

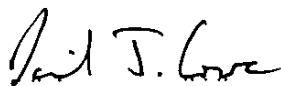
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MOLINS PLC
Income statement
for the year ended 31 December 2010

	2010 £000	2009 £000
Continuing operations		
Revenue	46,500	48,100
Cost of sales	(35,000)	(35,700)
Gross profit	<u>11,500</u>	<u>12,400</u>
Distribution expenses	(2,600)	(2,800)
Administrative expenses	(6,000)	(6,200)
Other operating expenses	(1,100)	(500)
Operating profit	<u>1,800</u>	<u>2,900</u>
Net financing income/(expense)	2,500	(600)
Profit before tax	<u>4,300</u>	<u>2,300</u>
Taxation	(900)	(400)
Profit from continuing operations	<u>3,400</u>	<u>1,900</u>
Discontinued operations		
Loss from discontinued operations	-	(100)
Profit for the period	<u>3,400</u>	<u>1,800</u>

Approved by the directors on 1 March 2011, and signed on their behalf by

Director 

Director 

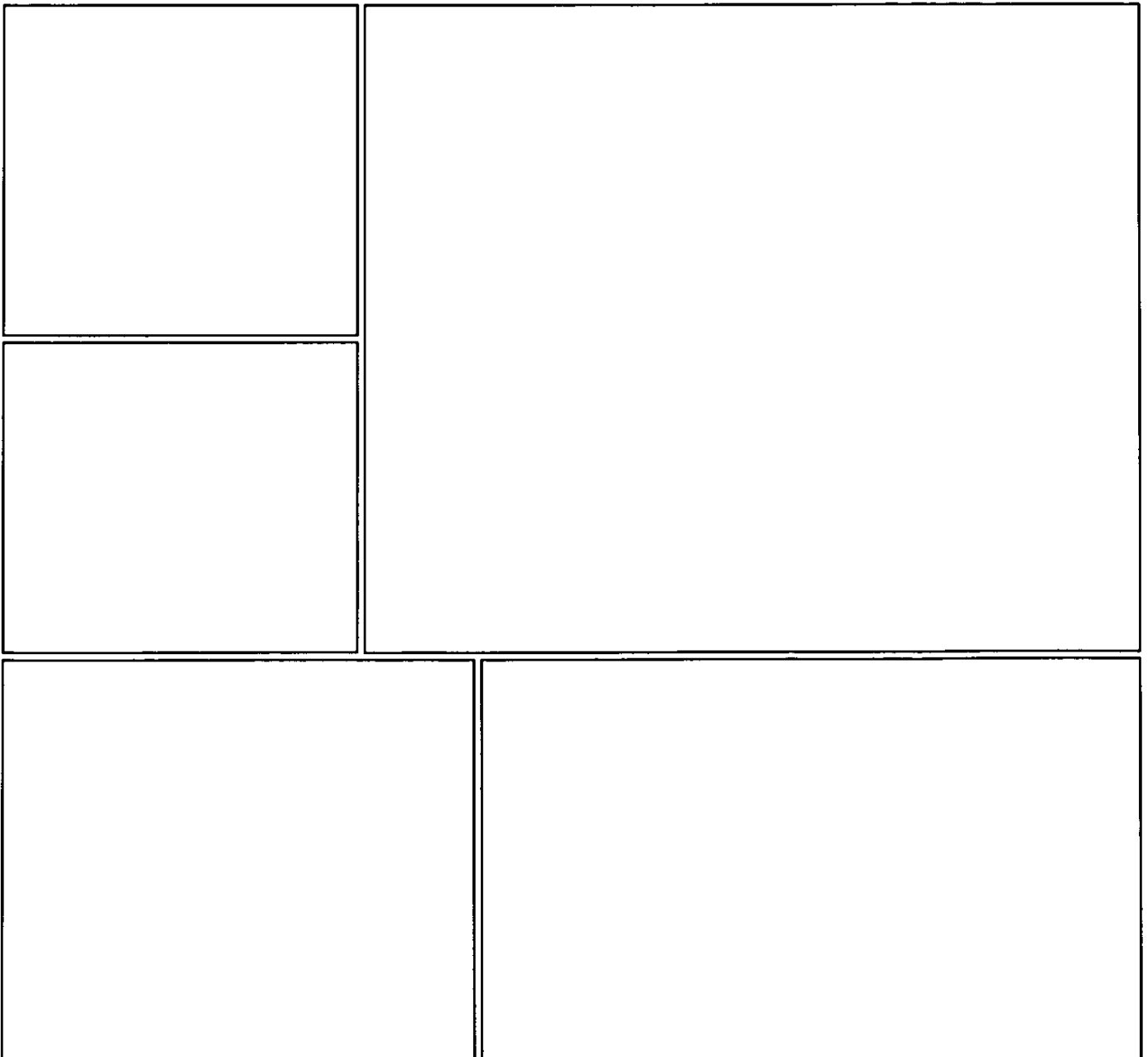
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MOLINS

DELIVERING PERFORMANCE AND INNOVATION ACROSS THE GLOBE



MOLINS IS AN INTERNATIONAL
BUSINESS PROVIDING HIGH
PERFORMANCE MACHINERY AND
SERVICES FOR THE PRODUCTION AND
PACKAGING OF CONSUMER PRODUCTS.
INNOVATIVE SOLUTIONS DELIVERED
ON A GLOBAL BASIS.

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FINANCIAL HIGHLIGHTS

- > INCREASE OF 6% IN UNDERLYING EARNINGS
- > STRONG CASH FLOWS, RESULTING IN NET FUNDS OF £9.0M
- > SIGNIFICANT IMPROVEMENT IN THE VALUATION OF THE UK PENSION SCHEME
- > FULL YEAR DIVIDENDS MAINTAINED AT 5 OP PER SHARE
- > SATISFACTORY LEVELS OF PROSPECTIVE PROJECTS UNDER DISCUSSION

SALES

£86.4m
(2009 £83.8m)

UNDERLYING OPERATING PROFIT (Continuing operations before exceptional items)

£3.7m
(2009 £3.5m)

NET CASH FROM OPERATING ACTIVITIES

£9.2m
(2009 £8.0m)

OPERATIONAL HIGHLIGHTS

- > DEVELOPMENT OF PRODUCT RANGES IN ALL DIVISIONS
- > DEMAND REMAINED STRONG ACROSS ALL PRODUCT GROUPS AT CERULEAN
- > INVESTMENT IN PROCESS CAPABILITIES AND IN LABORATORY QUALITY SYSTEMS AT ARISTA
- > CONCENTRATION ON DEVELOPMENT OF KEY CUSTOMERS AND INTERNAL PROCESSES IN PACKAGING MACHINERY
- > COST BASE AND EFFICIENCY IMPROVEMENTS IN TOBACCO MACHINERY

MOLINS AT A GLANCE

THE GROUP SERVES
ITS CUSTOMERS
THROUGH ITS WIDE
GEOGRAPHIC SPREAD
OF SALES, SERVICE
AND MANUFACTURING
LOCATIONS.

SCIENTIFIC SERVICES

Arista Laboratories, based in Richmond, Virginia, USA, and Kingston upon Thames, UK, is an independent tobacco and smoke constituent analytical laboratory

Cerulean, based in Milton Keynes, UK, with an international network of sales and service offices, develops, assembles, sells and maintains process and quality control instruments for the tobacco industry

SALES

£20.9m

OPERATING PROFIT

(Continuing operations before exceptional items)

£2.1m

EMPLOYEES

123

PACKAGING MACHINERY

ITCM, based in Coventry, UK, is a specialist engineering supplier, developing innovative products and associated production and packaging machinery for blue-chip customers

Langen Packaging Group, based in Mississauga, Ontario, Canada and Wijchen, the Netherlands, is a designer and manufacturer of cartoning machinery, case packers, end-of-line and robotic solutions, as well as a provider of complete turnkey projects involving design and integration of packaging systems

Cerulean Packing Machinery, based in Milton Keynes, UK, is a designer and manufacturer of specialist equipment for the handling and packing of tubular products

SALES

£32.9m

OPERATING PROFIT

(Continuing operations before exceptional items)

£1.0m

EMPLOYEES

245

TOBACCO MACHINERY

Designs, manufactures and services secondary tobacco processing machinery, particularly mid-speed cigarette makers, packing and handling equipment

The division operates globally with sales and service operations in UK, USA, Brazil, Singapore and Russia, as well as a fully developed supply chain with manufacturing facilities in Czech Republic and Brazil

REVENUE BY DESTINATION

SALES

£32.6m

OPERATING PROFIT

(Continuing operations before exceptional items)

£0.6m

EMPLOYEES

334

CHAIRMAN'S STATEMENT



AVRIL PALMER-BAUNACK
CHAIRMAN

I am pleased to report, in this my first statement as Chairman, that the Group improved its underlying operating profit (continuing operations before exceptional items) in the year to £3.7m (2009 £3.5m), on slightly increased sales of £86.4m (2009 £83.8m). Underlying earnings per share (continuing operations before exceptional items and net financing income/expense on pension scheme balances) amounted to 13.9p (2009 11.3p). Basic earnings per share amounted to 15.3p (2009 5.8p). The Group ended 2010 with net funds of £9.0m (2009 £5.0m), with particularly strong levels of customer receipts in the final part of the year.

Demand in the Tobacco Machinery division was lower than expected at the beginning of last year, with strong competition taking place for all prospective machine orders, which led to further reorganisation in that division. The Packaging Machinery division performed much more strongly, particularly in Europe, and the Scientific Services division continued to perform well.

PENSION SCHEMES

The accounting valuation of the Group's UK pension scheme shows a surplus at the year end of £9.9m, a considerable improvement from the position at the end of 2009 (£11.4m deficit). The Group also has three smaller pension funds in the USA with a combined deficit of £3.7m. In line with many other pension schemes, the trustee of the UK scheme has decided that it is appropriate to use the CPI measure of inflation for certain future pension increases and this has been taken into account in the valuation. The Company commenced paying monthly instalments of £0.1m to the scheme in respect of deficit funding in July 2010, as agreed following the June 2009 funding valuation.

BOARD

Jonathan Azis decided to relinquish his role as non-executive director and Chairman in October 2010 to allow him to spend time on other activities, which led to my appointment in the same month. Andrew Cripps left the Board in January 2011, as did John Allkins in March 2011. I would like to thank them all for their contribution to the Group. I am pleased to welcome to the Board two new non-executive directors. John Davies joined in January 2011 and is Chair of the Remuneration Committee, and Phil Moorhouse joined in March 2011 and is the new Senior Independent Director and Chair of the Audit Committee.

EMPLOYEES

I would like to thank all employees for their contribution to the performance of the Group during the year.

