MOLINS

International Specialist Engineers

Annual Report and Accounts 2000

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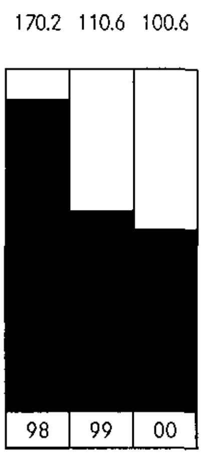
Molins is a global business, focused on the design, engineering and manufacturing of specialist machinery for the fast moving consumer goods market, including tobacco, food and other high volume products. We meet the technically complex expectations of customers by delivering innovative solutions and providing a range of products, services and support on a global basis.

Financial Highlights

For the year ended 31 December	**2000 £m**	1999 £m
Operations		
Turnover	**100.6**	110.6
Profit before taxation (before goodwill and exceptional items)	**6.8**	3.7
Profit before taxation (after goodwill and exceptional items)	**5.7**	3.4
Profit after taxation	**4.9**	4.2
Shareholders' funds	**58.1**	68.3
Net (debt)/cash	**(8.7)**	8.2
Amount per ordinary share		
Earnings (before goodwill and exceptional items)	**22.4p**	6.6p
Earnings (after goodwill and exceptional items)	**18.2p**	11.8p
Dividend	**6.5p**	6.5p
Net assets	**270p**	208p

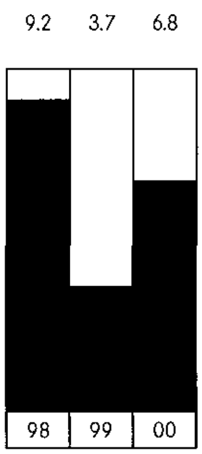
- **Earnings per share increased by 54%**
- **Filtrona Instruments & Automation acquired for £12.2m**
- **35% of own equity purchased for cancellation**
- **Tobacco Machinery profitability substantially improved**
- **Strong operating cash flow**

Turnover £m



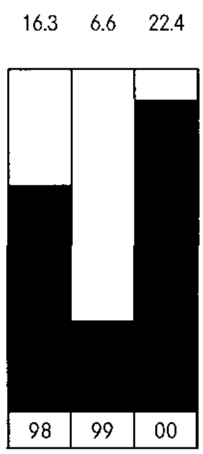
Profit before tax* £m

*(before goodwill and exceptional items)

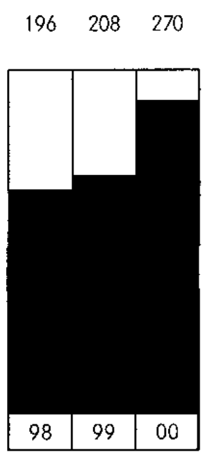


Earnings per share* p

*(before goodwill and exceptional items)



Net assets per share p



Molins at a Glance

Tobacco Machinery

Designs, manufactures, markets and services specialist machinery for the tobacco industry. Its range of products includes cigarette making machines, packing equipment, handling equipment, quality testing instruments and smoking machines. The division has a range of service products and serves both its multinational and independent customers from its extensive international base.

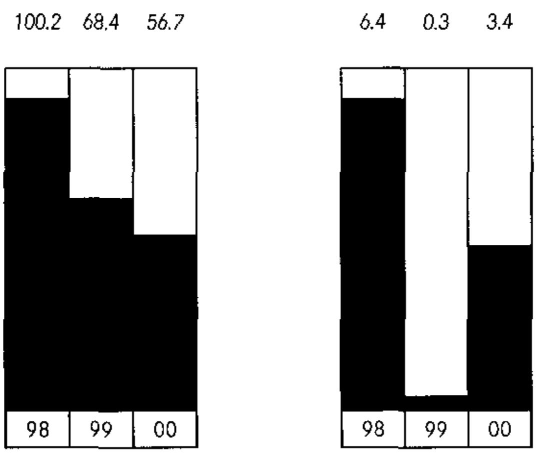
Packaging Machinery

Designs, manufactures, markets and services specialist packaging machinery for fast moving consumer goods industries. Its range of products includes cartoning, case packing, vertical form fill and seal, tea bag, tube packing and can strapping machinery, as well as providing a range of specialist engineering and systems integration expertise offering bespoke solutions to the packaging needs of its international customer base.

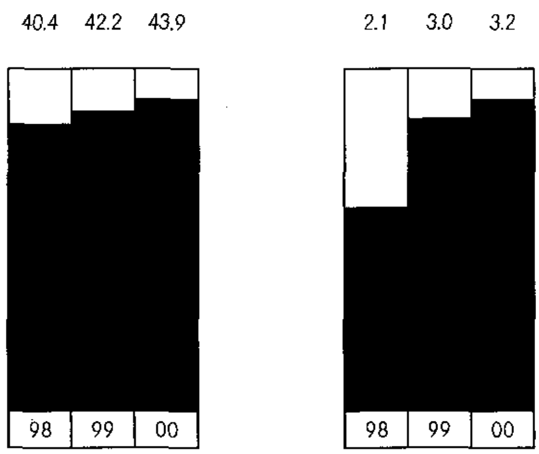
Operations
Molins Tobacco Machinery, Saunderton, UK
Filtrona Instruments & Automation, Milton Keynes, UK
Filtrona Instruments Corporation, Virginia, USA
Molins do Brasil, Curitiba, Brazil
Molins Far East, Singapore
Molins Kunming Service Centre, China
Molins Richmond, Virginia, USA
Molins sro, Plzen, Czech Republic
Molmac Engineering, Milton Keynes, UK
Kunming Molins Tobacco Machinery Company, China
Molins Tobacco CIS, Moscow, Russia

Operations
Filtrona Instruments & Automation, Milton Keynes, UK
Langen Packaging, Ontario, Canada
Langenpac, Wijchen, The Netherlands
Molins ITCM, Coventry, UK
Sandiacre Packaging Machinery, Nottingham, UK
Sandiacre Packaging NA, Pennsylvania, USA

Tobacco Machinery turnover and operating profit £m



Packaging Machinery turnover and operating profit £m



Chairman's Statement

Operating performance

The continued efficiency improvements in the Tobacco Machinery division in the year and a lowering of its cost base has resulted in a better trading performance. Excluding acquisitions, the division achieved an operating profit of £2.8m, compared with £0.3m in 1999, on turnover 23% lower at £52.7m. The fall in turnover reflected a continued reduction in demand for original equipment as well as the anticipated decline in sales of spare parts. The order level for spares is now showing some stability.

Our focus is on continued improvements in service for our tobacco machinery customers and we are working in partnership with them to address the changing market place. We have made progress through the year and we have seen significant improvements in factory efficiency at Saunderton as well as in our other manufacturing operations.

Performance in the Packaging Machinery division was disappointing following a reasonably strong first half of the year. Langen suffered from a reduction in demand for its products in the second half of 2000, and, with a softening in Sandiacre's market place together with pricing pressures, the overall result was a full year operating profit for the division, excluding acquisitions, of £3.0m, unchanged against 1999, on sales of £43.1m (1999: £42.2m). In particular, lower factory activity levels in the fourth quarter in Sandiacre, and lower than anticipated profit margins on two contracts in Langen, reduced profitability below that anticipated earlier in the year.

Good progress was made in all of the businesses in terms of new product development, while many customers around the world continued to be serviced with existing product ranges. However, the market for packaging machinery, in North America in particular, gives some cause for concern, with enquiries continuing at an encouraging level but order decisions being deferred. This follows a number of mergers within our North American customer base and concerns about economic prospects. Good progress has been made at ITCM with further sales of tea bag machines and the start of other new machinery developments. Langenpac made progress in the year in further establishing its position in the European market place. Whilst the short-term outlook is not as strong as it was this time last year, the division is well placed to continue its development when market conditions allow.

Overall the Group generated profit before tax and exceptional items of £6.7m (1999: £3.7m) and profit after tax and exceptional items of £4.9m (1999: £4.2m). Earnings per share before goodwill and exceptional items amounted to 22.4p (1999: 6.6p). After goodwill and exceptional items earnings per share were 18.2p (1999: 11.8p), an increase of 54%.

Acquisitions

We were pleased to announce the completion of the purchase of Filtrona Instruments & Automation ("FIA") in October 2000 for a total consideration of £12.2m. FIA complements our existing businesses and the combination will strengthen relationships with our major customers. FIA is integrating well and made a contribution to Group profit in 2000 of £0.9m after goodwill, on turnover of £4.8m. It entered 2001 with a strong order book, a little ahead of our expectation on acquisition.

In line with our commitment to develop a lower cost manufacturing operation, we also purchased a business in Plzen, Czech Republic in December 2000 for a consideration of £0.7m. This business will contribute to the profitability of Tobacco Machinery in 2001 and it adds to the product range offered by the division.

Shareholders' funds and cash

During the year the Company purchased for cancellation a total of 11,255,025 of its own shares, representing 34.7% of the capital in issue at the beginning of the year, at an aggregate cost of £14.2m. The average price at which shares were purchased was 125p.

Equity shareholders' funds before purchases increased from £67.4m to £71.4m. The purchases reduced year end equity shareholders' funds to £57.2m.

Net cash inflow from operating activities, excluding exceptional items, was £13.9m (1999: £5.0m). After the cost of investments in FIA and the Czech Republic and after the cost of the share purchases and dividends, net debt at the end of 2000 was £8.7m, compared with net cash of £8.2m at the end of 1999.

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 (1999: 6.5p) and is covered 2.8 times by earnings. The final dividend will be paid on 16 May 2001 to ordinary shareholders registered on 17 April 2001.

Board changes

Mike Hodgkinson retired from the Board on 31 May 2000 after six years of service. Mr Hodgkinson has made a major contribution to the Group over this period and I thank him on behalf of the Board for his sound advice. John Wilson was appointed on 1 August 2000 as a non-executive director. Mr Wilson has a long career in engineering and was Chief Executive of Vickers Aerospace and Marine Division from 1992 to 1998.

Employees

I would like to thank our employees for their commitment to the Group and for the way they have applied their skills during the year.

Outlook

In Tobacco Machinery, improvement in productivity and service levels continues as the division progresses in its development as a more efficient and responsive organisation. It has concentrated on enhancing its relationships with customers and in ensuring that it is well placed to meet their needs. The division will benefit from the full year effect of the acquisition of FIA and will also, through the year, benefit from the purchase of the Czech manufacturing facility. The division is well placed to achieve a further improvement in performance in 2001.

The Packaging Machinery division has had a period of relatively poor order intake and entered 2001 with a lower order book than twelve months ago. Whilst the businesses in the division have all made progress in their product development activities, their main market places remain difficult.

With the improvements in the Tobacco Machinery division and notwithstanding present concerns with Packaging Machinery, we expect to deliver further growth. We are well placed to make incremental investments and are evaluating opportunities.

