.1%. This amount includes withholding taxes of £0.4m on dividends paid by foreign subsidiaries.

Earnings per share before exceptional items amounted to 6.6p (1998: 16.3p). After exceptional items earnings per share amounted to 11.8p (1998: loss of 36.2p).

Shareholders' funds and cash

During the year the Company purchased for cancellation a total of 3,097,045 shares, representing 8.7% of the issued capital, at an aggregate cost of £3.8m. The average price at which shares were purchased was 123p.

Equity shareholders' funds before purchases increased from £69.5m to £71.2m.

The purchases reduced year end equity shareholders' funds to £67.4m. Net assets per ordinary share increased from 196p to 208p, an increase of 6%.

The net cash balances at the beginning of the year amounted to £10.9m and closing balances amounted to £8.2m. Net cash flow benefited from £4.5m proceeds in relation to the Langston agreement and £1.1m proceeds from the sale and closure of the business activities of Molins Australia.

These inflows were offset by a cash outflow of £5.5m in relation to continued restructuring in the Tobacco Machinery division and £3.8m in connection with share purchases. The balance of the restructuring provision at the year end amounted to £3.4m. The net cash flow from operating activities, excluding restructuring costs, amounted to £4.6m (1998: £15.9m).

Dividend

The directors have proposed a final dividend of 4.0p per share which with the interim dividend of 2.5p gives a total dividend for the year of 6.5p (1998: 8.0p). The final dividend will be paid on 17 May 2000 to ordinary shareholders registered on 14 April 2000.

Board changes

I was appointed to the Board as a non-executive director on 4 February 1999. David Cowen was appointed Group Finance Director on 8 February 1999 and Dr Amar Sabberwal joined the Board as a non-executive director on 4 May 1999. Michael Steen was appointed on 29 February 2000 as a non-executive director.

At the Annual General Meeting on 21 April 1999 Michael Orr retired as Chairman, Sir Lindsay Bryson and Dr John Pamaby retired as directors and I was appointed Chairman.

On 9 December 1999 Peter Grant stepped down as Group Chief Executive following a period of major rationalisation. We are grateful to him for his contribution in a time of great transition. I assumed executive responsibility for the Group and Dr Sabberwal has been appointed Chief Executive of the Tobacco Machinery division. Mr Grant resigned as a director on 9 February 2000.

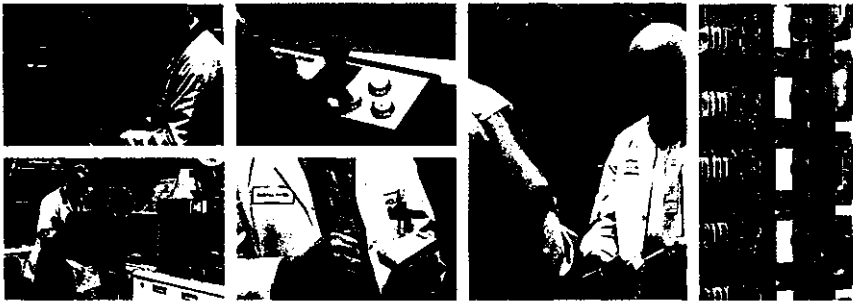
Employees

Employees throughout the organisation have demonstrated their dedication to the Group and I thank them for their contribution during the year.

Outlook

The next few months will see further rationalisation and reorganisation of the Tobacco Machinery division to bring its activities in line with market conditions. Steps are being taken to improve productivity and to reduce costs. A series of projects is in progress to enhance the service to our customers to meet their needs and to develop partnerships with customers to mutual advantage. We also continue to focus on the better utilisation and efficient use of the assets employed in the division.

The Packaging Machinery division has strong order books and we expect to show further good progress in 2000.



Operating review

Tobacco Machinery

Demand for original equipment remained at very low levels and sales of spare parts and services were also affected as customers reduced their stockholdings. The division continues to restructure in order to improve efficiency and develop its activities in the after-sales market.

The division continued to face very difficult market conditions. As noted in last year's report, the opening order book in 1999 for original equipment was significantly down on the level in 1998. Demand for original equipment during the year has continued at low levels and, together with a weakening in demand for after-market products, total turnover in the division has reduced sharply from 1998 levels.

The division experienced a 32% decrease in sales to £68.4m (1998: £100.2m) and operating profit was £0.3m (1998: £6.4m). The major cigarette manufacturers continue to consolidate their activities and use their assets more efficiently. We take the view that demand for original equipment will remain at very low levels over the next few years and that demand for spare parts is unlikely to increase in the short-term as customers rationalise their stockholdings.

However, demand for the rebuilding and refurbishment of machines and for other services, such as enhanced performance kits for existing machinery and preventative maintenance audits, provides the division with opportunity for development. Many of these initiatives are being carried out in collaboration with customers, where engineers from both parties work closely to achieve optimal solutions for the customers' specific factory environments. This development of new service initiatives is in line with the division's strategy of supporting the substantial installed base of Molins machinery throughout the world.

Despite low levels of demand for original equipment, some innovative projects were delivered in 1999, including the development and sale of a novel form of packing equipment to Rothmans. Modules have been developed in the year through advances in design to enhance performance of existing and new machinery. Overall, however, the division entered 2000 with an order book for original equipment no higher than that for 1999.

Molmac, the UK based machine rebuild operation, increased its sales and profitability in the year with some interesting service initiatives.

Molins Richmond suffered a downturn in business as a direct result of customers' reduced capital investment but marginally increased its output of spare parts and services.

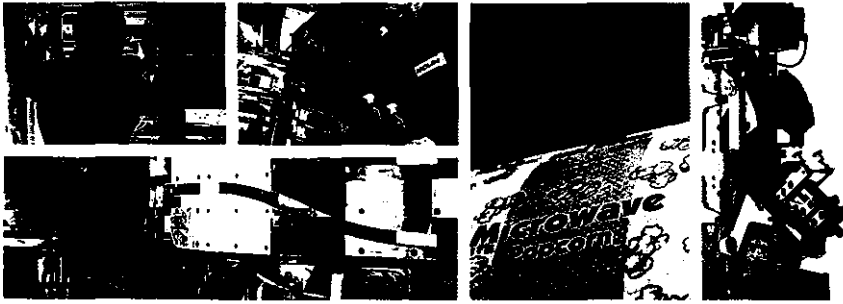
Molins Brazil maintained business levels and continues to trade profitably. In particular, the business showed a marked increase in its penetration of other South American countries.

Molins Singapore had a difficult year, as a result of the continuing curb on investment within the Chinese tobacco industry, and suffered a 16% decrease in turnover. Sales in the region outside China, however, increased by some 10%.

The Chinese joint venture's first year of full operation resulted in the successful delivery of a number of rebuilt machines and associated parts for the Chinese market.

Continued restructuring took place during the year, aimed at achieving a workforce in size and skills commensurate with the level of activity in the division. The number of employees in the division reduced to 815 at the year end, a reduction of 23% in the year and a fall from 2000 in June 1997.

The focus for the division remains to provide spare parts and services to all customers in support of their businesses and to design and manufacture original equipment where opportunities arise. The aim is to return a satisfactory level of profit on the capital employed in the business through improving the efficiency of the division.



Packaging Machinery

The division showed strong growth in the year, with sales up 5% to £42.2m (1998: £40.4m) and profit increasing by 43% to £3.0m (1998: £2.1m). Excluding the sales of Molins (Australia) Pty Ltd, the businesses of which were sold in the year, the sales growth of the division was 9%. Overall, the profit margin of the Packaging Machinery division increased from 5.2% to 7.1%.

During the year Langen and Langenpac built on the development work that had been undertaken in 1998 and both businesses generated significant sales growth in the year, with a larger proportion of repeat machine orders than in 1998. Both businesses have continued to take on development projects, which are in the main funded by customers, and this will provide opportunities for further growth in the medium term. In particular, in the second half of 1999, Langen has been working with a multinational pharmaceutical group on a major turnkey project for delivery in 2000, demonstrating its ability to design and manage large systems integration projects. This will open up good growth opportunities for Langen. Langen and Langenpac both strengthened their management teams during the year and the improvement of the bid and contract management process is also leading to improvements in the performance of the businesses. The customer base continues to represent a good mix of major multinational companies, together with a number of smaller, more specialist businesses.

Sandiacre faced mixed markets in the year. The North American market continued to show growth, and sales into that region grew by some 24% in the year. The UK market remained quite buoyant, but demand in continental Europe was weak, resulting in a fall in overall sales. Sandiacre strengthened its management team in the year, with key appointments in the sales, engineering and manufacturing functions. Customer requirements for innovative and flexible packaging continue to be met by new machine and modular developments. The tetrahedral bag, originally developed for the snack industry, has attracted interest for a wider range of applications. Further development in packaging technology has enabled the business to meet the increasing demand for simple recloseable packs which no longer require mechanical closures like clips and tiewraps. Other developments include the incorporation of plastic valves in bags for dispensing pharmaceutical products and producing bags with a built-in absorbent pad which are suitable for packing products with high moisture content. New machine developments include a twin jaw rotary machine which was launched during the latter part of the year and is expected to generate good sales opportunities during 2000. Customer support and close relationships remain a top priority for Sandiacre and a key differentiator from many of its competitors. An increasing number of customers run their machines 7 days a week, 24 hours per day and rely on Sandiacre's dedicated worldwide service support network to maintain their production efficiencies.

During the year Molins International Technology Centre and Molins Food Machinery were merged into one organisation to form Molins ITC Machinery. This combined operation enables optimal delivery of the commercial opportunities open to the Group through its technological development. ITCM acts as a centre of innovation and expertise for many of the Group's technologies and carries out specific product developments on behalf of Molins' existing businesses as well as external customers. The portfolio of intellectual property to which ITCM has access grows. This has been achieved through new project developments and by renegotiating certain rights with existing customers, giving access for broader utilisation of technologies. During 1999 ITCM has delivered machines for producing pyramid tea-bags with tag and string, a requirement for many parts of the world. The business has also supplied machines into France for the manufacture of Tchae Green Tea round tea-bags and continues to support the manufacture of the PG Tips Pyramid tea-bags, now the number one UK brand. Similar machines were also supplied into South Africa in the year. Other innovations in the year included development of machines for personal hygiene products, cereal packaging and flexible packaging applications.

Peter Byrom Chairman
29 February 2000

Engineering solutions, service and support

Molins engineers and manufactures specialist machinery for a range of complex technical environments. We meet the challenging demands of our customers' markets by engineering innovative solutions and continually improving and streamlining existing processes.

We develop close relationships with our customers aimed at understanding their needs. Through an exchange of knowledge and expertise we provide a range of service and support activities, to help meet the challenges faced by our customers.