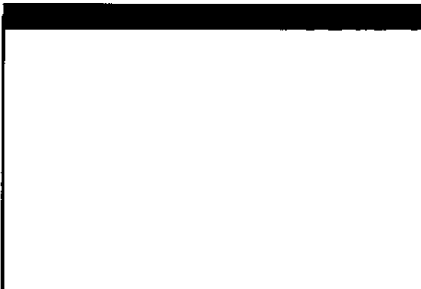
OUTLOOK AND DIVIDENDS

The economic environment remains uncertain and market conditions are still challenging. However, against this backdrop, the Group traded quite strongly towards the end of the year and entered 2011 with an order book only slightly lower than that of the year before, with satisfactory levels of prospective projects under discussion. Given the size of orders in some of the businesses, the timing of orders considerably influences the level of activity across the Group and can have a major impact on the timing of sales and profits, and such timing may be influenced by political instability in some countries in which the Group trades. As in previous years, performance is likely to be significantly second half weighted. We remain cautiously optimistic about the future performance of the Group.

The Board is recommending maintaining the final dividend at 2.5p, making a total of 5.0p for the year (2009 5.0p).

AVRIL PALMER-BAUNACK
CHAIRMAN
1 March 2011

OPERATING REVIEW



DICK HUNTER
CHIEF EXECUTIVE

SCIENTIFIC SERVICES

The division, which comprises Cerulean and Arista Laboratories, delivered another year of strong performance, although not quite at the levels of the previous year, with sales of £20.9m (2009 £22.0m) and operating profit of £2.1m (2009 £2.5m).

Cerulean is the market-leading supplier of quality control instruments and analytical smoke constituent capture machinery to the tobacco industry. It is based in Milton Keynes, UK and is complemented by sales and service offices in a number of other key geographical areas in supporting its global customer base.

Order intake at Cerulean held up at higher levels than had been expected at the beginning of the year. In total, orders were only a little lower than the high levels recorded in 2009, with demand from China remaining particularly robust in a market that generally continued to be quite buoyant. Sales were maintained at similar levels to those of the previous year. All geographic markets remained strong, as did demand for the whole product range, including another strong year in Cerulean's aftermarket business.

A key factor in the maintenance of Cerulean's leading market position is its commitment to its development activities. The business continues to invest significant levels of resource into the enhancement of the current product range as well as a widening of the portfolio. Attention also continues to focus on the supply chain, both to procure goods and services more effectively and to counter specific threats to potential disruption to supply caused by difficult economic conditions.

Arista Laboratories, based in Richmond, USA and Kingston upon Thames, UK, is an independent tobacco and cigarette smoke constituent testing laboratory, for regulatory, research and product development purposes. Its sales in the year were lower than in the previous year, and this impacted profitability, which was only partly mitigated by more efficient working practices.

As previously reported, legislation was passed in the USA in June 2009 placing the regulation of tobacco products with the US Food and Drug Administration (FDA). The full consequences of this, in terms of the required testing regimes, is still uncertain, although much work is being carried out by various committees of the FDA as it develops its regulatory system. In anticipation of this, Arista commenced an investment programme in its methods and process capabilities, which is mainly an investment in skilled labour resource, for those compounds that it expects will require testing but for which the testing methodology has to be developed. It is

expected that the development of these methods will continue during the first half of 2011. The business is also investing in its laboratory quality systems, so that it is well placed to benefit from the change in this market as it develops.

The consequence of the uncertainty of the future requirements is that there was weakness in demand for testing services in the USA, leading to reduced sales as customers deferred some of their testing requirements. This general weakness is expected to continue into 2011, although there are some prospects of additional one-off orders to complement the current activity.

Cerulean's market has remained strong for the last few years, and although it is to be expected that the market may become a little softer in the current year, it remains quite buoyant currently. Short-term prospects at Arista remain similar to that of a year before. Both businesses operate to short order lead-times which can change their outlook quite quickly.

PACKAGING MACHINERY

The division performed substantially better in the year. Sales increased to £32.9m (2009 £25.8m) and the division returned an operating profit of £1.0m (2009 £1.9m loss, before exceptional items).

The division comprises ITCM, based in Coventry, UK, which provides innovative machinery and engineering solutions to packaging and processing needs, the Langen Packaging Group, based in Mississauga, Canada and in Wijchen, the Netherlands, which supplies highly automated product handling, cartoning and robotic end-of-line machinery and systems, and Cerulean Packing, based in Milton Keynes, UK, which supplies tube packing machinery.

Overall order intake was at similar levels to that of the previous year, which allowed the division to benefit from the higher order book that it entered 2010 with and also to maintain a similar level of order book at the end of the year for delivery in 2011. Quotation activity has gradually increased and there appears to be signs of increased capital investment taking place, particularly in Europe, with increased opportunities in Asia and South America.

The performance of ITCM in the year was much improved. Profitability in 2009 was significantly impacted by two projects that incurred cost over-runs and, although one of these projects incurred further costs in 2010 up until it was commissioned, the impact on performance in the year was much less than in the previous year.

OPERATING REVIEW *continued*

PACKAGING MACHINERY *continued*

Overall project control and performance has improved and the business successfully delivered a number of major projects and has good prospects for further orders from key customers. With ITCM typically receiving a small number of relatively high value orders in a year, the timing of order intake is critical in terms of achieving effective utilisation of its capacity. Prospects remain positive but with uncertainty in respect of timing.

The Langen Packaging Group showed much progress in the year, with orders and sales ahead of the previous year, and profitability significantly improved. The business demonstrated an improvement in its review and risk assessment processes, as well as its project management capabilities. In addition work continued on its sourcing activities, as well as on its product improvement initiatives, each designed to improve project margins. There was quite a marked difference between performance in Europe, which was strong, and in the Americas, where the continued strength of the Canadian dollar has impacted the business' competitive position. The various improvement initiatives have helped to mitigate this to some degree. There has been a strong emphasis on the development of key customer accounts, and the benefit of this is being seen through repeat orders, and has led to more opportunities and sales growth in emerging markets, particularly in Asia and South America. The business continues its product development programme, which has led to a leading range of side and top load cartoners, robotic case-packers and palletisers.

Cerulean Packing, which forms a small part of the division, benefited from the improved prospects that it entered the year with and delivered increased sales and profit in the year.

The division has focused on the development of its customer contacts and improvement in its internal processes, as well as on the development of its product range. The results of this helped the division deliver higher sales and a return to profitability. The division is reliant on a number of relatively large prospective orders, the timing of which is important in the effective utilisation of resources. Market conditions remain uncertain but there are encouraging signs of increasing customer activity. The division entered 2011 with an order book at similar levels to that of a year before.

TOBACCO MACHINERY

Sales were £32.6m in the year (2009: £36.0m) and operating profit, before exceptional items, was £0.6m (2009: £2.9m). The performance of the division was impacted by reduced activity for new and rebuild machinery, and a reduction in aftermarket sales, which included an adverse change in the favourable sales mix experienced in 2009.

The division designs, manufactures, markets and services specialist machinery for the tobacco industry and provides extensive aftermarket support to its customers. The business is headquartered in its new leased premises in Princes Risborough, UK, having moved in June 2010 from its site of over 50 years in Saunderton. The division's central engineering and logistics teams are located there, as is its main warehouse for spare parts. It is also the base for the sales and service teams for Europe, Middle East and Africa. Operations are also located in Richmond, USA and in Singapore, from where the North American and Asia Pacific regions are supported with sales and service teams and spare parts distribution. South American markets are served from Curitiba, Brazil, which includes a full manufacturing capability. The division's main machining and assembly operations are in Plzen, Czech Republic, which continues to expand its range of activities to include more work with the Packaging Machinery division.

In the year, the phased delivery of a significant order, received in 2009, for Octave machines helped to increase the sales value of new machinery, but as anticipated profit margins on this contract were quite low, as the division developed its logistics and assembly operations for this newly developed machine. Order intake and sales of other new machines were lower than had been planned due mainly to delayed purchase decisions, although orders improved a little towards the end of the year. Similarly order intake for rebuild machinery in the key South American market was lower than had been expected at the beginning of the year, and this translated directly to reduced sales in the year. Aftermarket sales, comprising spare parts, performance enhancement kits and service, reduced in the year, mainly reflecting the sales of some one-off equipment upgrade projects in the previous year.

As a result of reduced activity in the South American market as well as the continuing high wage cost increases, the division reduced the number of employees in its Brazilian operation by some 40%. The operation carried out a full sourcing evaluation in the first half of the year with support from the UK logistics team, which, despite import tariffs, has allowed it to source some components more competitively from the facility in the Czech Republic and other third-party suppliers. This action enables the business to maintain a full support and service capability to the customer base whilst reducing fixed costs. The market in South America remains difficult with customers being cautious in terms of their investment plans. Although a number of opportunities exist, timing remains uncertain and the cost base in this operation remains under review. The division closed its small service office in Paraguay in the year, with its activity being taken on by the Brazilian operation. As part of its ongoing commitment to improving the efficiency of the division, redundancies were also made in the UK operation at Princes Risborough, resulting in an overall divisional reduction in the year of about 20% at a cost of £1.6m before tax.

As a consequence of the reduced cost base and increased operational flexibility, together with an order book which is a little lower than it was twelve months previously but which benefits from improved margins, the division is well placed to improve on its performance in 2010, although the impact of political and economic instability in certain North African countries in particular may impact performance. The principal product development focus remains on the Octave cigarette making machine, which has been well received in the market.

DICK HUNTER
CHIEF EXECUTIVE
1 March 2011

FINANCIAL REVIEW

DAVID COWEN
GROUP FINANCE DIRECTOR

Profit in the period was £2.9m (2009 £1.1m). Underlying operating profit (continuing operations before exceptional items) increased to £3.7m (2009 £3.5m) and underlying earnings per share (continuing operations before exceptional items and net financing income/expense on pension scheme balances) amounted to 13.9p (2009 11.3p). Basic earnings per share (continuing operations) amounted to 15.3p (2009 6.3p). Net funds at the end of the year increased to £9.0m (2009 £5.0m), helped by an unusually high level of customer receipts in the last part of the year.

OPERATING RESULTS

The trading performance of the Group is discussed in the Operating review.

Group revenue was £86.4m, compared with £83.8m in 2009. Sales in the Scientific Services division were £20.9m (2009 £22.0m) and operating profit was £2.1m (2009 £2.5m). Sales increased to £32.9m in the Packaging Machinery division (2009 £25.8m) and operating profit increased to £1.0m (2009 £1.9m loss, before exceptional items). Tobacco Machinery division sales were £32.6m (2009 £36.0m) and operating profit before exceptional items was £0.6m (2009 £2.9m).

EXCEPTIONAL ITEMS

The Group incurred exceptional charges in the year of £1.6m before tax in respect of reorganisations within the Tobacco Machinery division. A net charge in 2009 of £0.4m was incurred which comprised reorganisation costs of £0.7m, net of profit in respect of property of £0.3m.

INTEREST AND TAXATION

Net interest income was £2.0m (2009 £1.0m net interest expense). Included within net interest is net financing income on pension scheme balances of £2.1m (2009 £0.9m net financing expense), which is explained in the Pension Schemes section on page 9. The tax charge on underlying profits (continuing operations before exceptional items and net financing income/expense on pension scheme balances) was £1.0m, an effective rate of 28% (2009 35%). The total taxation charge on the Group's profit before tax on continuing operations was £1.2m (2009 £0.9m), an effective rate of 29% (2009 43%).