Peter Byrom
Chairman
5 March 2001

Operating Review: Tobacco Machinery

The Tobacco Machinery division achieved significant progress in refocusing on customer support activities and improvements in operational efficiency. The market for original equipment remains at a low level and whilst sales of spare parts and services were lower overall than last year, this decline was in line with expectations and the market is now showing some stability.

Having continued to give much attention to improving the effectiveness of the division's operations, an opportunity was taken towards the end of the year to expand the range of products and services offered through the acquisition of the Filtrona Instruments & Automation ("FIA") business.

Excluding the results of FIA and Molins sro, which acquired a manufacturing business in the Czech Republic in the year, there was a 23% fall in sales to £52.7m (1999: £68.4m). The operating profit of the existing businesses improved to £2.8m (1999: £0.3m), with a reduction in the cost base to a level more appropriate to its activity levels. Including the results of the newly acquired businesses, turnover was £56.7m and operating profit was £3.4m.

FIA was acquired from Bunzl plc in October 2000, for a consideration of £12.2m. It develops, assembles, sells and maintains process and quality control instruments for the cigarette industry and is the leading global specialist in this field. It has maintained its position through the quality of its products and service offering and its commitment to research and development. This acquisition reinforces our commitment to providing customers with a continued improvement in service and to work in partnership with them to address the changing market place. FIA's products have a strong reputation in the tobacco industry and the combination of the two businesses will consolidate and further strengthen our market position. It will also enhance Molins' relationships with its major customers. Good progress is being made in utilising the skills and resources that each of the businesses has to maximise the potential of the joint resources.

The performance of FIA since the acquisition has been strong, with Tobacco Machinery related sales of £4.0m and operating profit of £0.7m. Its performance in this latter part of the year reflects a strong bias of high activity levels towards the end of the year, which we do not expect to be as marked in 2001. During the year, FIA continued to sell high volumes of their QTM range of quality testing equipment, which is sold to most of the major cigarette manufacturers in the world. It launched the ASM 500, a new generation automatic smoking machine, in the year and the product has been well received by the customer base. Product development has been a key feature of FIA's activities and Molins' commitment to investment in research and development will ensure that FIA continues to demonstrate innovation in this field.

The various initiatives designed to improve the manufacturing performance are having a positive impact on the business. As customer demand for original equipment remained at very low levels we continued the process of reducing the size of the workforce consistent with our commitment to ensuring that the cost base of the division is appropriate. The number of employees, excluding those of the newly acquired businesses, reduced to 576 at the year end, compared with 815 at the end of the prior year, a reduction of 29%.

FIA's Quality Test Modules (QTM's), seen here in a stack at Gallaher's Ballymena factory, are based on a modular system of complementary self-contained instruments. These highly reliable units are easily configured to provide quality data within virtually any combination of physical parameters. A Molins Concord handling machine is shown in the background.

The QTM5U has two interchangeable measurement heads and can measure cigarette ventilation and filter pressure drop. It exemplifies the modularity of the QTM range of products, being used either as a stand alone instrument or in a stack.

FIA's ASM 500, a new generation automatic smoking machine, represents the latest innovation in precision tar, nicotine and CO yield determinations, providing a level of unmatched flexibility.

Operating Review: Tobacco Machinery

As part of the drive towards a lower cost manufacturing operation, more work was sourced from outside the UK operations and its subcontract network into Molins Brazil and through our joint venture Molins Tobacco CIS into Russia. An important step in this initiative was the purchase from Skoda Holding of a manufacturing operation, in the Czech Republic, whose activities have been focused in the tobacco machinery and packaging machinery markets for many years. The business, now named Molins sro, is based in Plzen and was acquired in December 2000. It employs 94 people. Good progress has been made in training the workforce to manufacture parts to Molins standards.

As part of the continued reorganisation, we have reduced the manufacturing capability in Richmond, Virginia and consolidated our activities to match market demand in that region. The Molins Richmond operation remains focused on the sales and service support of Molins' North American customers. Whilst sales of original equipment were lower than in 1999, sales of spare parts and services remained at similar levels.

Molins Brazil enjoyed good growth in business levels during the year, with increases in its domestic customer base and in exports to other parts of South America. This, combined with the extra support it gave to the rest of the Molins operations, led to an improvement in profitability. A particularly important initiative was the establishment of an inventory management operation in BAT Souza Cruz's principal cigarette factory in Brazil. This collaboration involves the on site management of all the factory's spare parts requirements for Molins machines. This is an example of an important service initiative involving long-term commitment between our customer and ourselves.

Business in Molins Singapore was sustained at a similar level to last year, despite the particular pressures in the region arising from local competition and a reduced level of investment within the Chinese tobacco industry. Exports into many other countries in the region increased in the year.

Molmac, the UK based machine rebuild operation, maintained a good level of sales and profitability in the year and entered 2001 with a strong order book.

The Chinese joint venture, based in Kunming, made progress in the year and achieved a break-even operating performance.

With the continued emphasis on improvements in performance, customer service and service product development, and with the addition of FIA, the division entered 2001 in a strong position to continue the redevelopment of Molins within the tobacco industry. We remain committed to providing our customer base with products and services they need. Progress has been made in the year towards our aim of returning a satisfactory level of profit on the capital employed in the business and our efforts will continue.

The MTU 2000, here in operation at ITL's Nottingham factory, is a unique concept in the tray unloading of cigarettes. Its design permits easy access from floor level to all mechanical and electrical components. It is a high speed and highly efficient machine and provides positive and gentle tray handling throughout the process.

Concord N is the latest version of the world leading Concord cigarette handling system. It provides a stable and reliable mass-flow link between cigarette making and packing machines and features an integrated and uprated control system.

The innovation of Molins' products, together with the extensive service we provide, supports our international customer base in delivering quality cigarettes to their customers.

Operating Review: Packaging Machinery

Langenpac's customer, SCA, required an engineered solution to pack triangular shaped products into tapered boxes at very high speeds. Langenpac developed a unique cartoner and tray-packing installation, seen here at SCA's Slovakian facility.

Langen and Langenpac provide bespoke and standard solutions to meet customers cartoning and case packing needs. The packaging of products into the cartons shown required innovative solutions, successfully delivered by the businesses.

Langen developed in 2000 a new pharmaceutical cartoning machine, the 5000 series. Speed, accuracy and reliability is combined with extremely stringent hygienic operational requirements. Simultaneous leaflet insertion, bar code application and individual loading control are just a few of the features of this machine. It is seen here in Ciba Vision's facility, close to Langen in Mississauga, Ontario.

The Packaging Machinery division, excluding acquisitions, returned the same profit as the previous year at £3.0m on modest sales growth, with sales up 2% to £43.1m (1999: £42.2m). Including the results of FIA's packaging machinery activity, the division's reported sales were £43.9m and profit was £3.2m.

Langen had mixed fortunes in the year. A number of successful projects were delivered, which continued to demonstrate its ability to innovate and deliver products and systems to meet customers' particular cartoning and case packing requirements. The delivery of a substantial turnkey project, to a multi-national pharmaceutical group, was a good example of Langen's ability to design and manage large systems integration projects. In collaboration with Langenpac, it has worked through the year to develop the range of standard products as well as bespoke offerings. Notable product launches included a pharmaceutical cartoner, which meets the hygienic requirements of that industry as well as providing a robust, reliable and efficient machine, and a relatively low cost, standard cartoner and tray loader for standard applications.

Despite these successes, Langen has experienced a substantial reduction in order intake compared with the previous year, with North America demonstrating a considerable slow down in order placements, particularly in the second half of the year. The activity level in the last quarter of the year was less than anticipated and the business moves into 2001 with a much reduced order book compared with the same time last year. Even so, enquiry levels remain reasonably high and the business is well placed to take advantage of purchasing decisions as and when they are made. We believe that this slowing down in order placements in the industry is being felt across most parts of the packaging machinery sector. This is partly as a consequence of North American economic concerns but also as a result of a number of multi-national consolidations among the fast moving consumer goods manufacturers which form a major part of the customer base.

Langenpac, a smaller business, returned a 7% improvement in order levels in the year compared with 1999 and enters 2001 with its order book at similar levels to 2000. Consequently, both sales and profit improved and the business continued its strategy of applying its particular expertise and skills to key market areas. Both Langenpac and Langen have continued to improve their internal organisations to ensure that they develop activities in line with customer requirements.

Sandiacre's sales grew by 7% in the year, with most of the major markets showing some improvement on the previous year. However, in line with Langen's experience, sales in the last six months of the year were disappointing, particularly in North America. There has been considerable margin pressure on the business, especially in Europe, where currency valuations continue to have an effect and in North America, where the general slowing down in the market place has resulted in greater competitive pricing pressure. The business has continued to invest in new products and developments and made a number of important product launches through the year. These include a retro-fittable transverse zipper unit for recloseable packs and a Quad Pack module which brings quality and rigidity to block bottom/gable top packs and to pillow packs. The business moved its

Sandiacre launched a high speed twin jaw rotary bagging machine at the end of 1999 aimed at the snackfood and confectionery markets. It reduces product damage during delivery of the product into the bag and improves bag seal integrity.

Orogel, Italy and Sundora Foods of the UK are packaging their products in packs which incorporate a reclosable zip using Sandiacre's transverse zip applicator.

Sandiacre works with many customers to assist them in bringing new packaging to the market place. Fenmarc Produce, based in Cambridgeshire, uses a line of Sandiacre Intermittent Motion TG 320L vertical form fill and seal bagging machines to package potatoes in block bottom/gable topped polyethylene packs. This series of machines is extremely versatile and is used in a range of industries, including the packaging of foodstuffs, powders and liquids.

main US operation to Lancaster, Pennsylvania, which places it nearer to a number of customers as well as important strategic partners.

ITCM increased both sales and profit in 2000. During the year, it delivered machines for the manufacture of the pyramid tea bag and the Tchae round tea bag. It also continued to support the existing manufacture of the PG Tips pyramid tea bag in the UK to meet growing demand. Major new machinery developments have been started during the year in the areas of personal products, cereals and pharmaceuticals. These projects provide the opportunity to establish preferred supplier relationships with major customers resulting in repeat machine orders and new business opportunities. In the area of security printing, one of ITCM's machines which applies holograms to the Canadian dollar was converted to the hot process, making it the only hologram application machine that can run both the hot and the cold processes. The business enters 2001 with a number of active projects and an order book considerably stronger than twelve months previously.