Hinge lid packer

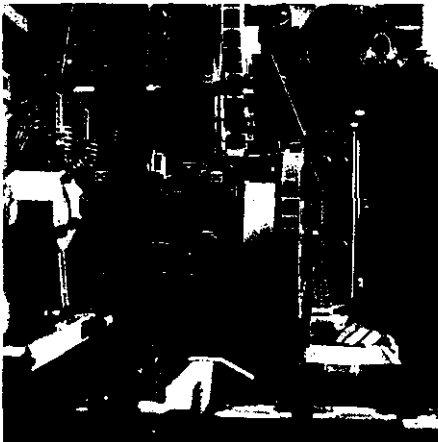
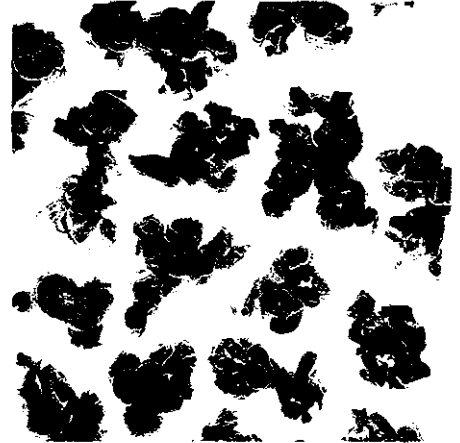
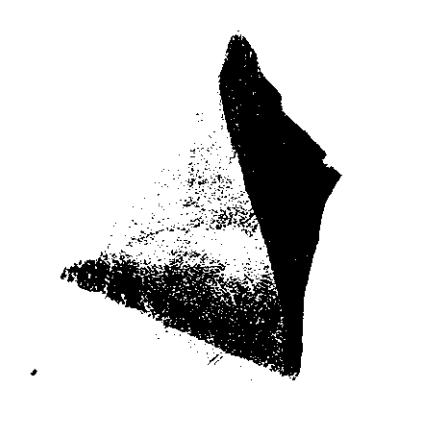
Joint initiative with BAT/Rothmans to develop a new hinge lid packer that hermetically seals the cigarettes within foil, to prevent cigarettes drying out. Developed, shipped and installed within nine months to meet customer's product launch date.

Pyramid tea-bag

Development with Unilever helping PG Tips to maintain its position as the UK's No. 1 brand and to expand export markets. The manufacturing process, developed by ITCM, is particularly cost effective and the concepts are being applied to a range of machines for Unilever tea products.

Microwave popcorn

Vacuum sealed popcorn packaging machine developed by Langen from a concept engineered at ITCM (vacuum packaging for coffee). The machine combines innovative mechanical engineering with complex computer controls, to deliver product into pouches at very high speeds with great accuracy of measurement.



Financial review



David Cowen Group Finance Director

The Group returned to profitability in the year. Restructuring continued and a programme of purchasing own shares was undertaken. With ongoing focus on effective management of working capital, the Group maintains a strong balance sheet.

Operating results

The trading performance of the Group is discussed in the Operating review. In summary, the turnover of the continuing businesses decreased by 21% to £110.6m, with the Tobacco Machinery division decreasing by 32% to £68.4m and the Packaging Machinery division's turnover increasing by 5% to £42.2m.

The operating profit for the year was £3.3m (1998: £9.1m before exceptional charges of £16.0m).

Exceptional items

On 26 August 1999 the Group entered into an agreement with the purchaser of its former business, Langston, which was sold in 1998, to accept early repayment, at a discount, of the subordinated loan note which formed part of the proceeds of sale. At the same time a number of other Langston related assets were realised and various obligations have been discharged. The net result of the amended agreement is a pre-tax charge in 1999 of £0.2m and a tax credit of £2.2m, giving an increase in earnings of £2.0m with an overall cash flow benefit for the Group of £4.5m in the year.

Following a review of its trading activities, the Board decided to dispose of the activities of Molins (Australia) Pty Limited ("Molins Australia"). Agreements were entered into with Cling Investments Pty Limited on 22 September 1999 and Wa's Machinery Pty Limited on 15 September 1999 for those businesses to purchase various business activities, assets and obligations of Molins Australia for amounts of £0.3m and £0.2m respectively.

On 31 December 1999 Molins Australia disposed of its freehold property for a consideration of £0.7m. At 31 December 1999 Molins Australia held various assets and liabilities valued at £1.9m, including £1.8m of cash. The company will be liquidated in 2000. The net effect of these transactions is an exceptional pre-tax charge of £0.1m plus a tax charge of £0.1m, resulting in a decrease in earnings of £0.2m.

The overall impact of the exceptional items is to increase earnings by £1.8m.

Interest and taxation

Net interest income in 1999 was £0.4m (1998: £0.1m).

The 1999 Group taxation credit of £0.8m comprises a charge of £1.3m in respect of profit before exceptional items and a net credit of £2.1m in relation to the exceptional items, as detailed above.

The taxation charge in the year includes withholding taxes of £0.4m on dividends paid by foreign subsidiaries. The effective rate of taxation, including withholding taxes, on profit before exceptional items was 35.1% (1998: 37.0%).

Earnings per share and dividend

Earnings per share in 1999 amounted to 11.8p (1998: 36.2p loss). Earnings per share before exceptional items amounted to 6.6p (1998: 16.3p).

The weighted average number of shares in issue in 1999 was 34,846,109 (1998: 35,572,959) and 32,477,819 (1998: 35,574,864) ordinary shares were in issue at the end of the year.

The Board recommends the payment of a final dividend of 4.0p, which together with the interim dividend of 2.5p makes a total for the year of 6.5p (1998: 8.0p).

Share purchases

During the year the Company purchased 3,097,045 of its own shares, 8.7% of the capital in issue at the beginning of the year, at an average price of 123p and a total cost including fees of £3.8m. The purchases were largely in the second half of the year.

Cash, treasury and funding activities

Group net cash at the end of 1999 amounted to £8.2m (1998: £10.9m). Net cash flow benefited from £4.5m proceeds in relation to the 26 August 1999 Langston agreement and £1.1m proceeds from the sale and closure of the business activities of Molins Australia.

These inflows were offset by a cash outflow of £5.5m in relation to continued restructuring in the Tobacco Machinery division and an outflow of £3.8m in connection with the purchase of own shares. Dividends of £1.5m were paid in the year.

The Group does not trade in financial instruments and enters into derivatives (principally forward foreign exchange contracts) solely for the purpose of eliminating currency exposures on sales or purchases not in the functional currencies of its various operations.

Owing to its net cash position it has virtually no borrowings at fixed interest rates and it does not use foreign currency borrowings to hedge its investments in overseas subsidiaries.

The Group's committed borrowing facilities are shown in note 28 on page 42. Those for the UK were renewed in 1999 to dates in July 2002.

Shareholders' funds

Group shareholders' funds at 31 December 1999 were £68.3m (1998: £70.4m). Profit in the year of £4.2m was offset by dividends of £2.2m and the purchase of own shares of £3.8m. Net assets per ordinary share at 31 December 1999 were 208p (1998: 196p).

Reporting standards

FRS 12 relating to provisions and FRS 13 relating to derivatives and other financial instruments have both been adopted for the year ended 31 December 1999.

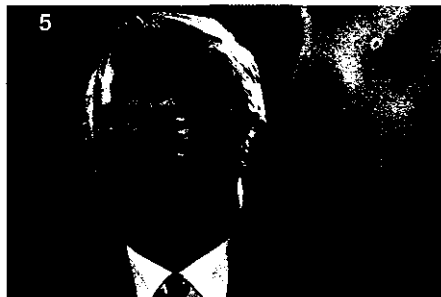
Year 2000

The Group has not experienced any material adverse operational consequences as a result of the year 2000 date change, nor has it been notified of any year 2000 problems with any products supplied by the Group. The work carried out to address year 2000 compliance also included assessing the possibility of non-compliance arising post 1 January 2000 in relation to products supplied by the Group, material management information systems and goods and services from key suppliers. The Group maintains expertise to deal with any such issues that might arise and reports of such issues and concerns will continue to be made to the Board.

Total expenditure, related at least in part to year 2000 compliance, amounted to £1.7m (1998: £1.3m) of which £0.8m (1998: £0.6m) represents capital expenditure.

David Cowen Group Finance Director
29 February 2000

Directors



1 PJ Byrom BSc FCA *
Chairman
Chairman of the Nomination Committee

Peter Byrom joined the Molins Board as a non-executive director and Chairman designate on 4 February 1999 and became Chairman of the Board on 21 April 1999 and Executive Chairman on 9 December 1999. He is also Chairman of Domino Printing Sciences plc and a non-executive director of Peter Black Holdings plc, Rolls-Royce plc and Wilson Bowden plc. Aged 55 years.

2 DJ Cowen BSc(Econ) FCA
Group Finance Director

David Cowen joined the Molins Board as Group Finance Director on 8 February 1999 from Rolls-Royce Motor Cars Ltd where he was Member of the Board, Finance & Systems. He previously held senior financial positions with Vickers PLC. Aged 36 years.

3 AJP Sabberwal MScTech PhD DSc CEng FIMechE FIEE
Chief Executive, Tobacco Machinery

Amar Sabberwal joined the Molins Board as a non-executive director on 4 May 1999 and was appointed Chief Executive of Tobacco Machinery on 9 December 1999. He was an executive director of T&N plc until 1996. Aged 66 years.

4 MJR Saw BA CEng FIEE
Chairman, Tobacco Machinery Asia Pacific

Sam Saw joined Molins as an engineering apprentice in 1961 and has held overseas posts as well as managing a number of the Group's Tobacco Machinery businesses. He was appointed to the Board in February 1995. Aged 55 years.

5 MS Hodgkinson BA ACMA *
Chairman of the Audit and Remuneration Committees

Mike Hodgkinson joined the Molins Board as a non-executive director in August 1994. He is Chief Executive of BAA plc and was formerly Chief Executive of Grand Metropolitan Foods Europe Ltd and Managing Director of Land Rover Ltd. Aged 55 years.

6 DMCE Steen MA(Oxon) FCA

Michael Steen joined the Molins Board on 29 February 2000 as a non-executive director. He was a partner with KPMG until his retirement in 1998 and from 1996 a member of the KPMG Board. He is a director of Old Mutual South Africa Trust plc and a member of the Gaming Board for Great Britain. Aged 55 years.

* Member of the Audit, Remuneration and Nomination Committees

Directors' report

The directors present their report to shareholders together with the audited accounts for the year ended 31 December 1999.

Principal activities

Group companies are engaged principally in the supply of specialist process and packaging machinery for the tobacco and other fast moving consumer goods industries. A review of operations and likely future developments is given on pages 4 to 7 and a financial review appears on pages 10 and 11. Further details of the principal subsidiaries, divisions, branches and associates (including those outside the UK) are shown on page 44.