EARNINGS PER SHARE

Basic earnings per share amounted to 15.3p (2009 5.8p). Basic earnings per share for continuing operations amounted to 15.3p (2009 6.3p) and underlying earnings per share (continuing

operations before exceptional items and net financing income/expense on pension scheme balances) amounted to 13.9p (2009 11.3p).

DIVIDENDS

The Board is recommending a final dividend of 2.5p per ordinary share which, together with the interim dividend of 2.5p paid in October 2010, results in a total dividend of 5.0p per ordinary share in respect of 2010 (2009 5.0p per ordinary share). The dividend will be paid on 20 May 2011 to shareholders registered at the close of business on 26 April 2011.

CASH, TREASURY AND FUNDING ACTIVITIES

Group net funds were £9.0m at the end of the year (2009 £5.0m). Net cash inflow from operating activities was £9.2m (2009 £8.0m), which benefited from a positive working capital movement of £3.8m (2009 £2.7m) and is after payments of £1.0m (2009 £1.2m) in respect of reorganisations and net taxation payments of £0.7m (2009 £0.2m). Receipts from customers were stronger than expected at the end of the year as a number of customers made payments to the Group earlier than they were contractually required to. Capital expenditure of £2.2m (2009 £1.6m), which includes £1.2m in respect of the capital cost of relocating from the Tobacco Machinery division's former UK site at Saunderton, consequent to the sale of the site in 2008 and capitalised product development expenditure of £1.5m (2009 £1.1m) were incurred in the year. Non-capital payments totalling £0.5m were also made in the year arising from the relocation of the Tobacco Machinery division's UK site. The sale of surplus plant and equipment returned cash receipts of £0.2m. In 2009 the Group received £0.5m in respect of the sale in 2008 of the site at Saunderton and £1.0m from the sale in 2009 of property in the Netherlands. Net interest of £0.1m (2009 £0.1m) and dividends of £1.0m (2009 £1.0m) were also paid in the year. The net cash outflow in respect of discontinued businesses that were sold in 2006 was £0.1m (2009 £0.4m).

There were no significant changes during the year in the financial risks, principally currency risks and interest rate movements, to which the business is exposed and the Group treasury policy has remained unchanged. The Group does not trade in financial instruments and enters into derivatives (principally forward foreign exchange contracts) solely for the purpose of minimising currency exposures on sales or purchases in other than the functional currencies of its various operations.

The Group maintains bank facilities appropriate to its expected needs. In the UK, at 31 December 2010 these comprised secured, committed borrowing facilities with Lloyds TSB Bank plc and Fortis Bank SA/NV of £11.1m. These facilities, which are committed until December 2012, are subject to covenants covering leverage, interest cover and tangible net worth, and are both sterling and multi-currency denominated. The Group is operating well within its covenant levels. Additionally, the Group maintains a committed facility overseas of £3.2m, denominated in US dollars, which expires in July 2011. Short-term overdrafts and borrowings are utilised in certain parts of the Group to meet local cash requirements and these are typically denominated in local currencies. Foreign currency borrowings are used to hedge investments in overseas subsidiaries where appropriate.

PENSION SCHEMES

The Group has adopted IAS 19 (revised) as its basis of accounting for pension costs. The 2010 accounting valuation of the UK scheme's assets and liabilities was undertaken as at 31 December 2010 based on the detailed funding valuation work carried out as at 30 June 2009, updated to reflect conditions existing at the 2010 year end and to reflect the specific requirements of IAS 19 (revised). The smaller US defined benefit schemes were valued as at 31 December 2010, using actuarial data as of 1 January 2010, updated for conditions existing at the year end. Under IAS 19 (revised) the Group has elected to recognise all actuarial gains and losses outside of the income statement.

The IAS 19 (revised) valuation of the UK scheme showed an improvement in the year. The net surplus at 31 December 2010 was £9.9m (2009 £11.4m deficit), before tax. The value of the scheme's assets at 31 December 2010 was £328.6m (2009 £313.0m) and the value of the scheme's liabilities was £318.7m (2009 £324.4m), before tax. The value of the liabilities was favourably impacted by the decision of the scheme's trustee to use the CPI measure of inflation for certain future pension increases. The beneficial impact of this was £20.6m (before tax) which has been accounted for as an assumption change and recognised through the statements of comprehensive income.

The accounting valuations of the US pension schemes showed an aggregated net deficit of £3.7m (2009 £3.1m), all amounts being before tax, with total assets of £14.5m (2009 £13.5m).

The last scheme specific funding valuation of the Group's UK defined benefit scheme, which was carried out as at 30 June 2009, showed a funding level of 96% of liabilities, which represented a deficit of £12.1m. The solvency position of the fund at that date, which reflects the scheme's position if it was wound up, showed a funding level of 60%. Valuations are extremely sensitive to a number of factors outside the control of the Group, including discount rates. The trustee of the scheme and the Company agreed a deficit recovery plan, which commits the Company to paying to the scheme £1.2m per annum, in monthly instalments, which commenced July 2010. The deficit recovery period is estimated to be nine years, which is scheduled to be formally reassessed as at 30 June 2012. The valuation and deficit recovery plan was submitted to the Pensions Regulator for its review early in the year, in accordance with the standard process for all such valuations. On request, in the middle of 2010, the trustee of the scheme provided the Pensions Regulator with some ancillary documents in respect of the valuation, which it followed up with some queries in February 2011.

The aggregate pension service cost, before curtailment costs, charged to operating profit was £1.2m (2009 £1.0m). Curtailment costs, which arise on the redundancy of certain members of the UK scheme and are reported as a reorganisation cost within exceptional items, were £0.7m (2009 £0.1m). Net financing income in respect of the schemes was £2.1m (2009 £0.9m expense), comprising expected return on scheme assets of £21.0m (2009 £17.7m) and interest on obligations of £18.9m (2009 £18.6m). As a result of the increase in the value of the schemes' assets since the beginning of 2010 and the change in the value of the schemes' liabilities and discount rate, the Group expects to report net financing income (before tax) on pension scheme balances in 2011 of around £5m, which compares to £2.1m in 2010.

During the year the Company made payments to the UK defined benefit scheme of £0.6m for the regular cost of benefits and £0.6m in respect of the deficit recovery plan. In 2011, in addition to the payments for the regular cost of benefits and the deficit recovery plan, the Company also expects to make payments in respect of the 2010 curtailment costs. Only negligible payments were made to the US schemes in the year.

FINANCIAL REVIEW *continued*

EQUITY

Group equity at 31 December 2010 was £47.1m (2009: £31.3m). The movement arises from profit for the period of £2.9m, currency translation gains on foreign currency net investments of £0.9m, actuarial gains, net of tax, in respect of the Group's defined benefit schemes of £13.3m, less movements on the fair value of cash flow hedges of £0.2m, dividend payments of £1.0m and equity-settled share-based transactions of £0.1m.

RISKS

The Board regularly considers the main risks that the Group faces and how to mitigate those risks. The principal risks and uncertainties to which the business is exposed are summarised as follows:

- The Group undertakes a number of large, one-off engineering projects for its customers each year. Several risks follow from the nature of this type of business, including the potential for cost over-runs and delays in performing the contract, with a consequent impact on cash flows and profits. The Group mitigates these risks by its implementation of good project management practices, which have been the subject of further review in the year, including regular technical and commercial reviews of its major projects. Also, the Group is prone to potentially large fluctuations in business levels, as demand can be quite volatile. The Group mitigates these risks by careful planning of its resource capacity and review of its order prospects lists.
- Loss of a key customer. The Group has a relatively diversified base of customers and the customer that accounts for the largest proportion of sales, excluding one-off projects, is routinely responsible for no more than 5% of total sales in any year. The loss of a number of these contracts could have an adverse effect on the Group's operating results and financial condition. A number of customers operate in countries which may face a higher degree of political risk than many others. In the case of certain subsidiaries, the loss of a contract individually material to that subsidiary could affect its viability and this could have an adverse effect on the Group's operating results and financial condition.
- Availability of funding. The Group has access from its UK banks to borrowing facilities of £11.1m, which are committed until 21 December 2012, as long as the Group continues to meet the agreed covenants. In addition these facilities provide the Group with access to other financial instruments for carrying out its activities, including bank guarantees and forward foreign exchange contracts. The Group also has a committed borrowing facility, subject to covenants, in the USA of \$5.0m which expires on 31 July 2011. The Group expects to continue to operate within its borrowing facilities and covenants and accordingly has adopted the going concern basis in preparing its financial statements. Given the availability of credit finance in the market, if a breach of covenant was to occur it may result in the Group experiencing difficulty in funding its activities.
- Economic and market cycles. A considerable proportion of the Group's turnover is derived from the tobacco industry and is potentially affected by changes in the commercial, industrial and legislative environments of that industry. However, the customer base is geographically diverse and the Group sells a range of products and services to the industry, including those that relate to the regulation and quality control of cigarettes, as well as those that relate directly to the manufacture of cigarettes. The Group is also potentially affected by economic cycles and changes in other industrial sectors more generally. There remains the general risk of trading partners, including both customers and suppliers, ceasing to operate. The Group monitors such risks and mitigates them as and where appropriate, but the loss of any such partner could have an adverse effect on the Group's operating results and financial condition. The prices received for the Group's products and services depend on numerous factors, some of which are beyond its control and the exact effect of which cannot be accurately predicted. Such factors include general economic and political activities, including the extent of any governmental regulation and taxation.
- Loss of a key facility. The Group operates a number of businesses around the world and the loss of any one of them would interrupt a revenue stream and could potentially have an adverse effect on the Group's operating results and financial condition. The Group mitigates these risks by having appropriate disaster recovery plans in place for each business and by having minimal inter-dependent IT infrastructures across the Group, thereby not exposing a number of facilities to the failure of one central system.
- Exchange rate movements. The majority of the Group's operations are outside of the UK, and therefore a significant portion of its business overseas is conducted in currencies other than sterling. Consequently, its financial performance is affected by fluctuations in foreign exchange rates. As a result, a change in the exchange rates of the US dollar, Canadian dollar, euro, Czech koruna, Brazilian real and other currencies against sterling may affect the sterling value of profits achieved. The Group's competitiveness and profitability is also affected by changes in the relative values of foreign currencies where the Group's operations outside the UK trade with businesses in different foreign jurisdictions.

- **Liabilities of the Group sponsored pension schemes** The Group operates a defined benefit pension scheme in the UK, which pays a levy to the Pension Protection Fund of an amount outside the control of the Group, as well as three smaller such schemes in the USA. Changes in the value of the liabilities of the pension schemes, which were valued at £336.9m at 31 December 2010 in accordance with IAS 19 (revised), as a consequence of changes in interest rates and mortality rates, amongst others, and changes in the value of the assets of the pension schemes, which were valued at £343.1m at 31 December 2010 at market value, are largely outside the control of the Group. The UK scheme will be subject to a full actuarial funding valuation as at 30 June 2012, which will form the basis of its funding requirements over the subsequent periods. The Group has responsibility for the adequate funding of the pension schemes and is currently paying to the UK scheme £0.1m per month in respect of deficit funding.
- **Litigation** The Group from time to time may be subject to claims from third parties in relation to its current and past operations. When confronted with such claims, the Group might face legal costs and rulings against it that could have a material effect on the Group's operating results and financial condition, and
- **The Company's ability to pay dividends** The ability of the Company to pay dividends to shareholders is a function of its profitability and the extent to which, as a matter of law, it has available to it sufficient distributable profits out of which any proposed dividend may be paid. Whilst the Company has historically paid dividends to shareholders, there is no assurance that it will continue to pay a dividend going forward.