The acquisition of FIA has resulted in an increase in the product portfolio that the division brings to the packaging machinery market. FIA's main packaging machinery products are the FPS1 tube packing machine, which is a high speed collator and packer of empty tubes and the FPS2 can strapping machine, which was launched in 2000 following on from the successful introduction of the FPS1 in 1998. This machine addresses a niche market for the collation and strapping of aerosol cans and demonstrates FIA's technical innovation. FIA also manufactures and sells a filter packing machine for the cigarette industry. Packaging machinery is a niche business for FIA, but it has contributed to the overall performance of the acquired business and has good prospects within its particular markets for 2001.

Overall, it is disappointing to report no improvement in the trading results of the division for the year. Good progress has been made in the development of innovative and complementary products within all of the businesses. This will help to provide a further springboard to progress when market conditions allow. However, given the downturn in orders in Langen in particular and margin pressure at Sandiacre, the short-term outlook for the division is not as strong as it was this time last year.

Financial Review

The Group increased basic earnings per share in the year by 54% to 18.2p. Significant investments were made with the acquisition of the Filtrona Instruments & Automation ("FIA") business and with the purchase of own shares for cancellation, representing 34.7% of the capital in issue at the beginning of the year. The Group maintained a strong balance sheet.

Operating results

The trading performance of the Group is discussed in the Operating Review. In summary, the turnover of the Group decreased by 9% to £100.6m. Excluding the purchase of the newly acquired businesses, turnover declined by 13%. In the Tobacco Machinery division turnover, excluding acquisitions, decreased by 23% to £52.7m (£56.7m including acquisitions), while in Packaging Machinery it increased by 2% to £43.1m excluding acquisitions (£43.9m including acquisitions).

The operating profit for the year was £6.6m (1999: £3.3m) after goodwill of £0.1m and before exceptional charges of £1.0m. The operating profit of Tobacco Machinery was £2.8m (1999: £0.3m) excluding acquisitions, £3.4m including acquisitions, and that of Packaging Machinery was £3.0m (1999: £3.0m) excluding acquisitions, £3.2m including acquisitions.

Acquisitions

FIA was purchased on 16 October 2000, following approval from shareholders at an extraordinary general meeting, for a consideration of £12.2m including costs. The value of the assets acquired, after making fair value adjustments of £0.1m, was £3.4m resulting in a value of acquired goodwill of £8.8m. Goodwill, which is written off to the profit and loss account over a twenty year period, resulted in a charge of £0.1m in 2000. The business had a turnover of £4.8m in the period of Molins' ownership and returned an operating profit of £0.9m after goodwill.

Plant and machinery and other fixed assets were purchased from Skoda Holding in the Czech Republic on 1 December 2000, for a consideration of £0.7m, by Molins sro, a wholly owned subsidiary company. The business incurred a loss of £0.1m in the period of Molins' ownership.

Exceptional items

During the period a number of outstanding commercial issues were resolved. A long running claim for unpaid royalty fees was satisfactorily settled in May. A partially customer funded development contract at Langen, which commenced in 1997, did not prove successful. A decision was therefore taken in May, in collaboration with the customer, to cease development to prevent further costs being incurred. In June a contract was entered into for the sale of the Peterborough property for a net £3.5m.

The effect of these transactions is a loss of £1.0m in the year and a net cash inflow of £2.8m.

Interest and taxation

Net interest income in 2000 was £0.1m (1999: £0.4m). The 2000 Group taxation charge was £0.8m (1999: £1.3m on profit before exceptional items), giving an effective rate of taxation on profit before exceptional items of

11.9% (1999: 35.1%). The decrease in effective rate reflects an increased level of profit earned in the UK, which is offset by tax losses brought forward and a reduced level of dividends paid by overseas subsidiaries on which withholding taxes are paid.

Earnings per share and dividend

Basic earnings per share in 2000 amounted to 18.2p (1999: 11.8p). Basic earnings per share before goodwill and exceptional items amounted to 22.4p (1999: 6.6p). Diluted earnings per share in 2000 amounted to 17.9p (1999: 11.8p).

The Board recommends the payment of a maintained final dividend of 4.0p, which together with the interim dividend of 2.5p makes a total for the year of 6.5p (1999: 6.5p).

Share purchases

During the year the Company purchased 11,255,025 (1999: 3,097,045) of its own shares for cancellation, 34.7% of the capital in issue at the beginning of the year, at an average price of 125p and a total cost including fees of £14.2m.

Cash, treasury and funding activities

Group net debt at the end of 2000 amounted to £8.7m (1999: £8.2m net cash). Net cash inflow from operating activities before exceptional items was £13.9m (1999: £5.0m), reflecting amongst other things a reduction in working capital, particularly stocks and trade debtors, in line with the decrease in turnover of the Group. These inflows were offset by the acquisition of FIA for £12.2m, the purchase of assets by Molins sro for £0.7m, an investment paid into the Company's joint venture in China of £0.2m and the purchase of own shares for cancellation of £14.2m. Dividends of £1.8m 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.

The Group currently has little borrowing at fixed interest rates. It uses foreign currency borrowings to hedge its investments in overseas subsidiaries where appropriate.

The Group's undrawn committed borrowing facilities are shown in note 29 on page 51.

Pension valuations

Triennial valuations of the UK Pension Fund and Scheme as at 30 June 2000 were carried out and adopted by the Trustees for their purpose in October 2000. The actuary has reported that both the Fund and Scheme are adequately funded. For the purposes of accounting, the Company will adopt the latest valuations for the 2001 financial year.

Reporting standards

FRS 15 relating to Tangible fixed assets has been adopted for the year ended 31 December 2000.

Shareholders' funds

Group shareholders' funds at 31 December 2000 were £58.1m (1999: £68.3m). Profit in the year of £4.9m was offset by dividends of £1.3m and the purchase of own shares for cancellation of £14.2m.

David Cowen
Group Finance Director
5 March 2001

Board of Directors

P J Byrom BSc FCA**
Chairman
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 56 years.

D J 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 37 years.

A J P 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. He is a council member of the University of Salford. Aged 67 years.

M J R Saw BA CEng FIEE
Regional Director, 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 56 years.

D M C E Steen MA(Oxon) FCA*
Non-executive Director
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 56 years.

J Wilson*
Non-executive Director
John Wilson joined the Molins Board on 1 August 2000 as a non-executive director. He has a long career in engineering and was from 1992 to 1998 Chief Executive of Vickers Aerospace and Marine Division. Aged 57 years.

* Member of the Audit, Remuneration and Nomination Committees
** Member of the Nomination Committee

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Directors' Report

The directors present their report to shareholders together with the audited accounts for the year ended 31 December 2000.

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 6 to 13 and a financial review appears on pages 14 and 15. Further details of the principal subsidiaries, divisions, branches and associates (including those outside the UK) are shown on page 52.

Results and dividends

The profit for the year after taxation and exceptional items was £4.9m (1999: £4.2m). The directors recommend a final dividend of 4.0p per ordinary share. An interim dividend of 2.5p was paid on 26 October 2000. This makes a total dividend for the year of 6.5p per ordinary share (1999: 6.5p), at a cost of £1.3m (1999: £2.1m). Subject to approval at the Annual General Meeting, the final dividend will be paid on 16 May 2001 to ordinary shareholders registered at the close of business on 17 April 2001. Dividends on the 6% preference shares are paid on 30 June and 31 December in each year and amounted to £54,000 (1999: £54,000).

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 2000, net of third party research income, amounted to £2.4m (1999: £3.8m).

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 2000 trade creditors amounted to the equivalent of 67 days (1999: 51 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 16. All of the present directors held office throughout 2000 except Mr Steen and Mr Wilson who were appointed on 29 February 2000 and 1 August 2000 respectively. Mr Grant and Mr Hodgkinson resigned on 9 February 2000 and 31 May 2000 respectively.

The directors retiring by rotation, in accordance with the articles of association, are Mr Byrom and Mr Cowen and both will retire at the Annual General Meeting to be held on 24 April 2001. Both, being eligible, offer themselves for re-appointment. Both have service contracts which can be terminated on notice of one year.

Mr Wilson, 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 and being eligible offers himself for appointment. Mr Wilson, as a non-executive director, does not have a service contract.

Directors' interests

Directors' interests in the Company's shares are shown on page 24 in the Remuneration Report.

Substantial shareholdings

As at 23 February 2001, 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)	4,834,048	22.78%
Fidelity International Limited	3,494,500	16.47%
Mourant & Co Trustees Limited	1,744,329	8.22%
Japan Tobacco Inc.	1,350,000	6.36%
British Coal Staff Superannuation Scheme	1,098,579	5.18%

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

To maintain flexibility, the directors consider it appropriate to have authority to (a) issue new shares for cash or other consideration (up to an aggregate nominal value of £1,598,000 representing approximately 30% of the issued ordinary share capital as at 23 February 2001) during a period of five years from the passing of the resolution and (b) issue new shares for cash other than to existing shareholders on a pro rata basis (up to an aggregate nominal amount of £265,295 representing approximately 5% of the issued ordinary share capital) this authority expiring not later than fifteen months from the passing of the resolution. Proposed ordinary and special resolutions are included under special business in the notice of Annual General Meeting to give the necessary authority (items 8 and 9). The directors have no present intention of exercising the authority given by these resolutions.

Authority for the Company to purchase its own shares was granted at the Annual General Meetings held on 21 April 1999 and 26 April 2000 and at the Extraordinary General Meetings held on 8 December 1999, 31 March 2000, 27 October 2000 and 20 December 2000. At the date of this report, and until the Annual General Meeting on 24 April 2001, the Board has authority to purchase a further 3,183,541 shares pursuant to the resolution passed on 20 December 2000. 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 10 will, therefore, be proposed as a special resolution, enabling the Company to purchase for cancellation ordinary shares in the market for a period of twelve months from the date of the meeting, upon the terms set out in the resolution, up to a maximum number of 3,183,541 ordinary shares representing approximately 15% of the issued ordinary share capital at the date of the notice convening the Annual General Meeting. Upon passing this resolution the December 2000 EGM authority will be revoked.

In reaching a decision to purchase ordinary shares, the directors will take account of the Company's cash resources and capital and the general effect of such purchase on the Company's business. 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 22 on page 46 to the accounts.

Directors' Report

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 Group and the Company made donations to UK charitable organisations of £2,000 (1999: £2,000).

Annual General Meeting

The Annual General Meeting will take place on 24 April 2001. Notice of the Meeting can be found on page 54.

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 24 April 2001.

By order of the Board

J J Jordan
Secretary
5 March 2001

Remuneration Report

The Remuneration Committee deals with all aspects of remuneration of the executive directors and certain other senior executives. The Committee comprises all of the non-executive directors and is chaired by Mr Steen.

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 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 executive directors participate each year in a bonus scheme which provides for payments according to targets set annually by the Remuneration Committee in relation to earnings per share. For the year ended 31 December 2000 the maximum bonus attainable for executive directors was 40% of relevant salaries.

iii. Share schemes

There are three share related schemes in operation, two share option schemes and a long term incentive plan (LTIP). 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. Details of the schemes are set out below:

- **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. The executive share option scheme provides, as a condition of exercise, that growth in the Company'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.