Results and dividends

The profit for the year after taxation and exceptional items attributable to ordinary shareholders was £4.2m. The directors recommend a final dividend of 4.0p per ordinary share. An interim dividend of 2.5p was paid on 28 October 1999. This makes a total dividend for the year of 6.5p per ordinary share (1998: 8.0p), at a cost of £2.1m. Subject to approval at the Annual General Meeting, the final dividend will be paid on 17 May 2000 to ordinary shareholders registered at the close of business on 14 April 2000. Dividends on the 6% preference shares are paid on 30 June and 31 December in each year. Following the abolition of advance corporation tax, the preference dividend payment increased to £54,000 in 1999 (1998: £37,800). The retained profit of £2.0m is transferred to reserves.

Research and development

Group policy is to retain and enhance its market position through the design and development of complex machinery. To achieve this objective, engineering and product development facilities are maintained in the UK and overseas. Expenditure incurred in 1999, net of third party research income, amounted to £3.8m (1998: £5.8m).

Supplier payment policy

It is the Group's policy to agree payment terms with its suppliers when it enters into purchase contracts. It then seeks to adhere to these arrangements providing it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 December 1999 trade creditors amounted to the equivalent of 51 days (1998: 46 days) purchases in respect of the Company.

Directors

The names of the directors of the Company at the date of this report are shown on page 12. Mr MS Hodgkinson and Mr MJR Saw held office throughout 1999. Mr PJ Byrom, Mr DJ Cowen and Dr AJP Sabberwal were appointed on 4 February 1999, 8 February 1999 and 4 May 1999 respectively. Mr PW Grant resigned on 9 February 2000. Mr Byrom and Dr Sabberwal took on executive responsibilities on 9 December 1999, when Mr PW Grant relinquished his responsibilities as Group Chief Executive. Mr DMCE Steen was appointed on 29 February 2000.

The directors retiring by rotation, in accordance with the articles of association, are Mr Hodgkinson and Mr Saw and both will retire at the Annual General Meeting to be held on 26 April 2000. Both, being eligible, offer themselves for re-appointment. Mr Hodgkinson, as a non-executive director, does not have a service contract. Mr Saw has a service contract which can be terminated on notice of one year, but not before 28 February 2002.

Dr Sabberwal and Mr Steen, having been appointed since the last Annual General Meeting, will retire at the Annual General Meeting in accordance with article 83 of the articles of association. Dr Sabberwal has a service contract which can be terminated on notice of one year. Mr Steen, as a non-executive director, does not have a service contract.

Directors' interests

Directors' interests in the Company's shares are shown on page 17 in the Remuneration report.

Directors' report

Substantial shareholdings

As at 23 February 2000, the Company has been advised that the following shareholders had a notifiable interest in the issued ordinary share capital of the Company:

	Number of ordinary shares	% of issued ordinary shares
Schroders (Schroder Investment Management Limited, Schroder Capital Management International Inc., Schroder Unit Trusts Limited)	5,482,051	16.99%
Prudential Group of companies	3,632,103	11.26%
Fidelity International Limited	3,494,500	10.83%
Britannic Assurance PLC	1,796,700	5.57%
Japan Tobacco Inc.	1,350,000	4.19%
Marubeni Corporation	1,225,000	3.80%
Britannic Assurance Staff Pension Scheme	1,083,300	3.36%
British Coal Staff Superannuation Scheme	973,579	3.02%

Environmental policy

The Group is committed not only to compliance with environmental legislation but also to the progressive introduction of appropriate measures to limit the adverse effects of its operations upon the environment. In particular, reasonable efforts are made to minimise waste arising from operations, to recycle materials wherever possible and to consider alternative methods of design or operation. The Group aims both to reduce its costs by these means and to promote good practice in use of resources at sustainable levels.

Share capital

Authority for the Company to purchase its own shares was granted at the Annual General Meeting held on 21 April 1999 and at the extraordinary general meeting held on 8 December 1999. At the date of this report, and until the Annual General Meeting on 26 April 2000, the Board has authority to purchase a further 3,027,781 shares pursuant to the resolution passed on 8 December 1999.

In order to maintain flexibility, the directors consider it appropriate to seek further authority from the shareholders at the Annual General Meeting for the Company to purchase its own shares. Resolution 9 will, therefore, be proposed as a special resolution, enabling the Company to purchase for cancellation ordinary shares in the market for a period of 12 months from

the date of the meeting, upon the terms set out in the resolution, up to a maximum number of 4,838,671 ordinary shares representing approximately 15% of the issued ordinary share capital at the date of the notice convening the Annual General Meeting.

In reaching a decision to purchase ordinary shares, your directors will take account of the Company's cash resources and capital, the general effect of such purchase on the Company's business and the effect on preference shareholders' rights. The authority would only be exercised by the directors if they considered it to be in the best interests of the shareholders generally and if the purchase could be expected to result in an increase in earnings per ordinary share.

Information about the Company's share capital, including changes during the year, is given in note 21 to the accounts.

Employment policies

The Group is committed to developing its employment policies in line with best practice and providing equal opportunities for all, irrespective of sex, marital status, ethnic origin, religion or disability. Full and fair consideration is given to applications for employment from people with disabilities having regard to their aptitudes and abilities. Every effort is made to support those who become disabled, either in the same job or, if this is not practicable, in suitable alternative work.

Employee involvement

Emphasis is placed on training, effective communication and the involvement of employees in the development of the business. Information is regularly provided on the progress of the Group through local review meetings, briefings and consultative bodies. Involvement in the achievements of the business is encouraged through locally based performance related bonus schemes.

Donations

During the year the Company made donations to UK charitable organisations of £2,000 (1998: £5,000).

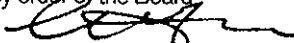
Annual General Meeting

The Annual General Meeting will take place on 26 April 2000. Notice of the meeting can be found on page 46.

Auditor

The auditor, KPMG Audit Plc, is willing to continue in office and a resolution concerning its re-appointment and remuneration will be submitted to the Annual General Meeting to be held on 26 April 2000.

By order of the Board


CJ Horton Secretary
29 February 2000

Remuneration report

Until 9 December 1999, the Remuneration Committee consisted of the non-executive directors and determined the salary and other benefits of the executive directors and certain other senior executives.

Since 9 December 1999 the Committee has comprised Mr MS Hodgkinson (Chairman) and Mr PJ Byrom and its remit is to consider and make recommendations on these matters, for decision by the Board. In forming remuneration policy the Committee and the Board have given full consideration to the provisions of the Combined Code and the reports of the various committees which led to the preparation of the Code. The following paragraphs show how the Group's remuneration policy is reflected in the package offered to each executive director.

Policy on remuneration of executive directors

1 Remuneration packages

The Remuneration Committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre. The Committee also seeks to recognise and reward performance in achieving growth annually and in the long term.

The main components of the package for each executive director are:

i Basic salary

Basic salary is determined by taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in companies of comparable size in a range of engineering and other manufacturing industries.

ii Incentive scheme

The Chairman and the executive directors participate each year in a scheme which provides for payments according to targets set annually by the Board in relation to earnings per share, up to a maximum of 40% of relevant salaries.

iii Share options

Options are held by executive directors under executive share option and savings-related share option schemes, further details of which are included later in this report. Grants of executive share options have been, so far as practicable, phased over the life of the schemes. Up to mid 1998 successive grants have been made to individual directors. The executive share option scheme provides, as a condition of exercise, that growth in the Group's earnings per share must be greater than the increase in RPI over a period of three consecutive years. There are no specific performance criteria for the exercise of options under the savings-related scheme.

iv Long Term Incentive Plan (LTIP)

The plan, which was detailed in the Chairman's letter to shareholders dated 25 March 1999 and approved by shareholders at the Annual General Meeting held on 21 April 1999, is intended to offer an effective incentive in line with current practice to executive directors and certain other key senior managers. Participants in the LTIP are not eligible for awards or grants under both the executive share option scheme and the LTIP in the same year. The plan provides, as a condition of exercise, that the Group's total shareholder return over a three year period exceeds targets compared with certain other listed engineering companies. Individual long term incentive arrangements following the same rules (except as to eligibility) as the plan approved on 21 April 1999 were put in place on 29 February 2000 for Mr PJ Byrom and Dr AJP Sabberwal. This followed the Board's request that they assume executive responsibilities and in such unusual circumstances the Board considered the arrangements to be appropriate. The award under each of these arrangements is limited to 120,000 shares in any year. The trustee of the LTIP has agreed to waive all dividends in relation to shares in the Company held in the trust.

2 Contracts of service

The service contracts of the executive directors, other than Mr MJR Saw, are terminable on notice of one year given by either party. In the case of Mr Saw, whose service as a director commenced before the Board established a policy of a one year notice period, the contract provides for termination on one year's notice, but not before 28 February 2002.

The purpose of this policy is that the contracts should provide reasonable and appropriate security to the directors concerned and to the Company. The policy has been considered by the Remuneration Committee and is reviewed regularly.

3 Pensions

Molins' policy is to offer its executive directors membership of the Molins Senior Management Pension Scheme, which is a funded, Inland Revenue approved, contributory, final salary, occupational pension scheme. The scheme covers other senior UK executives as well as the executive directors. Its main features as they affect executive directors are:

- i a normal pensionable age of 60;
- ii pension at normal pensionable age of two thirds of final pensionable salary, subject to completion of 20 years service;
- iii life assurance cover of four times pensionable salary;
- iv pension payable in the event of ill health; and
- v spouse's pension on death.

Pensionable salary is the member's basic salary. Executive directors joining the Company on or after 1 June 1989 may be subject to the earnings cap introduced by the Finance Act 1989, limiting the calculation of remuneration for the purposes of pensions and death benefits under approved schemes

to a level of, at present, £90,600. Where this is the case, the Company has agreed to increase pension and death benefits through the establishment of funded unapproved retirement benefits schemes and top up life assurance.

Chairman
The remuneration of the Chairman is determined by the Board (but with the Chairman abstaining from voting).

Non-executive directors
The fees of non-executive directors are determined by the Board (but with the non-executive directors themselves abstaining from voting) based on comparable market levels.