KEY PERFORMANCE INDICATORS (KPIs)

Performance in the current and prior years is summarised as follows

	2010	2009
Underlying profit before tax	£3.6m	£3.4m
Operating cash flow	£7.4m	£6.8m
Consolidated borrowings cover*	(1.07)	(0.67)
Underlying operating return on sales	4.3%	4.2%
Underlying EPS	13.9p	11.3p

* Negative number indicates the Group was in a net cash position

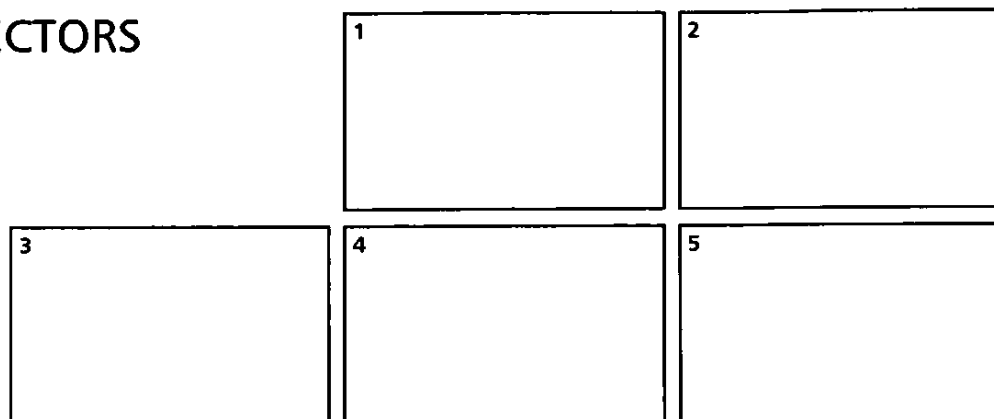
The Group monitors the performance of each of its divisions through detailed monthly operational and financial reporting, with comparisons to budgets and updated forecasts being routinely made. In addition the Group maintains regular reviews and dialogue with the management of each of the Group's divisions.

At Board level, the most important key performance measures are

- underlying profit before tax, calculated on continuing operations before exceptional items and net financing income/expense on pension scheme balances,
- operating cash flow, defined as cash generated from operations before reorganisation less net cash from investing activities (excluding net non-capital payments/proceeds arising from property transactions and interest received),
- consolidated borrowings cover, being the ratio of Group net borrowings to Group earnings from continuing operations before interest, tax, depreciation, amortisation, impairment, pension service cost and exceptional items,
- underlying operating profit as a percentage of sales (underlying operating return on sales), calculated on continuing operations before exceptional items, and
- underlying earnings per share, calculated on continuing operations before exceptional items and net financing income/expense on pension scheme balances

DAVID COWEN
GROUP FINANCE DIRECTOR
1 March 2011

BOARD OF DIRECTORS

**1 AVRIL PALMER-BAUNACK[§]****Chairman**

Avril Palmer-Baunack joined the Molins Board as a non-executive director and Chairman of the Board on 25 October 2010 and she is also Chairman of the Nomination Committee. She is Chief Executive Officer of Autologic Holdings plc and a non-executive director of Alexon Group plc. She was formerly Chief Executive Officer of Universal Salvage plc.

2 DICK HUNTER MBA**Chief Executive**

Dick Hunter joined the Company in January 2003, was appointed to the Board on 28 June 2004 and was appointed Chief Executive on 25 January 2008. He previously held a number of general management positions within Coats Viyella plc and Dynacast International Ltd in Europe, the US and the Far East.

3 DAVID COWEN 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 Finance Director. He previously held senior financial positions with Vickers PLC.

4 JOHN DAVIES[§]**Non-executive Director**

John Davies joined the Molins Board on 27 January 2011 as a non-executive director and he is Chairman of the Remuneration Committee. He is also the non-executive Chairman of Autologic Holdings plc. He was formerly Managing Director of Lloyds TSB's Asset Finance division, Head of Consumer Finance for Standard Chartered Bank and Managing Director of United Dominions Trust, a subsidiary of Lloyds TSB.

5 PHIL MOORHOUSE FCCA[§]**Non-executive Director**

Phil Moorhouse joined the Molins Board on 1 March 2011 as a non-executive director. He is Chairman of the Audit Committee and is the Senior Independent Director. He was formerly Finance Director and Managing Director UK of Northgate plc.

[§] Member of the Audit, Remuneration and Nomination Committees

DIRECTORS' REPORT

The directors present their report to shareholders together with the audited accounts for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

Group companies are engaged principally in the supply of high performance machinery and services for the production and packaging of consumer products. A review of operations and likely future developments is given on pages 5 to 7 and a financial review appears on pages 8 to 11. Further details of the principal divisions and subsidiaries are shown on page 61.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated income statement on page 25. An interim dividend of 2.5p was paid on 14 October 2010. The directors recommend the payment of a final dividend for 2010 of 2.5p per ordinary share. Subject to approval at the Annual General Meeting on 6 May 2011 the final dividend will be paid on 20 May 2011 to ordinary shareholders registered at the close of business on 26 April 2011. This will make total dividends in respect of the year of 5.0p per ordinary share (2009: 5.0p) at a cost of £1.0m.

Dividends on the 6% preference shares are due for payment on 30 June and 31 December in each year and in 2010 amounted to £54,000 (2009: £54,000).

BUSINESS REVIEW

The directors are required to provide a business review that complies with European Union legislation. The information the review is required to contain is set out in this report, in the Operating review of the Group's three divisions and the Financial review which includes sections on Risks and Key Performance Indicators.

GOING CONCERN

The directors have considered the trading outlook of the Group, its financial position, including its cash resources and access to borrowings, as set out in note 20 to the accounts on page 44, and its continuing obligations, including to its defined benefit pension schemes, details of which are set out in note 24 to the accounts on pages 46 to 50. 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 financial statements.

RESEARCH AND DEVELOPMENT

Group policy is to retain and enhance its market position through the design and development of specialist machinery and support services. To achieve this objective, engineering and product development facilities are maintained in the UK and overseas. Research and development expenditure incurred in 2010, net of third-party income, amounted to £2.1m (2009: £1.5m), of which £0.6m (2009: £0.4m) was charged to the consolidated income statement and £1.5m (2009: £1.1m) was capitalised and included in development costs.

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 provided it is satisfied that the supplier has delivered the goods or services in accordance with the agreed terms and conditions. At 31 December 2010 trade payables amounted to the equivalent of 36 days (2009: 41 days) purchases in respect of the Group and 44 days (2009: 51 days) in respect of the Company.

DIRECTORS

The names of the directors of the Company at the date of this report are shown on page 12. All held office throughout 2010 except Mrs A Palmer-Baunack who was appointed on 25 October 2010, Mr J L Davies who was appointed on 27 January 2011 and Mr P J Moorhouse who was appointed on 1 March 2011. In addition Mr J G A Azis held office until 25 October 2010, Mr A G Cripps until 27 January 2011 and Mr J S Allkins until 1 March 2011.

Mrs Palmer-Baunack, Mr Davies and Mr Moorhouse, having been appointed since the last Annual General Meeting, will retire and being eligible offer themselves for appointment at the Annual General Meeting to be held on 6 May 2011. Mrs Palmer-Baunack, Mr Davies and Mr Moorhouse, as non-executive directors, do not have service contracts and their letters of appointment do not provide for notice.

DIRECTORS' INTERESTS

Directors' interests in the Company's shares as at 31 December 2010 are shown on page 18 in the Remuneration report. There are no shareholding requirements for directors.

DIRECTORS' REPORT *continued*

SUBSTANTIAL SHAREHOLDINGS

At 1 March 2011, the Company had been notified, in accordance with the Disclosure and Transparency Rules, of the following interests in the issued ordinary share capital of the Company

	Number of ordinary shares	% of issued ordinary shares
Schroder Investment Management Limited	5,211,007	25.8
Tameside MBC	1,483,278	7.4
EES Trustees International Limited	1,203,216	6.0

ENVIRONMENTAL POLICY

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

SHARE CAPITAL

Authority for the purchase of up to 3,000,000 own ordinary shares for cancellation was granted at the 2010 Annual General Meeting and this authority expires on 29 April 2011. The directors consider it appropriate to seek further authority from the shareholders at the forthcoming Annual General Meeting for the Company to purchase its own shares. Resolution 10, which will be proposed as a special resolution, will seek the necessary authority to enable 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 3,000,000 ordinary shares representing approximately 15% of the issued ordinary share capital at the date of the notice convening the Annual General Meeting.

EES Trustees International Limited holds shares as trustee in connection with the Company's long-term incentive arrangements for the benefit of the Group's employees. The trustee has agreed to waive all dividends and not to exercise voting rights in respect of shares representing 6.0% of the issued share capital.

Information about the Company's share capital is given in note 25 to the accounts on pages 51 and 52.

EMPLOYMENT POLICIES

The Group is committed to developing its employment policies in line with best practice and providing equal opportunities for all, irrespective of gender, age, marital status, sexual orientation, ethnic origin, religious belief or disability. Full and fair consideration is given to applications for employment from people with disabilities having regard to their aptitudes and abilities. Every reasonable 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 other means appropriate to each location.

DONATIONS

During the year the Group and the Company made no donations to UK charitable organisations (2009: £nil).

ANNUAL GENERAL MEETING

The Annual General Meeting will take place on 6 May 2011. Notice of the meeting can be found on pages 62 to 68.

AUDITORS

In accordance with section 489 of the Companies Act 2006 a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting to be held on 6 May 2011

DISCLOSURE OF INFORMATION TO AUDITORS

The following applies to those persons who were directors at the time this report was approved

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board



MRS S P CANNON
SECRETARY
1 March 2011

REMUNERATION REPORT

The Remuneration Committee deals with all aspects of remuneration of the executive directors and certain senior managers. The Committee consists of the non-executive directors and was chaired by Mr Cripps throughout 2010 and until his resignation on 27 January 2011. Mr Davies, who was appointed as a director on 27 January 2011, has since been appointed Chairman.

Information contained in the sections marked § is provided in accordance with the Companies Act 2006.

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

1 POLICY

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 Remuneration Committee also seeks to recognise and reward performance in achieving growth annually and in the long term. To achieve these goals, the Remuneration Committee's policy is to establish fixed salary at around half of the total obtainable in the case of excellent performance. The Remuneration Committee reviews its policy annually.