- **Long term incentive plan (LTIP)**

The plan is intended to offer an effective incentive in line with current practice to executive directors and certain other senior executives. The LTIP provides, as a condition of exercise, that the Company'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 LTIP were put in place on 29 February 2000 for Mr Byrom and Dr Sabberwal. 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 are terminable on notice of one year given by either party. 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 UK Pension Fund ("the Fund"), which is a funded, Inland Revenue approved, contributory, final salary, occupational pension scheme. Previously, executive directors were offered membership of the Molins Senior Management Pension Scheme ("the Scheme") which since the end of the year has been merged into the Fund. Dr Sabberwal being over the normal retirement age is not offered membership of the Fund and payments are made into a separate plan in respect of Mr Byrom. The Fund's 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.

Policy on remuneration of executive directors (continued)

Pensionable salary is the member's basic salary. Executive directors joining the Company on or after 1 June 1989 are 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, £91,800. In such cases the Company has agreed to increase pension and death benefits through the establishment of funded unapproved retirement benefits schemes and top up life assurance.

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		Fees & salary 2000 £000	Incentive scheme 2000 £000	Benefits 2000 £000[b]	Other payments 2000 £000[c]	Compensation for loss of office 2000 £000[d]	2000 £000	1999 £000
Executive directors								
P J Byrom - Chairman		**125**	**50**	**5**	**–**	**–**	**180**	76
D J Cowen		**121**	**49**	**13**	**5**	**–**	**188**	182
P W Grant								
- resigned 9.2.2000	a	**19**	**–**	**2**	**–**	**242**	**263**	213
A J P Sabberwal		**150**	**60**	**43**	**–**	**–**	**253**	35
M J R Saw		**131**	**52**	**13**	**–**	**–**	**196**	139
Non-executive directors								
M S Hodgkinson								
- resigned 31.5.2000	a	**8**	**–**	**–**	**–**	**–**	**8**	18
D M C E Steen								
- appointed 29.2.2000	a	**17**	**–**	**–**	**–**	**–**	**17**	–
J Wilson								
- appointed 1.8.2000	a	**8**	**–**	**–**	**–**	**–**	**8**	–
Former directors		**–**	**–**	**–**	**–**	**–**	**–**	66
Total		**579**	**211**	**76**	**5**	**242**	**1,113**	729

Notes

a. In the cases of Mr Grant, Mr Hodgkinson, Mr Steen and Mr Wilson the figures represent emoluments earned during the parts of the year in which they were directors.

b. Benefits comprise mainly the provision of a company car with fuel benefit and private medical cover. In addition they included (i) in the cases of Mr Cowen and Mr Grant life assurance premiums relating to salary above the current cap limit and (ii) in the case of Dr Sabberwal, certain travel and subsistence costs incurred in carrying out his duties. Mr Cowen received compensation for relocation costs of £61,528 in 1999.

c. Mr Cowen's emoluments include a pensions related payment in lieu of his full contractual entitlement of payments into his funded unapproved retirement benefit scheme.

d. Mr Grant's emoluments include compensation for termination of his service contract with the Company on 9 February 2000 of £242,000. He continued to be employed by the Company until 30 June 2000 for which he received a salary of £52,000.

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.

Directors' emoluments (continued)

Aggregate emoluments of the directors were:

	2000 £000	1999 £000
Fees	**33**	137
Salaries	**546**	402
Performance related element	**211**	–
Benefits	**76**	95
Other payments	**5**	95
Total emoluments	**871**	729
Compensation for loss of office	**242**	–
	1,113	729

Directors' pensions information

The following table relates to the benefits of executive directors under the Scheme, which has since been merged with the Fund.

	Increase in accrued pension during the period £pa	Transfer value of increase £	Accumulated total accrued pension at period end £pa
D J Cowen	2,500	15,600	4,580
P W Grant	1,490	13,400	27,980
M J R Saw	2,930	41,000	85,250

The accrued pension at the end of the period for Mr 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. Mr Grant left active service on 30 June 2000.

Notes

- **a.** The increase in accrued pension during the year excludes any increase for price inflation.
- **b.** 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.
- **c.** Members of the Scheme, now the Fund, have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above table.

The above disclosures relate to defined benefit pension arrangements for the executive directors. In addition, sums of £8,985 (1999: £5,763) for Mr Cowen and £49,871 (1999: £60,433) for Mr Grant were contributed to their funded unapproved retirement benefit schemes. A payment of £50,000 was made in respect of pension arrangements for Mr Byrom.

Directors' interests in shares

The beneficial interests of directors holding office at 31 December 2000 and their families in the ordinary shares of the Company (excluding share options) were as follows:

Shares	Held 31 December 2000	Held 1 January or date of appointment 2000
P J Byrom	**300,600**	100,600
D J Cowen	**20,000**	10,000
A J P Sabberwal	**115,500**	20,000
M J R Saw	**36,020**	36,020
D M C E Steen	**10,700**	–
J Wilson	**5,000**	–

Notes

There were no changes in the above interests of the present directors between 31 December 2000 and 23 February 2001.

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 for each director who held office during 2000 (excluding Mr Grant who resigned on 9 February 2000) are as follows:

		Held 1 January 2000	Granted in year	Exercised in year	Lapsed in year	Held 31 December 2000	Option price	Date from when exercisable	Expiry date
D J Cowen	a	1,219	–	–	–	**1,219**	89p	4.01.2003	3.07.2003
M J R Saw	b	12,000	–	–	–	**12,000**	570p	26.04.1998	25.04.2005
	b	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
		71,383	–	–	–	**71,383**			

Notes

a. Options under savings-related share option scheme.

b. Options under executive share option scheme.

There were no changes in the above options held by the present directors between 31 December 2000 and 23 February 2001.

Mr Grant's options over 78,844 shares lapsed on his resignation on 9 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 Company's earnings per share must be greater than the increase in RPI over a period of three consecutive years.

The mid market price of Molins PLC ordinary shares at 31 December 2000 was 165p and the range during the year was 85p to 172.5p.

Long term incentive plan

Details of conditional grants of Molins ordinary shares under the Company's Long Term Incentive Plan for each director who held office throughout 2000 were as follows:

	Held 1 January 2000	Grant on 29 February 2000 Mid market price 130p	Grant on 31 October 2000 Mid market price 145p	**Held 31 December 2000**
P J Byrom	–	120,000	–	**120,000**
D J Cowen	47,247	67,000	18,000	**132,247**
A J P Sabberwal	–	112,000	–	**112,000**
M J R Saw	52,999	50,000	–	**102,999**

Notes

There were no changes in the above conditional grants held for the directors between 31 December 2000 and 23 February 2001.

On 1 January 2001 Mr Byrom, Mr Cowen, Dr Sabberwal and Mr Saw were awarded further conditional grants of 120,000, 85,762, 120,000 and 35,000 shares respectively.

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

The LTIP provides as a condition of exercise that the Company's total shareholder return over a three year period must exceed targets compared with certain other listed engineering companies and that the Company's earnings per share over the preceding three financial years must exceed the growth in RPI. At the end of the three year performance period, each participant may choose whether to wait for a further three years to realise all of the shares to which they are entitled on satisfaction of the performance targets or to realise their shares immediately, in which case 60% of the shares are released and the balance is forfeited. At the end of the fourth and fifth years, 71% and 84% can be released and the balance forfeited.

The Board currently has the ability under the LTIP to make awards of ordinary shares in the Company to employees (including executive directors) of the Group in any financial year up to a maximum of 100% of that employee's salary at the time the award is made. The Board considers that it is necessary to amend the LTIP by increasing the number of shares which may be awarded to an eligible employee in any financial year to 167% of the employee's salary at the date the award is granted. The effect of this amendment would be to increase the maximum number of shares that can be released to a participant at the end of the three year performance period to 100% of the participant's salary at the time of grant of the award. The participant could choose to realise the shares at the end of the fourth, fifth and sixth years in which case 118%, 142% or 167% would be released with any balance being forfeited as described in the paragraph above.

As this is an amendment which is to the advantage of eligible employees the Board is seeking the prior approval of shareholders. A proposed ordinary resolution is included in the notice of the Annual General Meeting (item 7).

Mr Grant's conditional grant of 88,575 ordinary shares lapsed on his resignation on 9 February 2000.

By order of the Board

J J Jordan
Secretary
5 March 2001

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 2000 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.2 because the posts of Chairman and Chief Executive Officer are combined in Mr Byrom in his role as executive Chairman. There is however a strong and independent non-executive element on the Board. Mr Steen is the recognised senior independent director to whom concerns can be conveyed;

Section A.3 because non-executive directors comprised less than one third of the Board between 1 January 2000 and 29 February 2000 and also between 31 May 2000 and 1 August 2000, when there was only one non-executive director. The Company has been compliant since Mr Wilson's appointment as a non-executive director on 1 August 2000;

Section B.2.2 because the composition of the Remuneration Committee was not at all times exclusively comprised of non-executive directors due to Mr Byrom's continued membership following his appointment as executive Chairman at which time the Board had only one non-executive director. Following the appointment of Mr Wilson as a second non-executive director, Mr Byrom resigned from the Committee. During the relevant period of Mr Byrom's committee membership, the Committee only had the authority to make recommendations to the Board on matters within its scope as opposed to determining such matters;

Section D.3.2 because the Audit Committee does not consist of three non-executive directors. The Company has not complied with this requirement because the Company has only two non-executive directors. The Audit Committee has written terms of reference which clearly deal with its authority and duties.

The Board has reviewed the effectiveness of the system of internal controls and confirms that procedures have been established which are considered necessary to implement the requirements of the Combined Code such that they can fully comply with it for the accounting period ending 31 December 2001, except in respect of sections A.2 and D.3.2, compliance with which will depend on the structure of the Board.

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 executives. 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 Steen.

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 16.

Audit Committee

The Committee is chaired by Mr Steen and meets at least twice a year, with the Chairman of the Board, 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. Mr Hodgkinson resigned as Chairman on 31 May 2000 and Mr Byrom resigned as a member on 4 September 2000.

Remuneration Committee

The Committee is chaired by Mr Steen and 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. Mr Hodgkinson resigned as Chairman on 31 May 2000 and Mr Byrom resigned as a member on 4 September 2000.

The Remuneration Report is set out on pages 21 to 25.