Directors' emoluments		Salary	Fees	Incentive	Other	Benefits		
		1999	1999	scheme	payments	in kind	1999	1998
		£000	£000	£000	£000	£000	£000	£000
					c	b		
Chairman								
PJ Byrom – appointed 4.2.99	a	–	76	–	–	–	76	–
JC Orr – resigned 21.4.99	a	–	20	–	15	–	35	65
Executive directors								
DJ Cowen – appointed 8.2.99	a	102	–	–	7	73	182	–
PW Grant – resigned 9.2.00	d	171	–	–	30	12	213	209
AJP Sabberwal – appointed 4.5.99	a	–	13	–	22	–	35	–
MJR Saw		129	–	–	–	10	139	144
Non-executive directors								
Sir Lindsay Bryson – resigned 21.4.99	a	–	5	–	–	–	5	16
MS Hodgkinson		–	18	–	–	–	18	16
J Parnaby – resigned 21.4.99	a	–	5	–	21	–	26	29
Former directors		–	–	–	–	–	–	326

Notes

a In the cases of Mr Byrom, Mr Orr, Mr Cowen, Sir Lindsay Bryson, Dr Parnaby and Dr Sabberwal the figures represent emoluments earned during the parts of the year in which they were directors. Mr Byrom became Chairman on Mr Orr's resignation on 21 April 1999.

b The benefits in kind comprise mainly the provision of a company car, fuel benefit and private medical cover and in the case of Mr Grant and Mr Cowen life assurance premiums relating to salary above the current cap limit. Dr Sabberwal and non-executive directors are not entitled to pension benefits. Mr DJ Cowen and Mr MJR Saw are members of the Molins Senior Management Pension Scheme. Included in Mr Cowen's emoluments are relocation costs amounting to £61,528.

c Mr Grant's and Mr Cowen's emoluments include a pensions related payment in lieu of their full contractual entitlement of payments into their funded unapproved retirement benefit scheme (FURBS) (see page 17). Included in Dr Sabberwal's emoluments are fees totalling £21,600 for consultancy services undertaken by Dr Sabberwal. Dr Parnaby received fees for consultancy services of £21,221 (1998: £21,000) which were paid to BPSE Limited, a company of which Dr Parnaby is a director. An ex-gratia payment of £15,000 was made to Mr JC Orr following his resignation.

d The Company's maximum liability to Mr Grant following the giving of notice to terminate his contract is estimated at £286,473 and an appropriate provision has been made in the balance sheet as at 31 December 1999. This comprises payment of salary to a maximum of £167,193 and payments in lieu of FURBS obligations of £106,517, payment of legal and other professional fees of £12,000 and continuation of life assurance and private medical cover to 15 December 2000 valued at £763. He will continue to be employed as a consultant to the Company until 15 December 2000, at the latest, for which he will receive a salary included in the maximum shown above.

In addition to the foregoing information the following tables provide details, as required by Schedule 6 to the Companies Act 1985, of the aggregate amount of directors' emoluments.

Aggregate emoluments of the directors were:

	1999 £000	1998 £000
Fees	137	110
Salaries	402	370
Benefits in kind	95	33
Other payments	95	42
Total emoluments	729	555
Compensation for loss of office	-	221
Performance related element	-	29
	729	805

Directors' pensions information

The following table relates to the benefits of executive directors under the Molins Senior Management Pension Scheme.

	Increase in accrued pension during the period £pa	Transfer value of increase £	Accumulated total accrued pension at period end £pa
DJ Cowen	2,050	12,800	2,050
PW Grant	3,040	28,100	26,270
MJR Saw	2,780	38,900	81,430

The accrued pension at the end of the period for Mr PW Grant (but not the increase in accrued pension) includes the benefit granted in respect of a transfer payment received from a former employer's pension scheme.

The above disclosures relate to defined pension arrangements for the executive directors. In addition, sums of £60,433 (1998: £19,415) for Mr Grant and £5,763 (1998: £nil) for Mr Cowen were contributed to their funded unapproved retirement benefit schemes.

Notes

The increase in accrued pension during the year excludes any increase for price inflation.

The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less each director's contributions over the year.

Members of the Scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

Directors' interests in shares

The beneficial interests of directors holding office at 31 December 1999 and their families in the ordinary shares of the Company (excluding share options) were as follows:

	Held 31 December 1999	Held 1 January 1999
Shares		
PJ Byrom	100,600	-
DJ Cowen	10,000	-
PW Grant	6,274	6,274
MS Hodgkinson	2,000	2,000
AJP Sabberwal	20,000	-
MJR Saw	36,020	36,020

Notes

There were no changes in the above interests of the present directors between 31 December 1999 and 23 February 2000.

No director holds or held at any time during the year a beneficial interest in any of the Company's preference shares.

Directors' share options

Details of share options, including Save As You Earn options, for each director who held office during 1999 are as follows:

		Held 1 January 99	Granted in year	Exercised in year	Lapsed in year	Held 31 December 99	Option price	Date from when exercisable	Expiry date
DJ Cowen									
	a	-	1,219	-	-	1,219	89p	4.01.2003	3.07.2003
PW Grant									
	c								
	b	25,000	-	-	-	25,000	904p	2.04.1999	1.04.2006
	a	864	-	-	-	864	702p	2.12.2001	1.06.2002
	b	10,000	-	-	-	10,000	895p	4.12.1999	3.12.2006
	a	1,084	-	-	-	1,084	210p	3.08.2003	2.02.2004
	b	40,000	-	-	-	40,000	196p	2.07.2001	1.07.2008
	a	-	1,896	-	-	1,896	89p	4.01.2005	3.07.2005
		76,948	1,896	-	-	78,844			
MJR Saw									
	b	12,000	-	-	-	12,000	570p	26.04.1998	25.04.2005
	a	15,000	-	-	-	15,000	895p	4.12.1999	3.12.2006
	a	1,577	-	-	-	1,577	210p	3.08.2003	2.02.2004
	b	40,000	-	-	-	40,000	196p	2.07.2001	1.07.2008
	a	-	2,806	-	-	2,806	89p	4.01.2005	3.07.2005
		68,577	2,806	-	-	71,383			

Notes

There were no changes in the above options held by the present directors between 31 December 1999 and 23 February 2000.

No other directors held options in respect of the Company's shares during the year.

The executive share option scheme provides, as a condition of exercise, that growth in the Group's earnings per share must be greater than the increase in RPI over a period of three consecutive years.

a Options under savings-related share option scheme

b Options under executive option scheme

c Mr Grant's options will lapse on the conclusion of his consultancy agreement.

Long Term Incentive Plan

Details of conditional grants under the Company's Long Term Incentive Plan, which was approved by shareholders on 21 April 1999, for each director who held office during 1999 were as follows:

		Held 1 January 1999	Grant on 26.04.99 Mid market Price 130p	Held 31.12.99
DJ Cowen		-	47,247	47,247
PW Grant	d	-	88,575	88,575
MJR Saw		-	52,999	52,999

Notes

There were no changes in the above conditional grants held for the present directors between 31 December 1999 and 23 February 2000.

No other conditional grants in respect of the Company's shares were made during the year.

The Long Term Incentive Plan provides, as a condition of exercise, that the Group's total shareholder return over a three year period exceeds targets compared with certain other listed engineering companies.

d Mr Grant's conditional grant will lapse on the conclusion of his consultancy agreement.

The market price of Molins PLC ordinary shares at 31 December 1999 was 122.5p and the range during the year was 100p to 155p.

By order of the Board


CJ Horton Secretary
29 February 2000

Corporate governance

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going concern

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 accounts.

Statement of compliance

The directors consider that the Company complied throughout 1999 with all of the provisions of section 1 of the Combined Code published in June 1998 by the Committee on Corporate Governance, except in relation to:

Section A.3.1 as non-executive directors comprised less than one third of the Board following the management changes on 9 December referred to on page 13 until the appointment of Mr DMCE Steen on 29 February 2000.

Section B.2.2 the composition of the Remuneration Committee, which currently comprises Mr MS Hodgkinson (Chairman) and Mr PJ Byrom.

Section D.2.1 the directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal financial controls in accordance with the ICAEW's *Internal Controls and Financial Reporting*. The directors confirm that they have established procedures necessary to implement the Turnbull guidance such that they can fully comply with it for the accounting period ending 31 December 2000.

The Board

The Board meets regularly throughout the year and is responsible for overall Group strategy, for approving revenue and capital budgets and plans, for approving acquisitions and disposals of businesses, subsidiaries or material assets, for determining the financial and corporate structure of the Group, including financing and dividend policy and for ensuring appropriate training of directors and other senior managers. The Board regularly reviews financial information and the work of the Audit Committee as described below.

The director recognised as the senior independent director for the purposes of the Combined Code is Mr MS Hodgkinson.

In furtherance of the principles of good corporate governance, the Board has appointed the following committees, each with formal terms of reference. The current membership of the committees is shown on page 12.

Audit Committee

The Committee is chaired by Mr MS Hodgkinson and normally meets twice per year, with the Group Finance Director and representatives of the auditors in attendance as required. The Committee assists the Board in the discharge of its duties concerning the announcements of results, the annual report and accounts and the maintenance of proper internal controls. It reviews the scope and planning of the audit and the auditors' findings and considers Group accounting policies and the compliance of those policies with applicable legal and accounting standards. It is intended that Mr DMCE Steen will become Chairman of the Committee on 6 March 2000.

Remuneration Committee

The Remuneration Committee was chaired by Sir Lindsay Bryson until his resignation on 21 April 1999 when he was succeeded by Mr PJ Byrom. Mr Byrom was Chairman until 9 December 1999 when he was succeeded by Mr MS Hodgkinson. The Committee meets on a regular basis, usually twice a year, and additionally whenever required. It makes recommendations on the remuneration and other benefits of the executive directors and certain other senior executives. The Remuneration report is set out on pages 15 to 18. It is intended that Mr DMCE Steen will become a member of the Committee on 6 March 2000.

Nomination Committee

The Chairman of the Nomination Committee was Mr JC Orr until his resignation on 21 April 1999 and it is now chaired by Mr PJ Byrom. The Committee is responsible for formulating and reviewing proposals for the appointment of directors and making recommendations thereon to the Board. It is intended that Mr DMCE Steen will become a member of the Committee on 6 March 2000.

Relationships with shareholders

The Board recognises the importance of maintaining regular dialogue with institutional shareholders to ensure that its strategy is communicated and any concerns can be addressed.

All shareholders have the opportunity to attend the Annual General Meeting where the Group's operations can be discussed with the directors.

Internal controls

The Board of directors is responsible for the Group's system of internal controls and has established a framework of financial and other controls which is periodically reviewed for its effectiveness.

The Board has taken and will continue to take appropriate measures to ensure that the chances of financial irregularities occurring are reduced as far as possible by improving the quality of information at all levels in the Group, fostering an open environment and ensuring that financial analysis is rigorously applied. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The major elements of the system of internal control are as follows:

- An organisational structure has been established with clearly defined lines of responsibility and delegation of authority to executive management.
- There is a comprehensive system for planning, budgeting, reporting and monitoring the performance of the Group's operating units. Monthly results are reported against budget and prior year and forecasts for the current financial year are regularly revised in the light of prevailing conditions.
- Each operating unit is required to comply with defined policies, financial controls and procedures and authorisation levels are clearly defined and communicated.
- Selected internal control reviews and specific investigations are carried out by Group staff and followed up by executive management.
- A comprehensive programme has been developed for senior management to identify and analyse material risks faced by the businesses and to assess existing and potential risk control measures and processes.

The Board has reviewed the effectiveness of the system of internal financial controls during the year ended 31 December 1999 and intends to review controls annually and more frequently if the need arises, having ensured that appropriate control mechanisms and review processes are in place.