In reaching its decisions on policy and specific packages, incentive arrangements and targets, the Remuneration Committee obtains professional advice when necessary from Towers Watson on the salary, benefits and incentive arrangements for executive directors. It has also taken advice from Ashurst LLP on executive directors' contractual terms and from Towers Watson on pension arrangements. Additionally a separate team in Towers Watson provides actuarial services to the trustee of the Molins UK Pension Fund.

2 REMUNERATION PACKAGES

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 and complexity in a range of engineering and other manufacturing industries.

II INCENTIVE SCHEME

The executive directors have in prior years participated in two incentive schemes. The first provided for payments according to challenging targets for earnings per share (EPS) set annually by the Remuneration Committee and the second was in accordance with the rules of the Company's Long-term Incentive Plan (LTIP) which expired in April 2009. The awards made to the executive directors in February 2009 in respect of reward for performance in 2008 were the last awards made under the rules of the LTIP.

The Remuneration Committee, having taken advice on good practice in this area and also having considered appropriate benchmarking against similar companies, such advice and information being provided by Towers Watson in 2009, extended the annual bonus plan for the executive directors, in lieu of the LTIP.

The maximum bonus payable is 120% of relevant salaries, of which a maximum of 70% of salary is payable in cash and a maximum of 50% is payable in deferred shares. The targets against which performance is judged are EPS, set annually by the Remuneration Committee, and specific personal objectives linked directly to long-term strategic initiatives to enhance shareholder value.

The main terms of the deferred shares element of the incentive scheme are that an award is made in the form of a nil cost option, which stipulates the number of deferred shares being awarded, which in relation to the 2010 scheme is expected to be determined shortly after publication of the preliminary announcement on 1 March 2011, and, provided the director is still in the employment of the Company on the third anniversary of the award being made, the stated number of shares will be granted to the director at any time requested by the director from the third anniversary to the fourth anniversary. Alternatively, in exceptional circumstances and at the Company's absolute discretion, the Company may make a cash payment of a sum equivalent to the value of the shares that would otherwise have been granted.

The Company encourages its directors and senior employees to have a long-term shareholding in the Company.

In respect of awards made under the rules of the LTIP, there are currently no such awards where the performance conditions have been met. In relation to the conditional awards made in 2009 the performance period has yet to finish. In relation to all awards, if the growth of the EPS of the Company over the three year period fails to exceed the growth in the UK Retail Price Index over the same period then no award shares will be allocated to participants. The second performance condition is that 100% of the award shares will be allocated to a participant if the Company's Total Shareholder Return* (TSR) over a three year period when compared with certain other listed companies (the comparator group) is in the top quartile of performance. 25% of the award shares will be allocated if the Company's TSR over a three year period when compared with the comparator group is at the median. Between these two points, allocation will be on a straight-line basis pro rata to the relative performance of TSR to the comparator group. Below median, no shares will be allocated under this provision. The shares potentially available to participants as a result of performance against this condition are all immediately available after the performance period. The comparator group for the TSR calculation for all conditional awards comprises almost all of the listed engineering companies with a market capitalisation from £15m to £275m as at 30 September 2002, except for those that are no longer listed on the London Stock Exchange, plus a number of similar manufacturing companies.

3 CONTRACTS OF SERVICE

The current service contracts were concluded with Mr Cowen on 18 October 2002 and with Mr Hunter on 10 February 2005 as amended on 25 January 2008. These service contracts are terminable on notice of one year given by the Company and six months given by the director.

* The aggregate in relation to any TSR Test Period of (a) the increase (or decrease) in the average market value of such a share and (b) the aggregate of dividends (grossed up for the associated tax credit), as determined pursuant to a proprietary formula commissioned by the Remuneration Committee (and subject to such adjustments as the formula may provide in relation to matters affecting the share capital of the Company or any comparator company during the TSR Test Period).

In the event of termination by the Company, the Company has the option of making a payment of liquidated damages equivalent to the value of twelve months' salary and benefits, or the balance of the period to the date of expiry if less, or of negotiating appropriate compensation reflecting the principle of mitigation. In the event of a change of control in the Company, if the Company terminates any of these contracts within 24 months of the change of control, or if the director terminates the contract within six months of the change of control, the Company will be obliged to pay liquidated damages equivalent to the value of twelve months' salary and benefits (including bonus at the rate of the average of the two previous years)

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 in the light of advice as indicated above. The policy is reviewed regularly

4 PENSIONS

Molins' policy is to offer its executive directors membership of the Molins UK Pension Fund (the Fund), which is a funded, HM Revenue & Customs approved, contributory, career average (since 1 September 2006), occupational pension scheme. Prior to 1 September 2006 benefits were accrued on a final salary basis.

The Fund's main features as they affect executive directors are

- a normal pensionable age of 60 in respect of Mr Cowen and 65 in respect of Mr Hunter,
- in respect of the career average salary pension (i.e. accruing from 1 September 2006) Mr Cowen shall accrue pension at the rate of 1/37th of each year's pensionable salary from 1 September 2006, and Mr Hunter at the rate of 1/38th. Pensions accrued each year for Mr Cowen and Mr Hunter on a final salary basis (i.e. up to and including 31 August 2006) shall be paid on their final pensionable salaries as at the date of their leaving or retirement from the Company,
- life assurance cover of four times pensionable salary,
- pension payable in the event of ill health and incapacity, and
- spouse's pension on death

Pensionable salary is the member's basic salary, 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, £123,600. In the case of Mr Cowen, the Company has agreed to increase pension benefits through the payment of additional emoluments and death benefit through 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' EMOLUMENTS¹

	Salaries 2010 £000	Fees 2010 £000	Incentive scheme 2010 £000	Benefits 2010 £000 ^a	Other payments 2010 £000 ^b	Total 2010 £000	2009 £000
Executive directors							
D J Cowen	198	–	89	13	20	320	316
R C Hunter	223	–	100	13	–	336	331
Non-executive directors							
J S Allkins ^c	–	38	–	–	–	38	37
J G A Azis – Chairman ^d	–	63	–	–	–	63	71
A G Cripps ^e	–	35	–	–	–	35	35
A Palmer-Baunack – Chairman ^d	–	14	–	–	–	14	–
P J Byrom ^f	–	–	–	–	–	–	23
J Wilson ^f	–	–	–	–	–	–	10
Total	421	150	189	26	20	806	823

a Benefits comprise mainly

- Mr Cowen – a car allowance payment, private medical cover and life assurance premiums relating to salary above the current cap limit
- Mr Hunter – the provision of a company car and private medical cover

b Other payments

Mr Cowen – pension related payments in lieu of his contractual entitlement of payments into his funded unapproved retirement benefit scheme

c Mr Allkins resigned as a director on 1 March 2011

d Mr Azis resigned as a director on 25 October 2010 and Mrs Palmer Baunack was appointed on the same date

e Mr Cripps resigned as a director on 27 January 2011

f Mr Byrom retired as a director on 31 January 2009 and Mr Wilson retired as a director on 24 April 2009

REMUNERATION REPORT *continued***DIRECTORS' EMOLUMENTS¹** *continued***AGGREGATE EMOLUMENTS OF THE DIRECTORS**

In addition to the foregoing information the following table provides details of the aggregate amount of directors' emoluments

	2010 £000	2009 £000
Salaries	421	415
Fees	150	175
Performance related element	189	186
Benefits	26	27
Other payments	20	20
Total emoluments	806	823

DIRECTORS' PENSIONS INFORMATION²

The following table relates to the benefits of Mr Cowen and Mr Hunter under the Molins UK Pension Fund

	Pensionable salary at beginning of period £ pa	Pensionable salary at 31 December 2010 £ pa	Accrued pension at beginning of period £ pa	Increase in accrued pension £ pa	Accrued pension at 31 December 2010 £ pa	Transfer value at beginning of period £	Transfer value at 31 December 2010 £	Transfer value of increase in accrued benefit £
D J Cowen	123,600	123,600	35,905	3,650	39,555	533,090	676,085	133,105
R C Hunter	123,600	123,600	22,330	3,540	25,870	234,150	312,725	68,325

The increases in transfer values are after deduction of the contributions paid by the directors during the year

The end of period transfer values have been calculated using the assumptions and methodology determined by the trustee on the advice of the actuary, using market yields at 31 December 2010. The beginning of the period transfer values have been calculated as at 31 December 2009 using market yields at that date.

Members of the Fund have the option to pay additional voluntary contributions, neither the contributions nor the resulting benefits are included in the above table.

DIRECTORS' INTERESTS IN SHARES

The beneficial interests of directors holding office at 31 December 2010 and persons connected with them in the ordinary shares of the Company (excluding share options) were as follows:

Shares	Held at 31 December 2010	Held at 1 January 2010
J S Allkins ^a	20,000	—
D J Cowen	88,219	88,219
A G Cripps ^a	20,000	—
R C Hunter	20,000	—

^a Mr Allkins resigned as a director on 1 March 2011 and Mr Cripps resigned as a director on 27 January 2011.

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

There were no changes in the directors' interests in shares between 31 December 2010 and 1 March 2011.

LONG-TERM INCENTIVE PLAN^a

Details of conditional grants of Molins ordinary shares under the Company's LTIP for each director who held office during the year are as follows

	Held at 1 January 2010	Lapsed grants in 2010 ^a	Held at 31 December 2010
D J Cowen	270,000	(135,000)	135,000
R C Hunter	320,000	(160,000)	160,000

a Grants lapsed on 31 December 2010 because the performance condition in respect of growth in EPS in the three year period ended 31 December 2010 was not met

INCENTIVE SCHEME – DEFERRED SHARES^a

Details of conditional grants of Molins ordinary shares under the Company's deferred share plan for each director who held office during the year and is eligible to participate in the plan are as follows

	Held at 1 January 2010	Grant on 1 March 2010 ^a	Held at 31 December 2010
D J Cowen	–	113,400	113,400
R C Hunter	–	128,000	128,000

a Mid-market price of Molins PLC ordinary shares on 1 March 2010 was 60 0p

TOTAL SHAREHOLDER RETURN INFORMATION

The Company's TSR performance is shown in the following line graph over the last five years, compared with the FTSE Small Cap Total Return Index. The Board believes this is the most appropriate broad equity market index with which to compare the Company's performance

By order of the Board



MRS S P CANNON
SECRETARY
1 March 2011

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

The directors consider that the Company complied throughout 2010 with all of the provisions of the revised Combined Code, as published in 2008 and contained in the rules of the UK Listing Authority

THE BOARD

The Board meets regularly throughout the year and met ten times during 2010. It is responsible for

- Group strategy, business planning, budgeting and risk management,
- monitoring performance against budget and other agreed objectives,
- setting the Group's values and standards, including policies on employment, health & safety, environment and ethics,
- relationships with shareholders and other major stakeholders,
- determining the financial and corporate structure of the Group (including financing and dividend policy),
- major investment and divestment decisions, and approving material contracts, and
- Group compliance with relevant laws and regulations

Day to day management of the Company's businesses is delegated to the executive directors and in turn to business unit managing directors or general managers in accordance with a clear and comprehensive statement of delegated authorities. The Board reviews at each meeting comprehensive financial and trading information produced by management each month and considers the trends in the Company's businesses and their performance against strategic objectives and plans. It also regularly reviews the work of its formally constituted standing Committees as described below and compliance with the Group's policies and obligations.