Nomination Committee

The Committee is chaired by Mr Byrom and is responsible for formulating and reviewing proposals for the appointment of directors and making recommendations thereon to the Board. Mr Hodgkinson resigned from the Committee on 31 May 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. In addition, 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:

- major commercial, strategic and financial risks are formally identified, quantified and assessed by each operating unit during the annual budgeting exercise and presented to and discussed with executive directors, after which they are considered by the Board;
- there is a comprehensive system of planning, budgeting, reporting and monitoring of the Group's operating units. This includes monthly management reporting and monitoring of performance and forecasts. The reports are reviewed by Group staff and are also submitted to the Board for review. Monthly and quarterly reviews are embedded in the internal control process and cover each operating unit. Monthly reviews require each operating unit to consider all aspects of the business including business development, financial performance against budget and forecast, health and safety and capital expenditure proposals. Quarterly reviews of operating units also include a review of business development, performance against budget and forecast and all other aspects of the business. They are attended by executive directors and other Group staff as appropriate;
- there is an organisational structure with clearly defined lines of responsibility and delegation of authority;
- each operating unit is required to comply with defined policies, financial controls and procedures and authorisation levels which are clearly communicated;
- a regular programme of internal control reviews and specific investigations are carried out by Group finance staff and are followed up during regular executive management visits. The internal control reviews include assessment of compliance with Group policies and procedures and reports of their findings are made to the Audit Committee and Board as appropriate;
- a formal risk management audit is regularly carried out by Group staff and an external risk management consultant which covers physical damage, environmental and health and safety risks together with business continuity issues. Formal reports including recommendations are sent to each operating unit for action and reported back to Group management. Progress reports are issued to the Board for review and monitoring.

The Board has reviewed the effectiveness of the system of internal controls during the year ended 31 December 2000 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

J J Jordan
Secretary
5 March 2001

Auditors' Report

To the members of Molins PLC
We have audited the financial statements on pages 30 to 51.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report. As described on page 26 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 Financial Services Authority 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 26 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, 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 2000 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
5 March 2001

KPMG Audit Plc

Group Profit and Loss Account

For the year ended 31 December	Notes	2000 Before exceptional items £m	2000 Exceptional items (note 4) £m	2000 Total £m	1999 Before exceptional items £m	1999 Exceptional items (note 4) £m	1999 Total £m
Turnover							
- Existing businesses		**95.8**	**–**	**95.8**	110.6	–	110.6
- Acquisitions		**4.8**	**–**	**4.8**	–	–	–
Total turnover – continuing operations	1,2	**100.6**	**–**	**100.6**	110.6	–	110.6
Cost of sales	3	**(73.1)**	**–**	**(73.1)**	(85.1)	–	(85.1)
Gross profit		**27.5**	**–**	**27.5**	25.5	–	25.5
Net operating expenses	3	**(20.9)**	**(1.0)**	**(21.9)**	(22.2)	–	(22.2)
Operating profit							
- Existing businesses		**5.8**	**(1.0)**	**4.8**	3.3	–	3.3
- Acquisitions		**0.8**	**–**	**0.8**	–	–	–
Total operating profit	1,3	**6.6**	**(1.0)**	**5.6**	3.3	–	3.3
Loss on sale/closure of businesses		**–**	**–**	**–**	–	(0.3)	(0.3)
Net interest receivable	7	**0.1**	**–**	**0.1**	0.4	–	0.4
Profit on ordinary activities before taxation		**6.7**	**(1.0)**	**5.7**	3.7	(0.3)	3.4
Taxation (charge)/credit	9	**(0.8)**	**–**	**(0.8)**	(1.3)	2.1	0.8
Profit for the financial year		**5.9**	**(1.0)**	**4.9**	2.4	1.8	4.2
Dividends (including non-equity)	10	**(1.3)**	**–**	**(1.3)**	(2.2)	–	(2.2)
Retained profit for the year	23	**4.6**	**(1.0)**	**3.6**	0.2	1.8	2.0
Basic earnings per ordinary share	11	**22.0p**	**(3.8)p**	**18.2p**	6.6p	5.2p	11.8p
Basic earnings per ordinary share before goodwill	11	**22.4p**	**(3.8)p**	**18.6p**	6.6p	5.2p	11.8p
Diluted earnings per ordinary share	11	**21.7p**	**(3.8)p**	**17.9p**	6.6p	5.2p	11.8p

Balance Sheets

As at 31 December	Notes	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Fixed assets					
Intangible assets – goodwill	12	**8.7**	–	**6.3**	–
Tangible assets	13	**22.2**	26.9	**15.0**	20.2
Investments	14	**4.1**	2.5	**51.3**	47.1
		35.0	29.4	**72.6**	67.3
Current assets					
Stocks	15	**26.2**	30.8	**16.0**	17.2
Debtors – due within one year	16	**23.6**	28.4	**20.4**	25.5
Debtors – due after more than one year	16	**19.2**	16.4	**16.1**	13.7
Cash and short-term bank deposits	29	**1.9**	9.8	–	4.7
		70.9	85.4	**52.5**	61.1
Creditors – amounts falling due within one year					
Borrowings	17,29	**(2.0)**	(1.2)	**(2.8)**	(1.0)
Other creditors	18	**(32.4)**	(37.6)	**(53.6)**	(55.4)
Proposed dividend	10	**(0.8)**	(1.3)	**(0.8)**	(1.3)
		(35.2)	(40.1)	**(57.2)**	(57.7)
Net current assets/(liabilities)		**35.7**	45.3	**(4.7)**	3.4
Total assets less current liabilities		**70.7**	74.7	**67.9**	70.7
Creditors – amounts falling due after more than one year					
Borrowings	17,29	**(8.6)**	(0.4)	**(5.0)**	–
Other creditors	19	–	(0.2)	–	–
		(8.6)	(0.6)	**(5.0)**	–
Provisions for liabilities and charges	21	**(4.0)**	(5.8)	**(3.1)**	(4.7)
Net assets		**58.1**	68.3	**59.8**	66.0
Capital and reserves					
Called up share capital	22	**6.2**	9.0	**6.2**	9.0
Share premium account	23	**25.6**	25.6	**25.6**	25.6
Revaluation reserve	23	**5.7**	7.3	**4.4**	6.0
Capital redemption reserve	23	**3.6**	0.8	**3.6**	0.8
Profit and loss account	23	**17.0**	25.6	**20.0**	24.6
Shareholders' funds (including non-equity interests)	24	**58.1**	68.3	**59.8**	66.0

The accounts were approved by the directors on 5 March 2001 and signed on their behalf by:

P J Byrom
Director

D J Cowen
Director

Group Cash Flow Statement

For the year ended 31 December	Notes	**2000 £m**	1999 £m
Net cash inflow/(outflow) from operating activities	26	**13.3**	(0.5)
Returns on investments and servicing of finance	27	**0.1**	0.4
Taxation	27	**0.8**	0.3
Capital expenditure (net)	27	**(0.6)**	(1.4)
Acquisitions and disposals	27	**(13.0)**	3.8
Equity dividends paid		**(1.8)**	(1.5)
Net cash (outflow)/inflow before management of liquid resources and financing		**(1.2)**	1.1
Management of liquid resources	27	**0.9**	3.7
Financing	27	**(7.4)**	(4.3)
(Decrease)/increase in cash in the year		**(7.7)**	0.5

Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)

For the year ended 31 December	Notes	**2000 £m**	1999 £m
(Decrease)/increase in cash in the year		**(7.7)**	0.5
Cash inflow from movement in liquid resources		**(0.9)**	(3.7)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		**(8.3)**	0.1
Change in net funds resulting from cash flows	28	**(16.9)**	(3.1)
Translation movements	28	**–**	0.4
Movement in net funds in the year		**(16.9)**	(2.7)
Net funds at 1 January		**8.2**	10.9
Net (debt)/funds at 31 December	28	**(8.7)**	8.2

Statement of Total Group Recognised Gains and Losses

For the year ended 31 December	Notes	2000 £m	1999 £m
Profit for the year		**4.9**	4.2
Currency translation movements arising on foreign currency net investments	23	**0.4**	(0.3)
Total recognised gains for the year		**5.3**	3.9

Note of Historical Cost Profits and Losses

For the year ended 31 December	Notes	2000 £m	1999 £m
Reported profit on ordinary activities before taxation		**5.7**	3.4
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		**–**	–
Realisation of property revaluation gains of earlier years	23	**1.6**	–
Historical cost profit on ordinary activities before taxation		**7.3**	3.4
Historical cost profit for the year after taxation and dividends		**5.2**	2.0

Reconciliation of Movements in Shareholders' Funds

		Group		Company	
For the year ended 31 December	Notes	2000 £m	1999 £m	2000 £m	1999 £m
Profit for the year		**4.9**	4.2	**9.3**	14.9
Dividends		**(1.3)**	(2.2)	**(1.3)**	(2.2)
Retained profit for the year		**3.6**	2.0	**8.0**	12.7
Currency translation movements arising on foreign currency net investments		**0.4**	(0.3)	**–**	–
Purchase of own shares for cancellation		**(14.2)**	(3.8)	**(14.2)**	(3.8)
Net (reduction)/increase in shareholders' funds		**(10.2)**	(2.1)	**(6.2)**	8.9
Opening shareholders' funds		**68.3**	70.4	**66.0**	57.1
Closing shareholders' funds	24	**58.1**	68.3	**59.8**	66.0

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, together with any differences between the average rate and the closing rate in the profit and loss account, 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

Since 1998 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 capitalised in the accounts as goodwill in the relevant currency and then amortised on a straight line basis over 20 years.

Goodwill arising from acquisitions prior to 1998 has been eliminated against reserves. This goodwill will be charged in the profit and loss account as part of any profit or loss of any subsequent disposal of the business to which it relates.

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	– nil.
Freehold buildings	– 3% on cost or valuation.
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.

Under the transitional rules of FRS 15 Tangible fixed assets, the values of all freehold land and buildings have been frozen at modified historical cost.

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 to the profit and loss account.

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 stocks.

Turnover

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

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.