By order of the Board


CJ Horton Secretary
29 February 2000

Auditor's report on the financial statements

To the members of Molins PLC

We have audited the financial statements on pages 22 to 43.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 19 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act.

We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 19 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not.

We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

London
Chartered Accountants
Registered Auditor
29 February 2000

KPMG Audit Plc

Group profit and loss account

For the year ended 31 December	Notes	1999 Before exceptional items £m	1999 Exceptional items (note 4) £m	1999 Total £m	1998 Before exceptional items £m	1998 Exceptional items (note 4) £m	1998 Total £m
Turnover							
– Continuing operations	1	110.6	–	110.6	140.6	–	140.6
– Discontinued operations		–	–	–	29.6	–	29.6
Total turnover	2	110.6	–	110.6	170.2	–	170.2
Cost of sales		(85.1)	–	(85.1)	(127.9)	(12.6)	(140.5)
Gross profit		25.5	–	25.5	42.3	(12.6)	29.7
Net operating expenses	3	(22.2)	–	(22.2)	(33.2)	(3.4)	(36.6)
Operating profit/(loss)							
– Continuing operations		3.3	–	3.3	8.5	(16.0)	(7.5)
– Discontinued operations		–	–	–	0.6	–	0.6
Total operating profit/(loss)	1,3	3.3	–	3.3	9.1	(16.0)	(6.9)
(Loss)/profit on sale/closure of businesses		–	(0.3)	(0.3)	–	0.2	0.2
Net interest receivable	7	0.4	–	0.4	0.1	–	0.1
Profit/(loss) on ordinary activities before taxation		3.7	(0.3)	3.4	9.2	(15.8)	(6.6)
Taxation	9	(1.3)	2.1	0.8	(3.4)	(2.9)	(6.3)
Profit/(loss) for the financial year		2.4	1.8	4.2	5.8	(18.7)	(12.9)
Dividends (including non-equity)		(2.2)	–	(2.2)	(2.9)	–	(2.9)
Retained profit/(loss) for the year	22	0.2	1.8	2.0	2.9	(18.7)	(15.8)
Basic and fully diluted earnings/(loss) per ordinary share	11	6.6p	5.2p	11.8p	16.3p	(52.5)p	(36.2)p

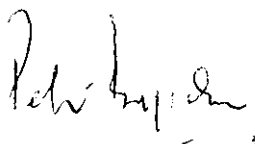
The discontinued operations relate to the sale of the Langston businesses on 10 July 1998. There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheets

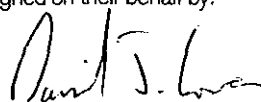
As at 31 December	Notes	Group		Company	
		1999 £m	1998 £m	1999 £m	1998 £m
Fixed assets					
Tangible assets	12	26.9	29.4	20.2	21.4
Investments	13	2.1	1.9	46.7	46.3
		29.0	31.3	66.9	67.7
Current assets					
Stocks	14	30.8	38.1	17.2	22.3
Debtors – due within one year	15	28.5	36.9	25.6	27.9
Debtors – due after more than one year	15	16.7	18.8	14.0	12.3
Cash at bank and in hand	28	9.8	13.7	4.7	7.1
		85.8	107.5	61.5	69.6
Creditors – amounts falling due within one year					
Borrowings	16, 28	(1.2)	(2.4)	(1.0)	(1.0)
Other creditors	17	(37.6)	(53.1)	(55.4)	(67.6)
Proposed dividend		(1.3)	(0.5)	(1.3)	(0.5)
		(40.1)	(56.0)	(57.7)	(69.1)
Net current assets		45.7	51.5	3.8	0.5
Total assets less current liabilities		74.7	82.8	70.7	68.2
Creditors – amounts falling due after more than one year					
Borrowings	16, 28	(0.4)	(0.4)	–	–
Other creditors	18	(0.2)	(0.3)	–	(0.1)
		(0.6)	(0.7)	–	(0.1)
Provisions for liabilities and charges	20	(5.8)	(11.5)	(4.7)	(11.0)
Net assets		68.3	70.6	66.0	57.1
Capital and reserves					
Called up share capital	21	9.0	9.8	9.0	9.8
Share premium account	22	25.6	25.6	25.6	25.6
Capital redemption reserve	22	0.8	–	0.8	–
Revaluation reserve	22	7.3	17.7	6.0	6.0
Profit and loss account	22	25.6	17.3	24.6	15.7
Shareholders' funds (including non-equity interests)	23	68.3	70.4	66.0	57.1
Minority interests	24	–	0.2	–	–
		68.3	70.6	66.0	57.1

The accounts were approved by the Directors on 29 February 2000 and signed on their behalf by:

PJ Byrom Director



DJ Cowen Director



Group cash flow statement

For the year ended 31 December	Notes	1999 £m	1998 £m
Net cash (outflow)/inflow from operating activities	25	(0.9)	5.6
Returns on investments and servicing of finance	26	0.4	(0.2)
Taxation	26	0.3	(6.0)
Capital expenditure (net)	26	(1.4)	0.3
Acquisitions and disposals	26	3.8	24.1
Equity dividends paid		(1.5)	(5.4)
Net cash inflow before management of liquid resources and financing		0.7	18.4
Management of liquid resources	26	3.7	(4.6)
Financing	26	(3.9)	(14.5)
Increase/(decrease) in cash in the period		0.5	(0.7)

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

For the year ended 31 December	Notes	1999 £m	1998 £m
Increase/(decrease) in cash in the period		0.5	(0.7)
Cash (inflow)/outflow from movement in liquid resources		(3.7)	4.6
Cash outflow from decrease in debt and lease financing		0.1	14.6
Change in net funds/(debt) resulting from cash flows	27	(3.1)	18.5
Translation difference	27	0.4	(0.3)
Movement in net funds/(debt) in the period		(2.7)	18.2
Net funds/(debt) at 1 January		10.9	(7.3)
Net funds at 31 December	27	8.2	10.9

Statement of total group recognised gains and losses

For the year ended 31 December

	1999 £m	1998 £m
Profit/(loss) for the year	4.2	(12.9)
Currency translation differences arising on foreign currency net investments	(0.3)	–
Unrealised surplus on revaluation of properties	–	1.4
Total recognised gains/(losses) for the year	3.9	(11.5)

Reconciliation of movements in shareholders' funds

	Notes	Group		Company	
		1999 £m	1998 £m	1999 £m	1998 £m
As at 31 December					
Profit/(loss) for the year		4.2	(12.9)	14.9	(8.5)
Dividends		(2.2)	(2.9)	(2.2)	(2.9)
Retained profit/(loss) for the year		2.0	(15.8)	12.7	(11.4)
Property revaluation		–	1.4	–	0.8
Goodwill adjustment on sale of Langston		–	1.9	–	–
Currency translation differences arising on foreign currency net investments		(0.3)	–	–	–
New share capital		–	0.1	–	0.1
Purchase of own shares		(3.8)	–	(3.8)	–
Net increase/(reduction) to shareholders' funds		(2.1)	(12.4)	8.9	(10.5)
Opening shareholders' funds		70.4	82.8	57.1	67.6
Closing shareholders' funds	23	68.3	70.4	66.0	57.1

Accounting policies

Accounting conventions

The Group accounts have been prepared in accordance with applicable accounting and financial reporting standards and under the historical cost convention, modified by the revaluation of certain fixed assets.

Consolidation principles

The Group accounts comprise the consolidated results of the parent company and all its subsidiary and associated undertakings. A separate profit and loss account dealing with the results of the Company only has not been presented.

Foreign exchange

Profits and losses of overseas subsidiaries are translated into sterling at the average exchange rates ruling during the year.

Foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date unless matched by forward contracts. Exchange differences arising on the retranslation of the opening net assets are taken direct to reserves. All other exchange differences are taken to the profit and loss account.

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction, except where forward foreign currency contracts cover the transactions, in which case the forward contract exchange rates are used.

Goodwill

Goodwill arising on consolidation (representing the excess of fair value of the consideration given over the fair value of the identifiable net assets acquired) has been eliminated against reserves for acquisitions prior to 1 January 1998. For future acquisitions goodwill will be capitalised and amortised over its useful life.

Fixed assets and depreciation

Tangible fixed assets are included at cost or valuation. Depreciation is calculated by writing off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives.

The annual rates generally used are:

Freehold land is not depreciated.

Freehold buildings – 3% on valuation or cost.

Leasehold buildings over life of lease.

Plant and machinery – 8% to 25%.

Fixtures and fittings including software – 10% to 33.3%.

Motor vehicles – 30%.

The directors regularly consider the carrying value of fixed assets for impairment. Any reduction in value arising from the impairment of fixed assets is charged to the profit and loss account for the year.

Leased assets

Assets acquired under finance leases are included in tangible fixed assets and are depreciated evenly over the shorter of the lease term and their expected useful life. The capital element of future rentals is treated as a liability and the interest element of rental payments is charged against profits over the period of the lease in proportion to the balance outstanding. Rental costs on operating leases are charged against profit evenly over their duration.

Stocks

Stocks and contracts in progress are valued at the lower of cost, including appropriate overheads, and net realisable value. Provisions are made against excess and obsolete inventories.

Turnover

Turnover is the amount receivable for goods and services supplied to customers, net of discounts and value added tax.

Research and development

Expenditure on research and development is charged against profits as incurred unless specifically chargeable to and recoverable from customers under agreed contract terms.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pensions and other post-retirement benefits

The expected costs of providing pensions and other post-retirement benefits are charged to the profit and loss account over the employees' service lives based on rates determined by independent actuaries.

Associated undertakings and joint ventures

Undertakings other than subsidiary undertakings, in which the Group has an investment and over which it exerts significant influence, are treated as associated undertakings. The Group's share of profits and other recognised gains and losses of the associated undertakings are included in the Group's profit and loss account and statement of total recognised gains and losses.