The director recognised as the senior independent director for the purposes of the Combined Code is currently Mr Moorhouse. The Board also considers Mrs Palmer-Baunack and Mr Davies to be independent directors. Mr Aziz, who resigned as a director on 25 October 2010, Mr Cripps, who resigned on 27 January 2011 and Mr Allkins, who resigned on 1 March 2011, were also considered independent. The non-executive directors met Mr Aziz, who was the Chairman until 25 October 2010, on a number of occasions during the year without the executive directors being present.

In furtherance of the principles of good corporate governance, the Board has appointed Audit, Remuneration and Nomination Committees, each with formal terms of reference which can be read on the Company's website at www.molins.com. The current memberships of the Committees are shown on page 12. All members of the Board and its Committees at the time meetings were held attended all meetings held in 2010 except Mr Aziz, who did not attend one board, one remuneration committee and one nomination committee meeting.

The directors attend seminars from time to time as appropriate to assist with training in their awareness of compliance issues facing boards of listed companies. Directors have ensured they maintain awareness of current issues and skills development, through

membership of professional associations where appropriate. Details of the service contracts of the executive directors are shown in the Remuneration report. The three independent non-executive directors do not have service contracts. In each case compensation for loss of office is excluded by the letter of appointment.

Mrs Palmer-Baunack and Mr Cripps were for a short time both non-executive directors of Helphire Group plc. Mrs Palmer-Baunack is an executive director of Autologic Holdings plc and Mr Davies is non-executive chairman of the same company. The Board has reviewed both situations and believes that no conflicts arise as a result.

PERFORMANCE EVALUATION

The Board carries out a formal review each year in respect of its performance over the previous year. The evaluation is informed by detailed questionnaires completed by each director.

In addition, the then senior independent director led a review of the performance of Mr Aziz when he was the Chairman of the Board, as part of the annual process of performance evaluation undertaken by the Board.

AUDIT COMMITTEE

The Audit Committee was chaired by Mr Allkins throughout 2010 and until his resignation on 1 March 2011. Mr Moorhouse, who was appointed a director on 1 March 2011, has been appointed Chairman of the Committee. The Committee met four times in 2011. The Committee comprises the independent non-executive directors: The Chief Executive, Group Finance Director, Secretary, senior member of the internal audit function and, when half-year accounts, year end accounts or external audit plan proposals are to be considered, representatives of the external auditors are invited to attend all or part of each meeting. The Committee Chairman also ensures that each of them has confidential access to him at other times. Mr Allkins, a chartered management accountant and former finance director, is regarded as having relevant financial experience, as is Mr Moorhouse, a chartered certified accountant and former finance director.

The Audit 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.

The Audit Committee also considers the independence of the external auditors and has developed policies relating to the employment of former employees of the auditors and the engagement of the auditors or advisors related to the auditors on non-audit work. These policies, which have been adopted formally by the Board, require, inter alia, the Committee's consent to material engagements or any employment and appropriate confirmations from the auditors. The Committee considers annually how the internal audit function operates in the Group, the terms of reference of the function and whether this gives sufficient assurance that the business of the Company is adequately reviewed. The function is part of the Group finance department and its senior member reports to the Committee at each meeting on its activities.

REMUNERATION COMMITTEE

The Remuneration Committee was chaired by Mr Cripps throughout 2010 and until his resignation on 27 January 2011. Mr Davies, who was appointed a director on 27 January 2011, has since been appointed Chairman of the Committee. The Committee meets on a regular basis, usually three times a year and additionally whenever required. It met four times in 2010. The Committee determines the remuneration and other benefits of the executive directors and certain senior managers and makes recommendations on the Group's framework of executive remuneration.

The Remuneration report, set out on pages 16 to 19, describes the relevant policies and how they have been implemented by the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee was chaired by Mr Azis until his resignation on 25 October 2010 and has been chaired by Mrs Palmer-Baunack since that date. The Committee is responsible for formulating and reviewing proposals for the appointment of directors and making recommendations thereon to the Board. It met twice during 2010 and intends to meet at least twice a year to review the structure, size and composition of the Board and its Committees (including the balance of skills, knowledge and experience and the need for succession planning or membership of the Board).

Mr Azis abstained from the process of appointing a new non-executive director and Chairman which involved preparing a job specification, including an assessment of the time commitment expected, which had previously been agreed with the executive directors. A number of prospective candidates meeting the requirements of the job specification were identified by a combination of contacts. A number of candidates were interviewed by the Nomination Committee members and their relative merits discussed with the executive directors. The Committee identified two candidates that in particular were considered to have the requisite skills and experience. These two were subsequently interviewed by the executive directors, leading to the appointment of Mrs Palmer-Baunack. The Committee did not use an external search consultancy nor open advertising, but considered the process that it had gone through to have identified excellent candidates such that the use of alternative methods of identification would not have been beneficial. A similar process was followed for the selection and appointments of Mr Davies and Mr Moorhouse.

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. The Chief Executive and Group Finance Director make themselves available for meetings with analysts and representatives of the major shareholders on the day of the announcement of the preliminary results and of the half-year results or shortly thereafter and upon request at other times of the year, and they report accordingly to the Board on shareholders' views. Any shareholder wishing to meet with the directors should make themselves known to the Secretary. The non-executive directors are available to attend meetings with major shareholders thus enabling the shareholders to draw their attention to any views which they consider need special

emphasis. The non-executive directors can be contacted through the Secretary.

RELATIONSHIP WITH AUDITORS

During the year under review KPMG provided tax advice to the Company and some of its principal subsidiaries. The Board has considered the effect on independence of the auditors and the objective criteria on which any decisions to appoint KPMG should be made. It was concluded that in the circumstances their appointment as tax advisors was the most cost-effective means of securing appropriate advice without a serious risk of affecting the independence of the auditors. KPMG has confirmed that it does not consider its independence to be affected. The Board has developed policies to safeguard the independence of the auditors based upon

- internal KPMG processes to prevent information being shared between teams except where it is appropriate,
- separate consideration of each category or major item of work, including the cost-effectiveness of any proposed work and the suitability of competing advisors,
- consideration of the total level of fees payable to KPMG and its associated entities, and
- periodic rotation of audit partner which was last effected during 2008.

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 in accordance with the Turnbull guidance 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 reasonably 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. Monthly reviews are embedded in the internal control process and cover each principal operating unit. Monthly reviews require each operating unit to consider, inter alia, business development, financial performance against budget and forecast, health and safety and capital expenditure proposals, as well as a review of longer-term business development, performance against budget and forecast and all other aspects of the business. They are attended by executive directors and other Group personnel as appropriate,

CORPORATE GOVERNANCE *continued*

INTERNAL CONTROLS *continued*

- 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 is carried out by Group finance personnel. These 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,
- there are "whistleblower" procedures of which all employees are made aware, to enable concerns to be raised either with line management or, if appropriate, confidentially outside line management, and
- a formal risk management audit is regularly carried out by Group personnel and external risk management consultants, 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 2010 and intends to review controls annually, having ensured that appropriate control mechanisms and review processes are in place.

By order of the Board



MRS S P CANNON
SECRETARY
1 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations

Company law requires directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable laws and have elected to prepare the Company financial statements on the same basis

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit or loss for that period

In preparing each of the Group and Company 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 they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a 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

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, remuneration report and corporate governance statement that comply with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company, and
- the Directors' report, taken together with sections of the Operating and Financial reviews, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces

By order of the Board



R C HUNTER
CHIEF EXECUTIVE
1 March 2011

D J COWEN
GROUP FINANCE DIRECTOR

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOLINS PLC

We have audited the financial statements of Molins PLC for the year ended 31 December 2010 set out on pages 25 to 59. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at
- 31 December 2010 and of the Group's profit for the year then ended, and
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU, and
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- information given in the Corporate governance statement set out on pages 20 to 22 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a corporate governance statement has not been prepared by the company

UNDER THE LISTING RULES WE ARE REQUIRED TO REVIEW

- the directors' statement, set out on page 13, in relation to going concern, and
- the part of the corporate governance statement on page 20 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration



M MATTHEWMAN (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG AUDIT Plc, STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
ALTUS HOUSE
ONE NORTH FOURTH STREET
MILTON KEYNES MK9 1NE
1 March 2011

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2010			2009		
		Before exceptional items £m	Exceptional items £m (note 5)	Total £m	Before exceptional items £m	Exceptional items £m (note 5)	Total £m
Continuing operations							
Revenue	1	86 4	–	86 4	83 8	–	83 8
Cost of sales		(62 8)	(0 3)	(63 1)	(59 7)	(0 2)	(59 9)
Gross profit		23 6	(0 3)	23 3	24 1	(0 2)	23 9
Other operating income	2	0 1	–	0 1	–	0 4	0 4
Distribution expenses		(6 9)	(0 2)	(7 1)	(7 2)	(0 1)	(7 3)
Administrative expenses		(12 5)	(0 4)	(12 9)	(13 0)	(0 3)	(13 3)
Other operating expenses	3	(0 6)	(0 7)	(1 3)	(0 4)	(0 2)	(0 6)
Operating profit	1, 4	3 7	(1 6)	2 1	3 5	(0 4)	3 1
Financial income	8	21 1	–	21 1	17 8	–	17 8
Financial expenses	8	(19 1)	–	(19 1)	(18 8)	–	(18 8)
Net financing income/(expense)		2 0	–	2 0	(1 0)	–	(1 0)
Profit before tax		5 7	(1 6)	4 1	2 5	(0 4)	2 1
Taxation	9	(1 6)	0 4	(1 2)	(0 9)	–	(0 9)
Profit from continuing operations		4 1	(1 2)	2 9	1 6	(0 4)	1 2
Discontinued operations							
Loss from discontinued operations	11	–	–	–	(0 1)	–	(0 1)
Profit for the period		4 1	(1 2)	2 9	1 5	(0 4)	1 1
Basic earnings per ordinary share	12			15 3p			5 8p
Diluted earnings per ordinary share	12			15 0p			5 8p
Continuing operations							
Basic earnings per ordinary share	12			15 3p			6 3p
Diluted earnings per ordinary share	12			15 0p			6 3p