1 Segmental analysis		2000 Turnover £m	1999 Turnover £m	2000 Operating profit £m	1999 Operating profit £m	2000 Net assets £m	1999 Net assets £m
By activity:							
Tobacco Machinery	– existing businesses	**52.7**	68.4	**2.8**	0.3	**42.4**	44.4
	– acquisitions	**4.0**	–	**0.6**	–	**3.4**	–
Tobacco Machinery	– continuing operations	**56.7**	68.4	**3.4**	0.3	**45.8**	44.4
Packaging Machinery	– existing businesses	**43.1**	42.2	**3.0**	3.0	**20.2**	15.7
	– acquisitions	**0.8**	–	**0.2**	–	**0.8**	–
Packaging Machinery	– continuing operations	**43.9**	42.2	**3.2**	3.0	**21.0**	15.7
		100.6	110.6	**6.6**	3.3	**66.8**	60.1
By geographical location of origin:							
United Kingdom		**47.3**	56.4	**4.4**	(0.6)	**50.9**	46.6
North America		**37.1**	38.3	**1.3**	3.6	**16.0**	12.0
Rest of the world		**16.2**	15.9	**0.9**	0.3	**(0.1)**	1.5
		100.6	110.6	**6.6**	3.3	**66.8**	60.1
Exceptional items (note 4)				**(1.0)**	–		
Operating profit				**5.6**	3.3		
Net (debt)/cash						**(8.7)**	8.2
Net assets						**58.1**	68.3

2 Turnover	2000 £m	2000 %	1999 £m	1999 %
By geographical destination of goods:				
United Kingdom	**12.8**	**13**	18.6	17
Continental Europe	**18.6**	**18**	18.1	16
North America	**37.1**	**37**	41.2	37
Asia	**16.1**	**16**	17.4	16
Rest of the world	**16.0**	**16**	15.3	14
	100.6	**100**	110.6	100

3 Operating profit	2000 Before exceptional items £m	2000 Exceptional items (note 4) £m	2000 Total £m	1999 Before exceptional items £m	1999 Exceptional items (note 4) £m	1999 Total £m
Turnover	**100.6**	–	**100.6**	110.6	–	110.6
Cost of sales						
Existing businesses	**(70.3)**	–	**(70.3)**	(85.1)	–	(85.1)
Acquisitions	**(2.8)**	–	**(2.8)**	–	–	–
Total	**(73.1)**	–	**(73.1)**	(85.1)	–	(85.1)
Gross profit						
Existing businesses	**25.5**	–	**25.5**	25.5	–	25.5
Acquisitions	**2.0**	–	**2.0**	–	–	–
Total	**27.5**	–	**27.5**	25.5	–	25.5
Distribution costs						
Existing businesses	**(5.7)**	–	**(5.7)**	(5.9)	–	(5.9)
Acquisitions	**(0.5)**	–	**(0.5)**	–	–	–
Total	**(6.2)**	–	**(6.2)**	(5.9)	–	(5.9)
Administrative expenses						
Existing businesses	**(14.0)**	**(1.0)**	**(15.0)**	(16.3)	–	(16.3)
Acquisitions	**(0.7)**	–	**(0.7)**	–	–	–
Total	**(14.7)**	**(1.0)**	**(15.7)**	(16.3)	–	(16.3)
Operating profit	**6.6**	**(1.0)**	**5.6**	3.3	–	3.3

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 £2.4m (1999: £3.8m). Distribution costs include selling costs.

	2000 £m	1999 £m
Operating profit is arrived at after charging:		
Amortisation of goodwill	**0.1**	–
Depreciation of owned assets	**3.1**	3.2
Depreciation of assets held under finance leases	**0.1**	0.1
Operating leases:		
- hire of plant and machinery	**0.1**	0.1
- other	**0.9**	0.9
Remuneration of the auditor and its associates:		
- audit services (the Company £0.1m; 1999: £0.1m)	**0.2**	0.2
- non-audit services (the Company £0.1m; 1999: £0.2m)	**0.2**	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 £0.1m (1999: £nil).

4 Exceptional items

The exceptional charge of £1.0m in 2000 relates to the settlement of a long running claim for unpaid royalty fees, the cessation of a partially customer funded development contract at Langen Packaging Inc and the profit on sale of the Peterborough property.

The exceptional credit of £1.8m in 1999 comprises the net credit (including taxation) arising from the settlement of all outstanding obligations in connection with the sale of its Langston business in 1998, and the costs of closure of the Group's Australian operations (including taxation).

5 Employee information

	2000	1999
The average numbers of persons employed by the Group were:		
Tobacco Machinery	**669**	921
Packaging Machinery	**396**	417
	1,065	1,338
	£m	£m
Employment costs were:		
Wages and salaries	**25.7**	30.1
Social security costs	**2.8**	3.2
Pension credit (note 8)	**(2.7)**	(1.8)
	25.8	31.5

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 21 to 25.

7 Net interest receivable

	2000 £m	1999 £m
Interest receivable:		
Cash and other short-term investments	**0.3**	0.6
Other interest receivable	**0.1**	0.2
	0.4	0.8
Interest payable:		
Amounts payable on bank loans and overdrafts	**(0.2)**	(0.3)
Amounts payable on other loans	**(0.1)**	(0.1)
	(0.3)	(0.4)
Net interest receivable	**0.1**	0.4

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 Group companies at rates determined by independent actuaries.

UK pension schemes

The Group operated two principal pension schemes in the UK through the year, 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 is invested in the Company except for an interest in the cumulative preference shares of the Company which have an estimated current market value of £0.4m.

The most recent formal valuations of the Fund and Scheme adopted by the Company 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. No contributions were made by the Company to the Scheme in 2000. 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 2000 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.

Valuations of the Fund and the Scheme were carried out at 30 June 2000 by independent actuaries. These valuations will be adopted by the Company for the 2001 financial year.

The Fund and the Scheme were merged with effect from 1 January 2001 at which time the members of the Scheme became members of the Fund.

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 2000 using the projected unit credit method. Resulting from these valuations the profit before tax includes a pension credit of £0.2m (1999: £0.4m) which is net of a normal pension cost of £0.1m (1999: £0.2m).

Analysis of the net pension credit included in the Group's profit and loss account	**2000 £m**	1999 £m
United Kingdom Fund and Scheme:		
Normal pension cost	**(2.1)**	(2.8)
Amortisation of the surplus	**3.5**	3.3
Interest element on balance sheet prepayment	**1.1**	1.0
	2.5	1.5
Other pension arrangements	**0.2**	0.3
Net pension credit	**2.7**	1.8

9 Taxation charge/(credit)	2000 £m	1999 £m
UK corporation tax at 30% (1999: 30.25%) on profit for the year		
– current year	**0.7**	3.4
– prior year	**–**	–
Less double taxation relief	**(0.4)**	(3.4)
UK taxation	**0.3**	–
Overseas taxation	**0.5**	(0.8)
Taxation charge/(credit)	**0.8**	(0.8)

Overseas taxation for 1999 includes a credit of £2.2m in respect of the sale of Langston less a charge of £0.1m relating to the closure of the Group's Australian operations.

10 Dividends	2000 £m	1999 £m
Ordinary dividend		
Interim paid of 2.5p per share (1999: 2.5p)	**0.5**	0.8
Proposed final of 4.0p per share (1999: 4.0p)	**0.8**	1.3
Total of 6.5p per share (1999: 6.5p)	**1.3**	2.1
Preference dividend 6.0%	**0.1**	0.1
	1.4	2.2
Ordinary dividend over provided in prior year	**(0.1)**	–
Total dividends	**1.3**	2.2

11 Basic and diluted earnings per ordinary share

The calculations of earnings per ordinary share are based upon profits after taxation (less preference dividends) of £4.8m (1999: £4.1m). An adjusted earnings per share figure has been calculated in addition to the earnings per share required by FRS 14, Earnings per share, which is based on earnings excluding the effect of the exceptional charge of £1.0m (1999: credit £1.8m) and amortisation of goodwill of £0.1m (1999: £nil). It has been calculated to allow the shareholders to gain a clearer understanding of the trading performance of the Group. Details of the adjusted earnings per share are set out below:

	2000		1999	
	Basic pence	Diluted pence	Basic pence	Diluted pence
Earnings per ordinary share	**18.2**	**17.9**	11.8	11.8
Exceptional items	**3.8**	**3.8**	(5.2)	(5.2)
Earnings per ordinary share before exceptional items	**22.0**	**21.7**	6.6	6.6
Amortisation of goodwill	**0.4**	**0.4**	–	–
Earnings per ordinary share before exceptional items and amortisation of goodwill	**22.4**	**22.1**	6.6	6.6

The calculations of earnings per ordinary share are based on the following weighted average number of shares:

	2000	1999
Basic earnings per ordinary share	**26,307,293**	34,846,109
Diluted earnings per ordinary share	**26,887,080**	34,846,109

12 Intangible fixed assets – goodwill	Group £m	Company £m
Cost:		
Additions	8.8	6.4
At end of year	**8.8**	**6.4**
Amortisation:		
Charge for year	(0.1)	(0.1)
At end of year	**(0.1)**	**(0.1)**
Net book values:		
At beginning of year	–	–
At end of year	**8.7**	**6.3**

Goodwill arising on acquisitions is being amortised on a straight line basis over 20 years, which the directors believe to be its useful economic life.

13 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	18.6	22.4	16.5	57.5	14.7	13.8	12.2	40.7
Retranslation and other adjustments	0.5	0.1	(0.4)	0.2	–	–	–	–
Acquisitions	0.4	0.7	0.2	1.3	0.4	0.2	–	0.6
Additions	–	0.3	0.8	1.1	–	0.2	0.3	0.5
Disposals	(4.8)	(2.0)	(1.5)	(8.3)	(4.8)	(2.0)	(1.2)	(8.0)
At end of year	**14.7**	**21.5**	**15.6**	**51.8**	**10.3**	**12.2**	**11.3**	**33.8**
Depreciation:								
At beginning of year	1.7	16.9	12.0	30.6	1.7	10.0	8.8	20.5
Retranslation and other adjustments	–	0.1	(0.2)	(0.1)	–	–	–	–
Charge for year	0.5	1.3	1.4	3.2	0.3	0.9	0.9	2.1
Disposals	(1.3)	(1.4)	(1.4)	(4.1)	(1.3)	(1.3)	(1.2)	(3.8)
At end of year	**0.9**	**16.9**	**11.8**	**29.6**	**0.7**	**9.6**	**8.5**	**18.8**
Net book values:								
At beginning of year	16.9	5.5	4.5	26.9	13.0	3.8	3.4	20.2
At end of year	**13.8**	**4.6**	**3.8**	**22.2**	**9.6**	**2.6**	**2.8**	**15.0**

13 Tangible fixed assets (continued)

The net book value of land and buildings based upon cost or valuation at 31 December 2000 comprises the following:

	Group			Company		
	Cost £m	Valuation £m	Total £m	Cost £m	Valuation £m	Total £m
Freeholds	–	11.7	11.7	–	7.5	7.5
Long leaseholds	0.3	1.8	2.1	0.3	1.8	2.1
	0.3	13.5	13.8	0.3	9.3	9.6

Under the transitional rules of FRS 15 Tangible fixed assets, the values of all freehold land and buildings have been frozen at modified historical cost.

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 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 £14.3m (1999: £15.4m) and for the Company £9.8m (1999: £10.9m).

Depreciation is not charged on assets, which are included in land and buildings, with a value for the Group of £3.9m (1999: £7.1m) and for the Company of £2.7m (1999: £5.9m).

The net book value of fixed assets for the Group and Company includes £nil (1999: £0.2m) in respect of assets held under finance leases. Depreciation charged on finance leased assets in the year was £0.1m (1999: £0.1m). The net book value for the Group and Company of assets held in the course of construction is £0.1m (1999: £nil).