Notes to the accounts

1 Segmental analysis	1999 Turnover £m	1998 Turnover £m	1999 Operating profit/(loss) £m	1998 Operating profit/(loss) £m	1999 Net assets £m	1998 Net assets £m
By activity:						
Tobacco Machinery	68.4	100.2	0.3	6.4	44.4	46.5
Packaging Machinery	42.2	40.4	3.0	2.1	15.7	13.2
	110.6	140.6	3.3	8.5	60.1	59.7
Discontinued operations	-	29.6	-	0.6	-	-
	110.6	170.2	3.3	9.1	60.1	59.7
By geographical location of origin:						
United Kingdom	56.4	89.3	(0.6)	3.8	46.6	43.1
North America	38.3	61.6	3.6	3.8	12.0	12.6
Rest of the world	15.9	19.3	0.3	1.5	1.5	4.0
	110.6	170.2	3.3	9.1	60.1	59.7
Exceptional item – Tobacco Machinery restructuring			-	(16.0)		
Operating profit/(loss)			3.3	(6.9)		
Net cash					8.2	10.9
Net assets					68.3	70.6

2 Turnover	1999 £m	1999 %	1998 £m	1998 %
By geographical destination of goods:				
United Kingdom	18.6	17	17.8	10
Continental Europe	18.1	16	21.4	13
North America	41.2	37	70.5	41
Asia	17.4	16	36.8	22
Rest of the world	15.3	14	23.7	14
	110.6	100	170.2	100

3 Operating profit/(loss)	1999 Before exceptional items £m	1999 Exceptional items (note 4) £m	1999 Total £m	1998 Before exceptional items £m	1998 Exceptional items (note 4) £m	1998 Total £m
Turnover	110.6	–	110.6	170.2	–	170.2
Cost of sales						
Continuing operations	(85.1)	–	(85.1)	(103.1)	(12.6)	(115.7)
Discontinued operations	–	–	–	(24.8)	–	(24.8)
Total	(85.1)	–	(85.1)	(127.9)	(12.6)	(140.5)
Gross profit						
Continuing operations	25.5	–	25.5	37.5	(12.6)	24.9
Discontinued operations	–	–	–	4.8	–	4.8
Total	25.5	–	25.5	42.3	(12.6)	29.7
Distribution costs						
Continuing operations	(5.9)	–	(5.9)	(10.7)	–	(10.7)
Discontinued operations	–	–	–	(2.4)	–	(2.4)
Total	(5.9)	–	(5.9)	(13.1)	–	(13.1)
Administration costs						
Continuing operations	(16.3)	–	(16.3)	(18.3)	(3.4)	(21.7)
Discontinued operations	–	–	–	(1.8)	–	(1.8)
Total	(16.3)	–	(16.3)	(20.1)	(3.4)	(23.5)
Operating profit/(loss)	3.3	–	3.3	9.1	(16.0)	(6.9)

Cost of sales includes all direct manufacturing costs and related overheads including depreciation, together with research and development costs recovered in sales. Research and development costs borne by the Group amounted to £3.8m (1998 excluding the Langston businesses: £5.8m). Distribution costs include selling costs.

	1999 £m	1998 £m
Operating profit/(loss) is arrived at after charging:		
Depreciation of owned assets	3.2	5.4
Depreciation of assets held under finance leases	0.1	0.4
Operating leases:		
– hire of plant and machinery	0.1	0.2
– other	0.9	0.6
Remuneration of the auditor and its associates:		
– audit services (the Company £0.1m; 1998: £0.2m)	0.2	0.3
– non-audit services (the Company £0.2m; 1998: £0.1m)	0.3	0.3

In addition to the above, non-audit fees payable to the Group's auditor and its associates in respect of capital transactions amounted to £nil (1998: £0.4m).

4 Exceptional items	1999 Exceptional items £m	1999 Taxation £m	1999 Net £m	1998 Exceptional items £m	1998 Taxation £m	1998 Net £m
Restructuring of Tobacco Machinery division	-	-	-	(16.0)	0.4	(15.6)
Sale of Langston businesses (discontinued operation)	(0.2)	2.2	2.0	0.2	(3.3)	(3.1)
Closure of Australian operations	(0.1)	(0.1)	(0.2)	-	-	-
	(0.3)	2.1	1.8	(15.8)	(2.9)	(18.7)

5 Employee information

The average numbers of persons employed by the Group were:

	1999	1998
Tobacco Machinery	921	1,353
Packaging Machinery	417	420
Discontinued operations	-	255
	1,338	2,028

£m £m

Employment costs were:

	1999	1998
Wages and salaries	30.1	46.9
Social security costs	3.2	5.3
Pension credit (note 8)	(1.8)	(0.9)
	31.5	51.3

£m £m

6 Emoluments of directors and interests in shares

Information on the emoluments of the directors, together with information regarding the beneficial interests of the directors and their families in the ordinary shares of the Company, is included in the Remuneration report on pages 15 to 18.

7 Interest receivable/(payable)

£m £m

Receivable:

Cash and other short-term investments	0.6	0.7
Other interest receivable	0.2	0.3
	0.8	1.0

Payable:

Amounts payable on bank loans and overdrafts	(0.3)	(0.7)
Amounts payable on other loans	(0.1)	(0.2)
	(0.4)	(0.9)

Net interest receivable	0.4	0.1
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8 Pensions and other post-retirement benefits

The Group operates pension schemes covering the majority of employees. The schemes are funded by contributions partly from the employees and partly from the companies at rates determined by independent actuaries.

UK pension schemes

The Group operates two principal pension schemes in the UK, the trustees of which are independent. Both are defined benefit schemes, the assets of which are held separately from those of the Company and are funded by means of contributions paid by members and the Company (as necessary) in order to ensure that the schemes can meet their expected benefit obligations. The funding policy is to ensure that the assets held by the schemes in the future are adequate to meet accrued liabilities allowing for future increases in pay and pensions. None of the assets of the schemes are invested in the Company except for an interest in the cumulative preference shares of the Company which have an estimated current market value of £0.3m.

The most recent formal valuations of the Fund and Scheme were carried out as at 30 June 1997 by independent actuaries using the projected unit method. The market value of the two Schemes' assets and funding levels at that date were as follows:

	Market value £m	Funding level %
Molins UK Pension Fund (the Fund)	263	132
Molins Senior Management Pension Scheme (the Scheme)	40	109

The valuation results were updated to 31 December 1997 by the actuaries on an approximate basis to show a combined surplus of £53.1m. In respect of the Scheme, following discussions between the Company and the Trustees, it was agreed that the surplus was sufficient to allow the Company to contribute at a much reduced level, subject to future actuarial reviews. In respect of the Fund, following discussions between the Company and the Trustees, it was agreed that the Company would continue not to make employer's contributions, subject to future actuarial reviews.

The principal actuarial assumptions used in deriving the UK pension credit for 1999 were an investment return of 8.25% per annum, pensionable pay increases of 6.5% per annum, pension increases of 4.0% per annum and, when considering the equity element of the assets, dividend growth of 4.25% per annum. The actuarial surpluses are being spread over the average expected future working lifetimes of current employees as a percentage of pensionable pay.

US pension schemes

In the US, the Group has two non-contributory schemes offering defined benefits to members. For the purposes of determining the surplus or deficit funding, formal independent actuarial valuations were carried out as at 1 January 1999 using the projected unit credit method. Resulting from these valuations the profit before tax includes a pension credit of £0.4m (1998: £0.3m) which is net of a normal pension cost of £0.2m (1998: £0.4m).

	1999 £m	1998 £m
Analysis of the net pension credit included in the Group's profit and loss account		
United Kingdom Fund and Scheme:		
Normal pension cost	(2.8)	(3.3)
Amortisation of the surplus	3.3	3.1
Interest element on balance sheet prepayment	1.0	0.9
	1.5	0.7
Other pension arrangements	0.3	0.2
Net pension credit	1.8	0.9

9 Tax on profit/(loss) on ordinary activities

	1999 £m	1998 £m
UK Corporation tax at 30.25% (1998: 31.0%) on profit/(loss) for the year		
– current year	3.4	4.7
– prior year	–	(0.2)
Advance corporation tax written off (net)	–	0.1
Less double taxation relief	(3.4)	(4.3)
UK taxation	–	0.3
Overseas taxation	(0.8)	6.0
Taxation (credit)/charge	(0.8)	6.3

Overseas taxation includes a credit of £2.2m (1998: £3.3m charge) in respect of the sale of Langston less a charge of £0.1m relating to the closure of the Australian operations.

10 Profit/(loss) attributable to parent company

	1999 £m	1998 £m
Amount dealt with in the Company's accounts	14.9	(8.5)

11 Basic and fully diluted earnings/(loss) per ordinary share

The calculations of earnings/(loss) per ordinary share are based upon profits/(losses) after taxation (less preference dividends) of £4.1m (1998: loss £12.9m), and on the weighted average of 34,846,109 shares in issue during the year (1998: 35,572,959 shares).

Reconciliation from basic and fully diluted earnings/(loss) per share to basic and fully diluted earnings per share before exceptional items

	1999 pence	1998 pence
Basic and fully diluted earnings/(loss) per share	11.8	(36.2)
Exceptional items	(5.2)	52.5
Basic and fully diluted earnings per share before exceptional items	6.6	16.3

12 Tangible fixed assets	Group				Company			
	Land & buildings £m	Plant & machinery £m	Fixtures fittings & vehicles £m	Total £m	Land & buildings £m	Plant & machinery £m	Fixtures fittings & vehicles £m	Total £m
Cost or valuation:								
At beginning of year	19.1	24.5	22.0	65.6	14.7	16.1	17.7	48.5
Retranslation and other adjustments	0.3	0.3	(0.2)	0.4	–	0.2	(0.2)	–
Additions	–	0.5	1.8	2.3	–	0.1	1.4	1.5
Disposals	(0.8)	(2.9)	(7.1)	(10.8)	–	(2.6)	(6.7)	(9.3)
At end of year	18.6	22.4	16.5	57.5	14.7	13.8	12.2	40.7
Depreciation:								
At beginning of year	1.4	18.4	16.4	36.2	1.5	11.9	13.7	27.1
Retranslation and other adjustments	0.2	0.4	0.1	0.7	–	0.2	(0.2)	–
Charge for year	0.3	0.9	2.1	3.3	0.2	0.5	1.7	2.4
Disposals	(0.2)	(2.8)	(6.6)	(9.6)	–	(2.6)	(6.4)	(9.0)
At end of year	1.7	16.9	12.0	30.6	1.7	10.0	8.8	20.5
Net book values:								
At beginning of year	17.7	6.1	5.6	29.4	13.2	4.2	4.0	21.4
At end of year	16.9	5.5	4.5	26.9	13.0	3.8	3.4	20.2

The net book value of land and buildings based upon cost or valuation at 31 December 1999 comprises the following:

	Group			Company		
	Cost £m	Valuation £m	Total £m	Cost £m	Valuation £m	Total £m
Freeholds	–	15.1	15.1	–	11.2	11.2
Long leaseholds	–	1.8	1.8	–	1.8	1.8
	–	16.9	16.9	–	13.0	13.0

The net book value of fixed assets for the Group and Company includes £0.2m (1998: £0.6m) in respect of assets held under finance leases. Depreciation charged on finance leased assets in the year was £0.1m (1998: £0.4m). The net book value for the Group and Company of assets held in the course of construction is £nil (1998: £nil).

The Group's principal properties were externally valued on an open market existing use basis by professional valuers as at 31 December 1998. The valuations were carried out by Messrs Wilks Head & Eve, Chartered Surveyors in accordance with the RICS statements of asset valuation practice and guidance notes.

The historical cost of land and buildings shown at valuation for the Group is estimated to be £15.4m (1998: £16.0m) and for the Company £10.9m (1998: £10.9m).

Depreciation is not charged on assets, which are included in land and buildings, with a gross value for the Group of £7.1m (1998: £7.2m) and for the Company of £5.9m (1998: £5.9m).