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Profit for the period		2 9	1 1	3 4	1 8
Other comprehensive income/(expense)					
Currency translation movements arising on foreign currency net investments		0 9	–	–	–
Effective portion of changes in fair value of cash flow hedges		0 4	0 7	0 2	0 3
Net changes in fair value of cash flow hedges transferred to profit or loss		(0 6)	(0 1)	(0 2)	–
Actuarial gains/(losses)		19 4	(13 2)	19 7	(13 8)
Tax on items in other comprehensive income/(expense)	9	(6 1)	3 8	(6 2)	4 0
Other comprehensive income/(expense) for the period		14 0	(8 8)	13 5	(9 5)
Total comprehensive income/(expense) for the period		16 9	(7 7)	16 9	(7 7)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Group						Total equity £m
	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	
Balance at 1 January 2009	5 0	26 0	4 4	3 9	–	0 9	40 2
Profit for the period	–	–	–	–	–	1 1	1 1
Other comprehensive income/(expense) for the period	–	–	–	–	0 5	(9 3)	(8 8)
Total comprehensive income/(expense) for the period	–	–	–	–	0 5	(8 2)	(7 7)
Dividends to shareholders	–	–	–	–	–	(1 0)	(1 0)
Equity-settled share-based transactions	–	–	–	–	–	(0 2)	(0 2)
Total transactions with owners, recorded directly in equity	–	–	–	–	–	(1 2)	(1 2)
Balance at 31 December 2009	5 0	26 0	4 4	3 9	0 5	(8 5)	31 3
Balance at 1 January 2010	5 0	26 0	4 4	3 9	0 5	(8 5)	31 3
Profit for the period	–	–	–	–	–	2 9	2 9
Other comprehensive income/(expense) for the period	–	–	0 9	–	(0 2)	13 3	14 0
Total comprehensive income/(expense) for the period	–	–	0 9	–	(0 2)	16 2	16 9
Dividends to shareholders	–	–	–	–	–	(1 0)	(1 0)
Equity-settled share-based transactions	–	–	–	–	–	(0 1)	(0 1)
Total transactions with owners, recorded directly in equity	–	–	–	–	–	(1 1)	(1 1)
Balance at 31 December 2010	5 0	26 0	5 3	3 9	0 3	6 6	47 1

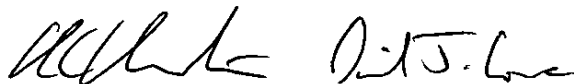
	Company						Total equity £m
	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	
Balance at 1 January 2009	5 0	26 0	–	3 9	–	29 7	64 6
Profit for the period	–	–	–	–	–	1 8	1 8
Other comprehensive income/(expense) for the period	–	–	–	–	0 2	(9 7)	(9 5)
Total comprehensive income/(expense) for the period	–	–	–	–	0 2	(7 9)	(7 7)
Dividends to shareholders	–	–	–	–	–	(1 0)	(1 0)
Equity-settled share-based transactions	–	–	–	–	–	(0 2)	(0 2)
Total transactions with owners, recorded directly in equity	–	–	–	–	–	(1 2)	(1 2)
Balance at 31 December 2009	5 0	26 0	–	3 9	0 2	20 6	55 7
Balance at 1 January 2010	5 0	26 0	–	3 9	0 2	20 6	55 7
Profit for the period	–	–	–	–	–	3 4	3 4
Other comprehensive income/(expense) for the period	–	–	–	–	–	13 5	13 5
Total comprehensive income/(expense) for the period	–	–	–	–	–	16 9	16 9
Dividends to shareholders	–	–	–	–	–	(1 0)	(1 0)
Equity-settled share-based transactions	–	–	–	–	–	(0 1)	(0 1)
Total transactions with owners, recorded directly in equity	–	–	–	–	–	(1 1)	(1 1)
Balance at 31 December 2010	5 0	26 0	–	3 9	0 2	36 4	71 5

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Notes	Group		Company	
		2010 £m	2009 (restated) £m (note 14)	2010 £m	2009 (restated) £m (note 14)
Non-current assets					
Intangible assets	13	13 8	14 1	9 2	9 7
Property, plant and equipment	14	10 5	10 2	4 3	3 6
Investments	15	–	–	50 6	50 6
Employee benefits	24	9 9	–	9 9	–
Deferred tax assets	16	1 9	4 0	–	2 4
		36 1	28 3	74 0	66 3
Current assets					
Inventories	17	15 6	18 1	4 5	6 4
Trade and other receivables	19	15 6	17 6	12 8	15 4
Current tax assets	10	–	0 1	–	–
Cash and cash equivalents		13 8	10 2	8 9	6 0
		45 0	46 0	26 2	27 8
Current liabilities					
Trade and other payables	22	(19 0)	(20 5)	(18 4)	(20 5)
Current tax liabilities	10	(0 8)	(0 8)	(0 3)	–
Provisions	23	(1 3)	(1 9)	(0 9)	(1 3)
		(21 1)	(23 2)	(19 6)	(21 8)
Net current assets		23 9	22 8	6 6	6 0
Total assets less current liabilities		60 0	51 1	80 6	72 3
Non-current liabilities					
Interest-bearing loans and borrowings	20	(4 8)	(5 2)	(4 8)	(5 2)
Employee benefits	24	(3 7)	(14 5)	–	(11 4)
Deferred tax liabilities	16	(4 4)	(0 1)	(4 3)	–
		(12 9)	(19 8)	(9 1)	(16 6)
Net assets	1	47 1	31 3	71 5	55 7
Equity					
Issued capital	25	5 0	5 0	5 0	5 0
Share premium		26 0	26 0	26 0	26 0
Reserves		9 5	8 8	4 1	4 1
Retained earnings		6 6	(8 5)	36 4	20 6
Total equity		47 1	31 3	71 5	55 7

The accounts were approved by the directors on 1 March 2011 and signed on their behalf by



R C HUNTER
DIRECTOR

D J COWEN
DIRECTOR

REGISTERED NUMBER
124855

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Continuing operations					
Operating activities					
Operating profit		21	31	18	29
Exceptional items included in operating profit		16	04	10	03
Amortisation		15	13	14	11
Impairment charge		03	01	03	01
Depreciation		18	18	06	06
Profit on sale of property, plant and equipment		(01)	—	—	—
Pension service costs		12	10	10	08
Other non-cash items		(01)	(02)	(01)	(02)
Pension payments		(12)	(08)	(12)	(08)
Working capital movements					
– decrease/(increase) in inventories		34	(07)	20	08
– decrease in trade and other receivables		22	50	26	52
– decrease in trade and other payables		(18)	(16)	(15)	(09)
– increase in provisions		—	—	01	01
Cash generated from operations before reorganisation		109	94	80	100
Reorganisation costs paid	5	(10)	(12)	(03)	(08)
Cash generated from operations		99	82	77	92
Taxation paid		(07)	(02)	(02)	(01)
Net cash from operating activities		92	80	75	91
Investing activities					
Interest received		01	01	01	01
Net (non-capital payments)/proceeds arising from sale of Saunderton site		(05)	05	(05)	05
Proceeds from sale of other property, plant and equipment		02	11	—	—
Capital contribution in subsidiary		—	—	—	(32)
Acquisition of property, plant and equipment		(22)	(16)	(13)	(03)
Development expenditure		(15)	(11)	(12)	(10)
Net cash from investing activities		(39)	(10)	(29)	(39)
Financing activities					
Interest paid		(02)	(02)	(02)	(01)
Repayment of term loans		—	(02)	—	—
Net decrease against revolving facilities		(05)	(20)	(05)	(20)
Dividends paid	25	(10)	(10)	(10)	(10)
Net cash from financing activities		(17)	(34)	(17)	(31)
Discontinued operations					
Net cash from investing activities	11	(01)	(04)	—	(03)
Net cash from discontinued operations		(01)	(04)	—	(03)
Net increase in cash and cash equivalents	21	35	32	29	18
Cash and cash equivalents at 1 January		102	69	60	42
Effect of exchange rate fluctuations on cash held		01	01	—	—
Cash and cash equivalents at period end		138	102	89	60

ACCOUNTING POLICIES

The significant accounting policies which are set out below apply to both the Group and Company financial statements, as appropriate

BASIS OF ACCOUNTING

The Group and Company financial statements have been prepared and approved by the directors in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards issued by the International Accounting Standards Board that were effective at 31 December 2010 and adopted by the EU (adopted IFRS)

The financial statements have been prepared on the historical cost basis except that derivative financial instruments, principally forward foreign exchange contracts, are stated at fair value and non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell

The preparation of financial statements in conformity with adopted IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from these estimates. Revisions to these estimates are made in the period in which they are recognised

Except as described below, the accounting policies, presentation and methods of computation applied by the Group and Company in these financial statements are the same as those applied in the 2009 financial statements

CHANGES IN ACCOUNTING POLICIES

The following new standards, amendments and interpretations are effective for periods beginning on or after 1 January 2010 and have been adopted for both the Group and Company financial statements, as appropriate

IFRS 3 (revised) *Business combinations* – IFRS 3 (revised) changes the recognition of goodwill, acquisition costs and contingent consideration relating to acquisitions, however it only applies to acquisitions made after 1 January 2010. There have been no acquisitions by the Group during the year and therefore the adoption of IFRS 3 (revised) has not resulted in any material impact on either the Group or Company financial statements

Amendment to IAS 27 *Consolidated and separate financial statements* – the amendment requires accounting for changes in the ownership interest in a subsidiary, while maintaining control, to be recognised as an equity transaction. The adoption of this amendment has not resulted in any material impact on either the Group or Company financial statements

Amendment to IAS 39 *Financial instruments – recognition and measurement* – the amendment clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The adoption of this amendment has not resulted in any material impact on either the Group or Company financial statements

Improvements to International Financial Reporting Standards 2009 – the improvements project contains a number of amendments, one of which relates to an amendment to IAS 17 *Leases* which states that leases of land should be assessed in the same way as all other leases. The adoption of this amendment to IAS 17 has resulted in a prior year restatement to the statement of financial position, for both the Group and Company, in respect of a lease that was previously accounted for as an operating lease, but has now been reassessed as a finance lease. Further details can be found in note 14 on page 40. None of the other amendments included within this improvements project have resulted in any material impact on either the Group or Company financial statements

RECENT ACCOUNTING DEVELOPMENTS

At the date of approval of these financial statements, the following standard and amendments were in issue but have not been applied by the Group and Company as they are not yet effective. Their adoption is expected to have no material impact on either the Group or Company financial statements

IAS 24 (revised) *Related party disclosures* (will be applied from 1 January 2011) – the revision clarifies the definition of a related party

Amendment to IAS 32 *Financial instruments – presentation* (will be applied from 1 January 2011) – the amendment requires that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments

Amendment to IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction* (will be applied from 1 January 2011) – the amendment removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement. The amendment results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense

BASIS OF CONSOLIDATION

The Group financial statements comprise the consolidated results of Molins PLC (the Company) and all of its subsidiary companies together with the Group's share of the results of its associated companies on an equity accounting basis. A separate income statement dealing only with the results of the Company has not been presented in accordance with section 408 of the Companies Act 2006

A subsidiary is a company controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the subsidiary company so as to obtain benefits from its activities. A subsidiary's results are included in the Group financial statements from the date that control commences until the date that control ceases

An associate is a company which the Group has significant influence, but not control, over the financial and operating policies

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations, and of related qualifying hedges, are taken directly to the translation reserve. They are released into the income statement upon disposal.

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary or associated undertaking at the date of acquisition.

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately through the income statement and is not subsequently reversed. Impairment losses recognised are allocated first to reduce the carrying value of the goodwill the business relates to, and then to reduce the carrying value of the other assets of that business on a pro rata basis.