14 Investments

	Own shares	Investment in associate		Total
	£m	Share of net assets £m	Loans £m	£m
Group				
At 1 January 2000	0.4	1.6	0.5	2.5
Additions in year	1.5	–	0.2	1.7
Amortisation	(0.1)	–	–	(0.1)
At 31 December 2000	**1.8**	**1.6**	**0.7**	**4.1**

	Own shares	Investments in subsidiaries			Investment in associate			Total
	£m	Cost of shares £m	Provisions £m	Loans £m	Cost of shares £m	Provisions £m	Loans £m	£m
Company								
At 1 January 2000	0.4	16.6	(1.7)	30.2	2.1	(0.5)	–	47.1
Reclassifications	–	(0.8)	–	0.8	–	–	0.5	0.5
Additions	1.5	–	–	0.7	–	–	0.2	2.4
Amounts written off	–	(0.3)	–	–	–	–	–	(0.3)
Amounts written back	–	–	1.7	–	–	–	–	1.7
Amortisation	(0.1)	–	–	–	–	–	–	(0.1)
At 31 December 2000	**1.8**	**15.5**	**–**	**31.7**	**2.1**	**(0.5)**	**0.7**	**51.3**

14 Investments (continued)

Own shares relate to shares held in trust for the Company's Long Term Incentive Plan (LTIP). The LTIP is intended to offer an incentive, in line with current practice, to executive directors and certain other senior executives as determined by the Remuneration Committee. The LTIP provides, as a condition of exercise, that the Company's total shareholder return over a three year period exceeds targets compared with certain other listed engineering companies.

During the year the Trust purchased 1,413,329 shares at an average price of 107p per share. At the year end the Trust held 1,744,329 (1999: 331,000) ordinary shares of 25p each, representing 8.22% of issued shares at 31 December 2000 (1999: 1.02%). The shares are stated at cost, which is lower than the market value at 31 December 2000 of £2,878,000 (1999: £405,000). The cost of shares conditionally vested with employees are amortised on a straight line basis over the expected life of each award. At the year end 614,386 (1999: 147,386) shares had been conditionally granted to members. Dividends have been waived by the Trust and administration costs are borne by the Company.

For the year ended 31 December 1999 own shares purchased by the LTIP Trust of £0.4m were shown within Prepayments and accrued income (£0.1m) and Other debtors falling due after more than one year (£0.3m). The financial statements of the Group and Company have been reclassified to show these amounts as Investments in own shares, in accordance with UITF abstract 13, Accounting for ESOP trusts.

The Company's principal subsidiaries, divisions, branches and associates are listed on page 52.

15 Stocks	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Raw materials and consumables	**3.8**	3.5	**3.6**	3.1
Work in progress	**9.0**	11.6	**4.5**	3.6
Finished goods	**13.4**	15.7	**7.9**	10.5
	26.2	30.8	**16.0**	17.2

Certain stocks previously classified as work in progress are now included in finished goods and the 1999 comparative figures have been adjusted accordingly.

16 Debtors	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts falling due within one year:				
Trade debtors	**19.7**	23.2	**11.7**	13.2
Amounts owed by Group undertakings	**–**	–	**6.4**	10.1
Other debtors including taxation	**2.1**	3.2	**0.8**	0.7
Prepayments and accrued income	**1.8**	2.0	**1.5**	1.5
	23.6	28.4	**20.4**	25.5
Amounts falling due after more than one year:				
Other debtors	**–**	0.1	**–**	0.1
Pension fund prepayment	**19.2**	16.3	**16.1**	13.6
	19.2	16.4	**16.1**	13.7
Total debtors	**42.8**	44.8	**36.5**	39.2

17 Borrowings	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts falling due within one year:				
Overdrafts	**1.0**	0.1	**1.8**	–
Loan notes	**1.0**	1.0	**1.0**	1.0
Other borrowings	**–**	0.1	**–**	–
	2.0	1.2	**2.8**	1.0
Amounts falling due after more than one year:				
Bank borrowings	**8.3**	–	**5.0**	–
Mortgage (secured on property)	**0.3**	0.3	**–**	–
Other borrowings	**–**	0.1	**–**	–
	8.6	0.4	**5.0**	–
Amounts falling due after more than one year:				
Repayable between one and two years	**8.3**	0.1	**5.0**	–
Between two and five years	**0.1**	0.1	**–**	–
More than five years	**0.2**	0.2	**–**	–
	8.6	0.4	**5.0**	–

18 Other creditors	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts falling due within one year:				
Deposits received on account	**6.6**	11.8	**3.8**	3.0
Trade creditors	**10.2**	10.4	**8.7**	7.8
Amounts owed to Group undertakings	**–**	–	**30.5**	33.9
Corporation tax	**0.9**	0.7	**0.3**	–
Other taxes and social security	**0.6**	0.7	**0.5**	0.7
Other creditors	**7.1**	8.6	**4.4**	5.6
Accruals and deferred income	**7.0**	5.4	**5.4**	4.4
	32.4	37.6	**53.6**	55.4

19 Other creditors	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts falling due after more than one year:				
Pension fund accrual	**–**	0.2	**–**	–

20 Operating leases

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

	Group				Company			
	2000 Land & buildings £m	**2000 Other £m**	1999 Land & buildings £m	1999 Other £m	**2000 Land & buildings £m**	**2000 Other £m**	1999 Land & buildings £m	1999 Other £m
Operating leases which expire:								
Within one year	**–**	**0.3**	–	–	**–**	**0.1**	–	–
Between two and five years	**–**	**0.3**	–	0.5	**–**	**0.2**	–	0.2
More than five years	**0.5**	**–**	0.3	–	**0.5**	**–**	0.3	–
	0.5	**0.6**	0.3	0.5	**0.5**	**0.3**	0.3	0.2

21 Provisions for liabilities and charges	Deferred taxation £m	Restructuring & rationalisation provisions £m	Warranty & after-sales service provisions £m	Total £m
At 1 January 2000	0.4	3.4	2.0	5.8
Acquisitions	–	–	0.1	0.1
Provision created in the year	–	1.2	0.7	1.9
Utilised during the year	(0.1)	(3.4)	(0.3)	(3.8)
At 31 December 2000	**0.3**	**1.2**	**2.5**	**4.0**

For the Company there are provisions for rationalisation costs of £1.0m (1999: £3.0m) and for warranty and after-sales service of £2.1m (1999: £1.7m).

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Deferred taxation comprises:				
Equalisation of capital allowances and depreciation	**0.3**	0.4	**–**	–
The amount of unprovided deferred taxation is as follows:				
Equalisation of capital allowances and depreciation	**0.3**	1.1	**0.3**	1.1
US stock	**0.2**	0.3	**–**	–
Capital gains in respect of UK and overseas property revaluations	**1.5**	2.1	**1.5**	1.9
Other timing differences	**(3.6)**	(5.9)	**(2.6)**	(5.6)
	(1.6)	(2.4)	**(0.8)**	(2.6)

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.

22 Share capital	2000 Authorised £m	1999 Authorised £m	2000 Allotted called up and fully paid £m	1999 Allotted called up and fully paid £m
Ordinary shares of 25p each	**10.1**	10.1	**5.3**	8.1
6% Preference shares of £1 each	**0.9**	0.9	**0.9**	0.9
	11.0	11.0	**6.2**	9.0

During the year 11,255,025 ordinary shares of 25p each (nominal value £2.8m) representing 34.7% of the issued share capital were purchased for cancellation by the Company at an average price of 125p and at a cost of £14.2m, including fees.

There were 21,223,612 (1999: 32,477,819) 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 2000	474,941	475,950
Granted	–	–
Exercised	(818)	–
Lapsed	(156,287)	(122,800)
At 31 December 2000	**317,836**	**353,150**
Option price per share	89p–702p	112p–904p
Exercise dates	2000–2005	1996–2009

Preference shares

Dividends to preference shareholders amounted to £54,000 (1999: £54,000).

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.

23 Reserves	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Profit & loss account £m	Total £m
Group					
At 1 January 2000	25.6	7.3	0.8	25.6	59.3
Retained profit	–	–	–	3.6	3.6
Transfer between reserves	–	(1.6)	–	1.6	–
Currency translation movements arising on foreign currency denominated net investments	–	–	–	0.4	0.4
Purchase of own shares for cancellation (note 22)	–	–	2.8	(14.2)	(11.4)
At 31 December 2000	**25.6**	**5.7**	**3.6**	**17.0**	**51.9**
Company					
At 1 January 2000	25.6	6.0	0.8	24.6	57.0
Retained profit	–	–	–	8.0	8.0
Transfer between reserves	–	(1.6)	–	1.6	–
Purchase of own shares for cancellation (note 22)	–	–	2.8	(14.2)	(11.4)
At 31 December 2000	**25.6**	**4.4**	**3.6**	**20.0**	**53.6**

Cumulative total amounts taken to reserves in respect of goodwill on acquisition of continuing businesses prior to 1 January 1998 are £44.7m for the Group (1999: £44.7m) and £18.9m for the Company (1999: £18.9m).

24 Shareholders' funds	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Equity interests	**57.2**	67.4	**58.9**	65.1
Non-equity interests	**0.9**	0.9	**0.9**	0.9
	58.1	68.3	**59.8**	66.0

25 Acquisitions

The acquisitions during the year were the Filtrona Instruments & Automation ("FIA") business, comprising the instruments and automation business of Filtrona United Kingdom Ltd and the entire issued share capital of Filtrona Instruments Corporation Inc, and Molins sro which acquired a manufacturing business in the Czech Republic on 1 December 2000.

The profit after tax of FIA from 1 January 2000 to the date of acquisition on 16 October 2000 was £0.3m (full year 1999: £2.2m) *after charging reorganisation costs of £0.4m (full year 1999: £nil).*

	FIA			Molins sro	Total
	Book value £m	Revaluation £m	Fair value £m	Fair value £m	Fair value £m
Net assets acquired					
Tangible fixed assets	0.6	–	0.6	0.7	1.3
Stocks	2.3	–	2.3	–	2.3
Debtors	3.9	–	3.9	–	3.9
Creditors and accruals	(3.3)	(0.1)	(3.4)	–	(3.4)
Net assets acquired	**3.5**	**(0.1)**	**3.4**	**0.7**	**4.1**
Cash consideration			12.2	0.7	12.9
Goodwill arising on acquisitions			**8.8**	**–**	**8.8**

The fair value adjustments to the net assets of FIA relate to a provision for certain liabilities not included in the acquired balance sheet.

There were no fair value adjustments to the book value of fixed assets acquired by Molins sro.