13 Investments

	Investment in associate		
	Share of net assets £m	Loans £m	Total £m
Group			
At 1 January 1999	1.9	–	1.9
Reclassification from debtors	–	0.5	0.5
Share of net loss for year	(0.3)	–	(0.3)
At 31 December 1999	1.6	0.5	2.1

	Investments in subsidiaries			Investment in associate		Total £m
	Cost of shares £m	Provisions £m	Loans £m	Cost of shares £m	Provisions £m	
Company						
At 1 January 1999	15.9	(1.7)	30.2	2.1	(0.2)	46.3
Additions in year	0.7	–	–	–	–	0.7
Provision in year	–	–	–	–	(0.3)	(0.3)
At 31 December 1999	16.6	(1.7)	30.2	2.1	(0.5)	46.7

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
14 Stocks				
Raw materials and consumables	3.5	4.8	3.1	3.8
Work in progress	16.2	19.3	8.2	10.3
Finished goods	11.1	14.0	5.9	8.2
	30.8	38.1	17.2	22.3

15 Debtors	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Amounts falling due within one year:				
Trade debtors	23.2	25.0	13.2	16.8
Amounts owed by Group undertakings	–	–	10.1	8.1
Other debtors including taxation	3.2	9.1	0.7	1.1
Prepayments and accrued income	2.1	2.8	1.6	1.9
	28.5	36.9	25.6	27.9
Amounts falling due after more than one year:				
Other debtors	0.4	0.4	0.4	0.4
Langston subordinated loan note	–	4.3	–	–
Pension fund prepayment	16.3	14.1	13.6	11.9
	16.7	18.8	14.0	12.3
Total debtors	45.2	55.7	39.6	40.2

16 Borrowings	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Amounts falling due within one year:				
Overdrafts	0.1	1.3	–	–
Other borrowings	0.1	–	–	–
Sandiacre loan notes	1.0	1.0	1.0	1.0
Finance lease obligations	–	0.1	–	–
	1.2	2.4	1.0	1.0
Amounts falling due after more than one year:				
Repayable between one and two years	0.1	0.1	–	–
Between two and five years	0.1	0.1	–	–
More than five years	0.2	0.2	–	–
	0.4	0.4	–	–
Amounts falling due after more than one year comprise:				
Other obligations	0.1	–	–	–
Finance lease obligations	–	0.1	–	–
Mortgage (secured on property)	0.3	0.3	–	–
	0.4	0.4	–	–

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
17 Other creditors				
Amounts falling due within one year:				
Deposits received on account	11.8	11.9	3.0	3.7
Trade creditors	10.4	15.5	7.8	12.0
Amounts owed to Group undertakings	–	–	33.9	38.2
Corporation tax including ACT	0.7	4.1	–	–
Other taxes and social security	0.7	1.0	0.7	0.9
Other creditors	8.6	9.3	5.6	4.3
Accruals and deferred income	5.4	11.3	4.4	8.5
	37.6	53.1	55.4	67.6

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
18 Creditors – amounts falling due after more than one year				
Pension fund accrual	0.2	0.3	–	0.1

19 Operating leases

At 31 December there were annual commitments under non-cancellable operating leases as set out below:

	Group				Company			
	1999 Land and buildings £m	1999 Other £m	1998 Land and buildings £m	1998 Other £m	1999 Land and buildings £m	1999 Other £m	1998 Land and buildings £m	1998 Other £m
Operating leases which expire:								
Within one year	–	–	0.1	0.1	–	–	0.1	0.1
Between two and five years	–	0.5	–	0.4	–	0.2	–	–
More than five years	0.3	–	0.3	–	0.3	–	0.3	–
	0.3	0.5	0.4	0.5	0.3	0.2	0.4	0.1

20 Provisions for liabilities and charges

	Deferred taxation £m	Restructuring & rationalisation provisions £m	Other £m	Total £m
At 1 January 1999 (restated)	0.3	8.9	2.3	11.5
Retranslation	0.1	–	–	0.1
Credit for the year	–	–	(0.3)	(0.3)
Utilised during the year	–	(5.5)	–	(5.5)
At 31 December 1999	0.4	3.4	2.0	5.8

Warranty and after-sales service amounts totalling £2.3m, previously included in Other creditors, have been reclassified to Provisions for liabilities and charges. For the Company there are provisions for rationalisation costs of £3.0m (1998: £8.9m) and for warranty and after-sales service of £1.7m (1998: £2.1m).

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Deferred taxation comprises:				
Equalisation of capital allowances and depreciation	0.4	0.3	–	–
The amount of unprovided deferred taxation is as follows:				
Equalisation of capital allowances and depreciation	1.1	1.1	1.1	1.1
US stock	0.3	0.3	–	–
Capital gains in respect of UK and overseas property revaluations	2.1	3.2	1.9	2.0
Other timing differences	(5.9)	(7.3)	(5.6)	(5.4)
	(2.4)	(2.7)	(2.6)	(2.3)

No provision for deferred taxation has been made on the net pension fund prepayment as this is not regarded as a timing difference which will reverse in the foreseeable future for tax purposes.

21 Share capital

	1999 Authorised £m	1998 Authorised £m	1999 Allotted called up and fully paid £m	1998 Allotted called up and fully paid £m
Ordinary shares of 25p each	10.1	10.1	8.1	8.9
Preference shares of £1 each (6.0% after the abolition of advance corporation tax from 6 April 1999, previously 4.2%)	0.9	0.9	0.9	0.9
	11.0	11.0	9.0	9.8

During the year 3,097,045 ordinary shares of 25p each (nominal value £0.8m) representing 8.7% of the issued share capital were purchased by the Company at a cost of £3.8m.

There were 32,477,819 (1998: 35,574,864) ordinary shares in issue at the year end.

Options held over Molins PLC ordinary shares were as follows:	Savings related schemes	Executive schemes
At 1 January 1999	342,396	612,030
Granted	249,864	30,000
Exercised	—	—
Lapsed	(117,319)	(166,080)
At 31 December 1999	474,941	475,950
Option price per share	89p – 702p	112p – 904p
Exercise dates	1999 – 2005	1996 – 2009

Preference shares

Dividends to preference shareholders amounted to £54,000 (1998: £37,800).

The preference shares carry a fixed cumulative preferential dividend at the rate of 6.0% per annum and on a winding up entitle the holders to repayment of the capital paid up thereon (together with a sum equal to any arrears or deficiency of the fixed dividend calculated to the date of the return of capital and to be payable irrespective of whether such dividend has been declared or earned or not) in priority to any payment to the holders of the ordinary shares, but the preference shares shall not entitle the holders thereof to any further or other participation in the profits or assets of the Company.

The preference shareholders are not entitled to receive notice of or to attend or vote at any general meeting unless either:

a at the date of the notice convening the meeting, the dividend on the preference shares is six months in arrears (for this purpose the dividend on the preference shares is deemed to be payable half yearly on 30 June and 31 December in every year); or

b the business of the meeting includes the consideration of a resolution for the winding up of the Company, or for reducing its share capital or for sanctioning a sale of the undertaking, or any resolution directly and adversely affecting any of the special rights or privileges attached to the preference shares.

22 Share premium account and reserves

	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Profit & loss account £m	Total £m
Group					
At 1 January 1999	25.6	–	17.7	17.3	60.6
Transfer from profit and loss account in the year	–	–	–	2.0	2.0
Transfer between reserves	–	–	(10.4)	10.4	–
Currency translation differences arising on foreign currency denominated net investments	–	–	–	(0.3)	(0.3)
Purchase of own shares (note 21)	–	0.8	–	(3.8)	(3.0)
At 31 December 1999	25.6	0.8	7.3	25.6	59.3
Company					
At 1 January 1999	25.6	–	6.0	15.7	47.3
Transfer from profit and loss account in the year	–	–	–	12.7	12.7
Purchase of own shares (note 21)	–	0.8	–	(3.8)	(3.0)
At 31 December 1999	25.6	0.8	6.0	24.6	57.0

Cumulative total amounts taken to reserves in respect of goodwill on acquisition of continuing businesses have amounted to £44.7m for the Group (1998: £44.7m) and £18.9m for the Company (1998: £18.9m).

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
23 Shareholders' funds				
Equity interests	67.4	69.5	65.1	56.2
Non-equity interests	0.9	0.9	0.9	0.9
	68.3	70.4	66.0	57.1

	Group	
	1999 £m	1998 £m
24 Minority interests		
At 31 December (all equity) (note 26)	–	0.2

25 Reconciliation of operating profit/(loss) to operating cash flows

	1999 £m	1998 £m
Operating profit/(loss)	3.3	(6.9)
Depreciation	3.3	5.8
Other movements	(0.4)	0.2
Movements in restructuring and rationalisation provisions:		
– new provisions created	–	16.0
– cash movements	(5.5)	(10.1)
Working capital movements:		
– stocks	6.3	1.4
– debtors	0.3	12.1
– creditors and other provisions	(8.2)	(12.9)
Net cash (outflow)/inflow from operating activities	(0.9)	5.6
Cash flows from exceptional items excluding tax effect	(5.5)	(10.3)
Other cash flows	4.6	15.9
Net cash (outflow)/inflow from operating activities	(0.9)	5.6

26 Analysis of cash flows for headings netted in the cash flow statement	1999 £m	1998 £m
Returns on investments and servicing of finance		
Interest received	0.8	0.8
Interest paid	(0.4)	(1.0)
Net cash inflow/(outflow) for returns on investment and servicing of finance	0.4	(0.2)
Taxation		
Taxation repaid	2.9	2.1
Taxation paid	(2.6)	(8.1)
Net cash inflow/(outflow) for taxation	0.3	(6.0)
Capital expenditure		
Purchase of tangible fixed assets	(2.2)	(2.6)
Sale of tangible fixed assets	0.8	2.9
Net cash (outflow)/inflow for capital expenditure	(1.4)	0.3
Acquisitions and disposals		
Disposal of businesses	3.8	24.4
Investment in joint venture	-	(0.3)
Net cash inflow for acquisitions and disposals	3.8	24.1
Management of liquid resources		
Decrease/(increase) in short-term bank deposits	3.7	(4.6)
Financing		
Issue of ordinary share capital	-	0.1
Purchase of own shares	(3.8)	-
Debt due within a year: decrease in short-term borrowings	(0.1)	(0.1)
Debt due beyond a year: decrease in unsecured loans	-	(14.5)
Net cash outflow from financing	(3.9)	(14.5)

Management of liquid resources includes movements in cash deposits which do not fall within the definition of cash for the purposes of FRS 1 (revised).

The cash inflows from disposals in 1998 related to the sale of Langston. A further pre-tax cash inflow of £2.5m was generated in 1999 as part of the early repayment of the subordinated loan note. The Group disposed of the activities of Molins (Australia) Pty Limited during the year. Non-monetary net assets with a value of £1.2m were disposed of for a net consideration of £1.1m. The Group also disposed of its minority interest in Langen Kyoto at net book value, realising £0.2m.

27 Analysis of net funds

	At 1 Jan 1999 £m	Cash flow £m	Exchange movement £m	At 31 Dec 1999 £m
Cash at bank and in hand	9.2	(0.5)	–	8.7
Overdrafts	(1.3)	1.0	0.2	(0.1)
Short-term bank deposits	4.5	(3.7)	0.3	1.1
	12.4	(3.2)	0.5	9.7
Debt due within 1 year	(1.0)	–	(0.1)	(1.1)
Debt due after 1 year	(0.3)	(0.1)	–	(0.4)
Finance leases	(0.2)	0.2	–	–
Total net funds	10.9	(3.1)	0.4	8.2

28 Financial instruments

The Group's treasury policies are explained on page 11 in the Financial review.

Cash at bank and at hand

The Group's only financial assets are short-term debtors and cash at bank and in hand. In both cases there is no material difference between book and fair value. All cash surplus to immediate operational requirements is placed on deposit at floating rates of interest. The cash profile at 31 December 1999 was:

Currency	Cash at floating rates £m	Cash on which no interest is paid £m	Total £m
Sterling	4.4	1.0	5.4
Australian dollar	1.0	0.8	1.8
US dollar	0.6	–	0.6
Other	1.7	0.3	2.0
	7.7	2.1	9.8

Interest rates for sterling, Australian dollar and US dollar deposits are based on LIBOR, the Australian inter bank rate and US prime or base rates respectively.

Financial liabilities

The Group's only financial liabilities are the borrowings shown in note 16 and in Other creditors in note 17. In both cases there is no material difference between book and fair value. The profile of borrowings by currency at 31 December 1999 was:

Currency	Borrowings at floating rates £m	Borrowings at fixed rates £m	Total £m
Sterling	1.0	–	1.0
Other	0.3	0.3	0.6
	1.3	0.3	1.6

The sterling borrowing bears interest at UK base rate. The borrowings at fixed rates are in Dutch guilders at a weighted average interest rate of 6.8%, the weighted average period for which the rates are fixed being 8 years.

Undrawn borrowing facilities

The Group has various undrawn committed borrowing facilities. The facilities available at 31 December 1999 on which all conditions precedent had been met were:

	£m
Expiring in one year or less	6.2
Expiring in more than one year but less than two years	–
Expiring in more than two years	17.0
	23.2

Currency exposures

As at 31 December 1999, after taking into account the effects of forward foreign exchange contracts, the Group had no material currency exposures. Unrealised exchange gains and losses on forward foreign exchange contracts were:

	Gains £m	Losses £m	Total net gains/ (losses) £m
Unrecognised gains and losses on hedges at 1 January 1999	–	(0.2)	(0.2)
Gains and losses arising in previous years that were recognised in 1999	–	0.2	0.2
Gains and losses arising before 1 January 1999 that were not recognised in 1999	–	–	–
Gains and losses arising in 1999 that were not recognised in 1999	0.1	–	0.1
Unrecognised gains and losses on hedges at 31 December 1999	0.1	–	0.1
Gains and losses expected to be recognised in 2000	0.1	–	0.1

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
29 Capital commitments				
Capital investment contracted but not provided for	0.1	0.1	-	0.1

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
30 Contingent liabilities				
Contingent liabilities in respect of indemnities in relation to sales and other contracts	6.4	5.2	5.8	5.2

31 Related party transactions

Details of the principal subsidiary undertakings are shown on page 44. In accordance with FRS 8, transactions or balances between Group entities that have been eliminated on consolidation are not reported.

The Group recharges the Molins Group pension schemes with the cost of administration incurred by the Group. The total amount recharged in the year to 31 December 1999 was £0.2m (1998: £0.2m).

Principal subsidiaries, divisions, branches and associates

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AJP Sabberwal Chief Executive

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SG McFarlane President

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A Wong Director & General Manager

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R Barnard Manager

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MA Cooke President

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R Higham General Manager

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Sun Xiang General Manager

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K van Dam Managing Director

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DC Owen Director and General Manager

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T Snader General Sales Manager

Note

The subsidiary and associated undertakings shown above include those which principally affect the profits and assets of the Group. UK undertakings operate in England and are registered in England & Wales. Overseas companies operate and are incorporated in the countries in which they are based. In all cases the class of shares held is ordinary equity shares and the proportion held is 100% unless otherwise indicated. Shares in the UK, Chinese and Russian companies are held directly by Molins PLC and those in the other overseas subsidiaries by intermediate holding companies. A full list of subsidiaries will be included in the next annual return filed at Companies House.

Five year record

	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m
Turnover	110.6	170.2	254.8	306.2	285.5
Operating profit (before exceptional items)	3.3	9.1	13.1	38.3	32.0
Net interest receivable/(payable)	0.4	0.1	(1.9)	(1.0)	(2.2)
Profit before taxation (before exceptional items)	3.7	9.2	11.2	37.3	29.8
Exceptional items	(0.3)	(15.8)	(31.3)	(3.9)	–
Profit/(loss) before taxation	3.4	(6.6)	(20.1)	33.4	29.8
Taxation	0.8	(6.3)	(0.5)	(8.5)	(7.5)
Profit/(loss) after taxation	4.2	(12.9)	(20.6)	24.9	22.3
Return on sales	3.0%	5.3%	5.1%	12.5%	11.2%
Earnings per share (before exceptional items)	6.6p	16.3p	16.3p	81.0p	65.4p
Earnings/(loss) per share	11.8p	(36.2)p	(58.9)p	72.8p	65.4p
Dividends per share	6.5p	8.0p	15.0p	22.0p	20.0p
Fixed assets and investments	29.0	31.3	51.8	55.9	53.5
Stocks	30.8	38.1	60.9	78.1	76.8
Debtors	45.2	55.7	76.1	79.9	80.6
Creditors and provisions	(44.9)	(65.4)	(98.5)	(96.1)	(106.3)
	60.1	59.7	90.3	117.8	104.6
Net cash/(borrowings)	8.2	10.9	(7.3)	(11.7)	6.8
Net assets	68.3	70.6	83.0	106.1	111.4
Share capital and premium account	34.6	35.4	35.3	30.5	29.1
Reserves and minority interests	33.7	35.2	47.7	75.6	82.3
Shareholders' funds (including non-equity and minorities)	68.3	70.6	83.0	106.1	111.4
Net assets per equity share	208p	196p	231p	303p	324p

Notice of meeting

The eighty-eighth Annual General Meeting of Molins PLC will be held at Forte Posthouse Hotel, 500 Saxon Gate West, Central Milton Keynes on Wednesday 26 April 2000 at 2.30pm for the following purposes:

1 To receive the directors' report and audited accounts for the year ended 31 December 1999. (Resolution number 1)

2 To declare a final dividend on the ordinary shares. (Resolution number 2)

3 To re-appoint Mr MS Hodgkinson, a director retiring by rotation. (Resolution number 3)

4 To re-appoint Mr MJR Saw, a director retiring by rotation. (Resolution number 4)

5 To appoint Dr AJP Sabberwal as a director. Dr Sabberwal was appointed to the Board since the last Annual General Meeting. (Resolution number 5)

6 To appoint Mr DMCE Steen as a director. Mr Steen was appointed to the Board since the last Annual General Meeting. (Resolution number 6)

7 To re-appoint KPMG Audit Plc as auditor and to authorise the directors to determine its remuneration. (Resolution number 7)

As special business:

8 To consider and, if thought fit, to pass the following resolution as a special resolution:

Special resolution

Disapplication of pre-emption rights
THAT

a The directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities for cash, pursuant to the general authority conferred upon them by Resolution 7 passed at the Annual General Meeting held on 24 April 1996, for the period beginning on 27 April 2000 and ending on 26 April 2001, as if Section 89(1) of the Act did not apply to any such allotment and so that the power conferred by this resolution shall enable the Company to make any offer or agreement before the expiry of this power (unless previously revoked or varied by the Company in general meeting), which would or might require equity securities to be allotted after such expiry and so that notwithstanding such expiry the directors may allot equity securities pursuant to any such offer or agreement previously made by the Company as if the power conferred hereby had not expired PROVIDED however that the power conferred by this resolution shall be limited:

i to the allotment of equity securities in connection with or pursuant to any arrangement whereby the holders of ordinary shares at a record date or dates adopted for the purposes of the arrangement are entitled to acquire any equity securities of the Company issued for cash pursuant to such arrangement, in the proportion (as nearly as may be) to such holders' holdings of shares (or, as appropriate, to the numbers of ordinary shares which such holders are for the purpose deemed to hold) subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under or resulting from the application of the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and

ii to the allotment (otherwise than pursuant to sub-paragraph i above) of equity securities having an aggregate nominal value not exceeding £432,000; and

b Words and expressions defined in or for the purposes of the Act shall bear the same meanings in this resolution. (Resolution number 8)

9 To consider and, if thought fit, to pass the following resolution as a special resolution:

Special resolution

Purchase of own shares
THAT

The directors be empowered in the terms of Article 39 of the Company's Articles of Association and pursuant to section 166 of the Companies Act 1985 to make market purchases (as defined in section 163(3) of that Act) of ordinary shares of 25p each in the capital of the Company, provided that:

a the maximum aggregate number of shares which may be so purchased shall be 4,838,671 ordinary shares (representing approximately 15% of the Company's issued ordinary share capital at the date of the notice convening the meeting at which this resolution is to be proposed);

b the maximum price which may be paid for an ordinary share shall be an amount equal to 105% of the average middle market quotations taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the shares in question are to be purchased (excluding expenses);

c the minimum price which may be paid for an ordinary share shall be 25p (exclusive of expenses); and

d this authority shall expire, unless previously revoked or varied, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 12 months from the date of the resolution (whichever is the earlier) provided that the Company may before this authority expires make contracts for purchases of ordinary shares under this authority which would or might be executed wholly or partly after this authority expires and may make a purchase or ordinary shares pursuant to any such contract. (Resolution number 9)

By order of the Board


CJ Horton Secretary
6 March 2000

Note

A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

Corporate information

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Secretary

CJ Horton MA (Cantab)

Registered number

124855

Auditors

KPMG Audit Plc

Stockbrokers

Cazenove & Co

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Share price

Available from:
Ceefax – page 228
Teletext – page 536
FT Cityline – telephone: 0906 843 3398
Selected national newspapers

Timetable

Record date for final dividend	14 April 2000
Annual General Meeting	26 April 2000
Payment date for final dividend	17 May 2000
Payment date for preference dividend	30 June 2000
Interim statement for half year results	September 2000
Payment date for preference dividend	31 December 2000

Website

Further information about the Company is available via the internet on the Group's website at: <http://www.molins.com>

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