26 Reconciliation of operating profit to net cash flow from operating activities

	2000 £m	1999 £m
Operating profit	**5.6**	3.3
Amortisation of goodwill	**0.1**	–
Depreciation	**3.2**	3.3
Other movements	**–**	(0.4)
Movements in exceptional items:		
- charges in the year	**1.0**	–
- cash movements on charges in the year	**2.8**	–
- cash movements on restructuring and rationalisation provisions	**(3.4)**	(5.5)
Working capital movements:		
- stocks	**8.6**	6.3
- debtors	**7.5**	2.9
- pension fund prepayment	**(2.9)**	(2.2)
- creditors and other provisions	**(9.2)**	(8.2)
Net cash inflow/(outflow) from operating activities	**13.3**	(0.5)

Cash flows from exceptional items excluding tax effect	**(0.6)**	(5.5)
Other cash flows	**13.9**	5.0
Net cash inflow/(outflow) from operating activities	**13.3**	(0.5)

27 Analysis of cash flows for headings netted in the cash flow statement	2000 £m	1999 £m
Returns on investments and servicing of finance		
Interest received	**0.4**	0.8
Interest paid	**(0.3)**	(0.4)
Net cash inflow from returns on investment and servicing of finance	**0.1**	0.4
Taxation		
Taxation repaid	**1.2**	2.9
Taxation paid	**(0.4)**	(2.6)
Net cash inflow from taxation	**0.8**	0.3
Capital expenditure		
Purchase of tangible fixed assets	**(1.1)**	(2.2)
Sale of tangible fixed assets	**0.5**	0.8
Net cash outflow from capital expenditure	**(0.6)**	(1.4)
Acquisitions and disposals		
Acquisition of businesses	**(12.9)**	–
Disposal of businesses	**0.1**	3.8
Investment in joint venture	**(0.2)**	–
Net cash (outflow)/inflow from acquisitions and disposals	**(13.0)**	3.8
Management of liquid resources		
Decrease in short-term bank deposits	**0.9**	0.7
Financing		
Purchase of own shares for cancellation	**(14.2)**	(3.8)
Purchase of own shares for Long Term Incentive Plan	**(1.5)**	(0.4)
Debt due within one year: decrease in borrowings	**–**	(0.1)
Debt due after more than one year: increase in borrowings	**8.3**	–
Net cash outflow from financing	**(7.4)**	(4.3)

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 businesses acquired during the year contributed £0.9m to the Group's net operating cash flows.

The cash inflow of £0.1m in 2000 from disposal of businesses related to the payment of a pre-liquidation dividend from Molins (Australia) Pty Limited which disposed of its activities in 1999.

28 Analysis of net funds/(debt)	At 1 January 2000 £m	Cash flow £m	Exchange movements £m	At 31 December 2000 £m
Cash at bank and in hand	8.7	(6.9)	(0.1)	**1.7**
Overdrafts	(0.1)	(0.8)	(0.1)	**(1.0)**
	8.6	(7.7)	(0.2)	**0.7**
Short-term bank deposits	1.1	(0.9)	–	**0.2**
Debt due within one year	(1.1)	–	0.1	**(1.0)**
Debt due after more than one year	(0.4)	(8.3)	0.1	**(8.6)**
Total net funds/(debt)	8.2	(16.9)	–	**(8.7)**

29 Financial instruments

The Group's treasury policies are explained on page 15 in the Financial Review.

Cash and short-term bank deposits

The Group's only financial assets are cash at bank and in hand and short-term bank deposits. 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.

	2000 £m	1999 £m
Cash at bank and in hand	**1.7**	8.7
Short-term bank deposits	**0.2**	1.1
Total net funds	**1.9**	9.8

The cash profile at 31 December 2000 was:

Currency	Cash at floating rates £m	Cash on which no interest is paid £m	Total £m
Sterling	–	0.4	0.4
Australian dollar	0.1	–	0.1
Canadian dollar	0.7	–	0.7
Other	0.3	0.4	0.7
	1.1	0.8	1.9

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

Financial liabilities

The Group's only financial liabilities are the Borrowings shown in note 17 and in Other creditors in note 18. In both cases there is no material difference between book and fair value. The profile of borrowings by currency at 31 December 2000 was:

Currency	Borrowings at floating rates £m	Borrowings at fixed rates £m	Total £m
Sterling	5.7	–	5.7
US dollar	3.3	–	3.3
Canadian dollar	1.3	–	1.3
Other	–	0.3	0.3
	10.3	0.3	10.6

29 Financial instruments (continued)

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 seven years. The floating rate financial liabilities bear interest rates at UK base rate, UK LIBOR, US Prime and relevant national LIBOR equivalents.

Undrawn borrowing facilities

The Group has various borrowing facilities. The undrawn committed facilities available at 31 December 2000 on which all conditions precedent had been met were:

	£m
Expiring in one year or less	–
Expiring in more than one year but less than two years	15.4
Expiring in more than two years	–
	15.4

Currency exposures

As at 31 December 2000, 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 2000	0.1	–	0.1
Gains and losses arising in previous years that were recognised in 2000	(0.1)	–	(0.1)
Gains and losses arising before 1 January 2000 that were not recognised in 2000	–	–	–
Gains and losses arising in 2000 that were not recognised in 2000	0.1	(0.1)	–
Unrecognised gains and losses on hedges at 31 December 2000	**0.1**	**(0.1)**	**–**
Gains and losses expected to be recognised in 2001	**0.1**	**(0.1)**	**–**

30 Capital commitments

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Capital investment contracted but not provided for	–	0.1	–	–

31 Contingent liabilities

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Contingent liabilities in respect of indemnities in relation to sales and other contracts	**6.5**	6.4	**5.7**	5.8

32 Related party transactions

Details of the principal subsidiary undertakings are shown on page 52. 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 2000 was £0.2m (1999: £0.2m).

Principal Subsidiaries, Divisions, Branches and Associates

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Note

The subsidiary and associated undertakings shown above include those which principally affect the profits and assets of the Group. 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, Russian and Czech Republic 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

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Turnover	**100.6**	110.6	170.2	254.8	306.2
Operating profit (before exceptional items)	**6.6**	3.3	9.1	13.1	38.3
Net interest receivable/(payable)	**0.1**	0.4	0.1	(1.9)	(1.0)
Profit before taxation (before exceptional items)	**6.7**	3.7	9.2	11.2	37.3
Exceptional items	**(1.0)**	(0.3)	(15.8)	(31.3)	(3.9)
Profit/(loss) before taxation	**5.7**	3.4	(6.6)	(20.1)	33.4
Taxation (charge)/credit	**(0.8)**	0.8	(6.3)	(0.5)	(8.5)
Profit/(loss) after taxation	**4.9**	4.2	(12.9)	(20.6)	24.9
Return on sales	**6.6%**	3.0%	5.3%	5.1%	12.5%
Earnings per share (before goodwill and exceptional items)	**22.4p**	6.6p	16.3p	16.3p	81.0p
Earnings/(loss) per share	**18.2p**	11.8p	(36.2)p	(58.9)p	72.8p
Dividend per ordinary share	**6.5p**	6.5p	8.0p	15.0p	22.0p
Fixed assets	**35.0**	29.4	31.3	51.8	55.9
Stocks	**26.2**	30.8	38.1	60.9	78.1
Debtors	**42.8**	44.8	55.7	76.1	79.9
Creditors and provisions	**(37.2)**	(44.9)	(65.4)	(98.5)	(96.1)
	66.8	60.1	59.7	90.3	117.8
Net (borrowings)/cash	**(8.7)**	8.2	10.9	(7.3)	(11.7)
Net assets	**58.1**	68.3	70.6	83.0	106.1
Share capital and share premium account	**31.8**	34.6	35.4	35.3	30.5
Reserves and minority interests	**26.3**	33.7	35.2	47.7	75.6
Shareholders' funds (including non-equity and minorities)	**58.1**	68.3	70.6	83.0	106.1
Net assets per ordinary share	**270p**	208p	196p	231p	303p

Notice of Meeting

The eighty-ninth Annual General Meeting of Molins PLC will be held at 11 Tanners Drive, Blakelands, Milton Keynes on 24 April 2001 at 2pm for the following purposes:

1 To receive the directors' report and audited accounts for the year ended 31 December 2000. (Resolution number 1)

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

3 To re-appoint Mr P J Byrom, a director retiring by rotation. (Resolution number 3)

4 To re-appoint Mr D J Cowen, a director retiring by rotation. (Resolution number 4)

5 To appoint Mr J Wilson as a director. Mr Wilson was appointed to the Board since the last Annual General Meeting. (Resolution number 5)

6 To re-appoint KPMG Audit Plc as auditor and to authorise the directors to determine its remuneration. (Resolution number 6)

As special business:

7 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

Amendment to LTIP rules

THAT

The rules of the Molins PLC Long Term Incentive Plan be and are hereby amended to provide that the maximum number of ordinary shares in the Company which may be awarded to an eligible employee in any financial year shall be 167% of that employee's salary at the date of the award and the Company Secretary and the directors be and are hereby authorised to do all acts and things necessary or expedient to carry the same into effect. (Resolution number 7)

8 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

Power to allot securities

THAT

The directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,598,000 (representing 30% of the total ordinary share capital at 23 February 2001) provided that this authority shall expire on the day 5 years after the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. (Resolution number 8)

9 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 the resolution passed under item number 8 in the notice of the Annual General Meeting of the Company dated 5 March 2001, for the period beginning on 25 April 2001 and ending on 24 April 2002, 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 £265,295, (representing 5% of the total ordinary share capital in issue as at 23 February 2001); and

b. Words and expressions defined in or for the purposes of the Act shall bear the same meanings in this resolution. (Resolution number 9)

10 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 substitution for the authority conferred on the directors pursuant to the resolution passed at the extraordinary general meeting held on 20 December 2000 which is hereby revoked) 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 3,183,541 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 (excluding expenses) 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 5 business days immediately preceding the day on which the shares in question are to be purchased;

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 twelve 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 10)

By order of the Board

J Jordan
Secretary
5 March 2001

Note

A copy of the current LTIP rules is available for inspection at the registered office of the Company until the conclusion of the Meeting.

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

Registered office
Molins PLC
11 Tanners Drive, Blakelands,
Milton Keynes MK14 5LU
Tel: +44 (0)1908 216511
Fax: +44 (0)1908 216499
E-mail: molins.ho@molins.com

Secretary
J J Jordan BA(Law) Hons
Solicitor

Registered number
124855

Auditors
KPMG Audit Plc

Stockbrokers
Cazenove & Co

Registrars
Capita 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

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

Timetable

Record date for final dividend
17 April 2001

Annual General Meeting
24 April 2001

Payment date for final dividend
16 May 2001

Payment dates for preference dividend
30 June 2001 & 31 December 2001

Interim statement for half year results
September 2001

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