On disposal of a subsidiary or associated undertaking, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions prior to 2004 has been retained at its deemed cost, representing the amount recorded under UK GAAP, and is subject to impairment review as indicated above. Goodwill written off to reserves under UK GAAP prior to 1998 is not included in determining any subsequent profit or loss on disposal.

RESEARCH AND DEVELOPMENT

Research and development and related product development costs are charged to the income statement in the year in which they are incurred unless they are specifically chargeable to and recoverable from customers under agreed contract terms or the expenditure meets the criteria for capitalisation.

Where the expenditure relates to the development of a new product for which the technical feasibility and commercial viability of the product is expected, development costs are capitalised and amortised over their useful economic lives, to a maximum of five years. The expenditure capitalised includes costs of materials, direct labour and an appropriate proportion of overheads. Such intangible assets are assessed for impairment annually and any impairment is charged to the income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any provision for impairment in value.

Depreciation is provided on a straight-line basis to write-off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives.

The annual depreciation rates used are as follows:

Freehold land	– nil
Freehold buildings	– 3% on cost or deemed cost
Leasehold property	– over life of lease
Plant and machinery	– 8% to 25%
Fixtures and fittings	– 10% to 33%

The carrying value of property, plant and equipment is reviewed annually for impairment. Any change in value arising from impairment is charged or credited (up to the carrying value prior to any previous impairment) to the income statement for the year.

Certain items of property that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

LEASES

Assets held under finance leases are capitalised and included in property, plant and equipment at the lower of fair value and the present value of the minimum lease payments at the inception of the lease. Depreciation is provided in accordance with the Group's depreciation policy. The capital elements of obligations under finance leases are recorded as liabilities. The interest elements of the rental obligation are allocated to accounting periods over the lease term to give a constant periodic rate of interest on the outstanding liability.

Rentals payable under operating leases are charged to the income statement over the term of the lease.

INVESTMENTS

Investments in subsidiary undertakings are held at cost less provision for any impairment in value.

INVENTORIES

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

ACCOUNTING POLICIES *continued*

CONSTRUCTION CONTRACTS

The attributable profit recognised on construction contracts is based on the stage of completion and the overall contract profitability after taking account of uncertainties. Full provision is made for any estimated losses to completion of contracts.

The gross amount due from customers for contract work and the gross amount due to customers for contract work are shown within Trade and other receivables and Trade and other payables respectively. They are measured at cost plus profit recognised to date less deposits billed on account and recognised losses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term fixed deposits, and for the statements of cash flows they also include bank overdrafts.

SHARE CAPITAL

When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Preference share capital is classified as a liability as dividend payments are not discretionary.

Dividends on the preference shares are disclosed as interest charges, are recognised as a liability and are accounted for on an accruals basis. Dividends on ordinary shares are only recognised in the period in which they are paid.

FINANCIAL INSTRUMENTS

IAS 39 *Financial instruments – recognition and measurement*, requires the classification of financial instruments into different types for which the accounting requirement is different. The Group has classified its financial instruments as follows:

- short-term fixed deposits, principally comprising funds held with banks and other financial institutions, are classified as loans and receivables,
- borrowings are classified as other liabilities, and
- derivatives, comprising forward foreign exchange contracts, are classified as instruments that are held for trading.

Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- loans and receivables and other liabilities are held at amortised cost, and
- instruments that are held for trading are held at fair value. Changes in fair value are included in the income statement unless the instrument is included in a cash flow hedge.

HEDGE ACCOUNTING

The Group applies cash flow and fair value hedge accounting to forward foreign exchange contracts, held to reduce the exposure to movements in the future value of foreign currency receipts and payments.

For those contracts included in an effective cash flow hedging relationship, changes in the fair value of the hedging instrument are recognised in other comprehensive income and taken to equity. When the hedged forecast transaction occurs, amounts previously recorded in equity are recognised in the income statement. For those contracts included in an effective fair value hedging relationship, changes in the fair value of the hedging instrument and hedged item are taken to the income statement. Any ineffectiveness in the hedging arrangement is included in the income statement.

POST-RETIREMENT AND OTHER EMPLOYEE BENEFITS

The Group and Company account for pensions and other post-retirement benefits under IAS 19 (revised) *Employee benefits*.

For defined benefit plans, the net obligation is calculated separately for each scheme by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of the schemes' assets (at bid price) is deducted. The liability discount rate is the yield at the statement of financial position date on AA credit rated bonds that have maturity rates approximating to the terms of the obligations. The calculations are performed by qualified actuaries using the projected unit credit method. The operating and financing costs of such plans are recognised in the income statement. Current service costs are spread systematically over the lives of employees and financing income and expense are recognised in the periods in which they arise. Actuarial gains and losses are recognised in the period in which they arise in the statements of comprehensive income.

Payments to defined contribution schemes are charged to the income statement as incurred.

The net obligation in respect of long-term service benefits, other than pension plans, is the amount of the future benefit that employees have earned in return for their service in the current and prior periods. Obligations are measured at their present value.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 *Share-based payment*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested by 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. These are measured at their fair value at the date of grant and are expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest, and adjusted for the effect of non-market related conditions. For market-based performance criteria, fair value is measured by the use of a Monte Carlo simulation model.

Charges made to the income statement in respect of share-based payments are credited to retained earnings.

PROVISIONS

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

REVENUE

Revenue comprises sales to third-party customers after discounts, excluding value added tax and other sales taxes.

Sales are recognised when the significant risks and rewards of ownership of goods are transferred to the customer. Where the impact of discounting to present value is significant, revenues are recognised at present value.

Construction contract revenues are recognised when the outcome of the transaction can be assessed reliably. Revenue is recognised by reference to the stage of completion which is dependent on the nature of the contract, but will generally be based on labour costs incurred up to the reporting date or achievement of contractual milestones where appropriate.

INTEREST RECEIVABLE

Interest receivable is recognised in the income statement using the effective interest method as defined in IAS 39.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the statements of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale. Its classification occurs at the earlier of its disposal or a decision to dispose of the business.

Where a discontinued operation has not been disposed of at the statement of financial position date, or a major asset relating to a continuing business is expected to be sold within the next twelve months, then these are shown as 'Assets held for sale' and are recorded at the lower of their carrying amount or fair value less costs to sell. No reclassifications are made in prior periods.

OPERATING SEGMENTS

An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. All operating segments' results are regularly reviewed by the Group's chief operating decision maker, which is the Board of directors, in order to assess performance and make decisions about the allocation of resources to each segment.

NOTES TO THE ACCOUNTS

1 OPERATING SEGMENTS

The Group has three operating segments which are the Group's three divisions. The three divisions comprise Scientific Services, Packaging Machinery and Tobacco Machinery. The divisions offer different products and services and form the basis of the Group's management and internal reporting structure. Further details in respect of the products and services offered by each of the three divisions can be found on pages 2 and 3. A commentary on the performance of the three operating segments during the year is provided in the Operating review on pages 5 to 7.

All segment information is prepared in accordance with the Group accounting policies shown on pages 30 to 33. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2009.

Information regarding the results of each operating segment is included below. Performance is measured based on underlying segment operating profit before exceptional items, as included in the internal management reports provided to the Group's chief operating decision maker. Segment profit or loss includes those central items that are allocated to segment results in the internal management accounts. Unallocated items comprise net financing income/expense and taxation. The unallocated items are excluded from segment profit or loss as they are managed centrally by employees at the Group's head office as corporate activities.

The measurement of segment assets and liabilities excludes central items that are not allocated to the three divisions in the Group's internal management accounts. Unallocated items comprise mainly goodwill, net funds/debt, pension assets/liabilities, taxation balances and net liabilities attributable to the Group's head office.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

SEGMENT INFORMATION

	Scientific Services		Packaging Machinery		Tobacco Machinery		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Revenue – continuing operations	20.9	22.0	32.9	25.8	32.6	36.0	86.4	83.8
Underlying segment operating profit/(loss) before exceptional items	2.1	2.5	1.0	(1.9)	0.6	2.9	3.7	3.5
Exceptional items	–	–	–	(0.1)	(1.6)	(0.3)	(1.6)	(0.4)
Segment operating profit/(loss)	2.1	2.5	1.0	(2.0)	(1.0)	2.6	2.1	3.1
Net financing income/(expense)							2.0	(1.0)
Profit before tax							4.1	2.1
Taxation							(1.2)	(0.9)
Profit from continuing operations							2.9	1.2
Discontinued operations								
Loss from discontinued operations							–	(0.1)
Profit for the period							2.9	1.1
Segment assets	8.6	8.7	15.6	16.7	22.9	26.5	47.1	51.9
Segment liabilities	(4.2)	(4.0)	(8.7)	(9.7)	(8.7)	(9.7)	(21.6)	(23.4)
Segment net assets – continuing operations	4.4	4.7	6.9	7.0	14.2	16.8	25.5	28.5
Net liabilities – discontinued operations							(0.1)	(0.2)
Unallocated net assets							21.7	3.0
Total net assets							47.1	31.3
Capital expenditure (including development expenditure)	1.0	1.0	0.8	0.6	1.9	0.9	3.7	2.5
Depreciation and amortisation	1.4	1.3	0.8	0.8	1.1	1.0	3.3	3.1
Impairment charge	0.3	0.1	–	–	–	–	0.3	0.1
Pension service costs	0.5	0.4	0.2	0.2	0.5	0.4	1.2	1.0
Other non-cash items	–	–	–	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)

In addition to the above, there was capital expenditure of £0.2m in respect of head office in 2009, resulting in total Group capital expenditure (including development expenditure) in that year of £2.7m.

1 OPERATING SEGMENTS *continued* GEOGRAPHICAL INFORMATION REVENUE

	By location of customer			
	2010 £m	2010 %	2009 £m	2009 %
Continuing operations				
United Kingdom	11.4	13	7.1	8
United States of America	13.6	16	16.7	20
Europe (excl. UK)	12.9	15	15.7	19
Americas (excl. USA)	14.4	17	12.8	15
Africa	11.4	13	7.3	9
Asia	22.7	26	24.2	29
	86.4	100	83.8	100

NON-CURRENT ASSETS (EXCLUDING PENSION AND TAXATION BALANCES)

	By location of assets	
	2010 £m	2009 £m
Continuing operations		
United Kingdom	13.5	13.3
United States of America	4.9	5.1
Canada	2.9	2.6
Rest of the world	3.0	3.3
	24.3	24.3

MAJOR CUSTOMERS

No single customer accounts for more than 10% of Group revenue in either 2010 or 2009

2 OTHER OPERATING INCOME

	2010 £m	2009 £m
Profit on sale of property, plant and equipment	0.1	0.4

The £0.4m profit on sale of property, plant and equipment in 2009 is included in exceptional items in the consolidated income statement

3 OTHER OPERATING EXPENSES

	2010 £m	2009 £m
Research and development costs (expensed as incurred)	0.6	0.4
Curtailment costs on UK pension scheme (included in exceptional items)	0.7	0.1
Relocation costs (included in exceptional items)	–	0.1
	1.3	0.6

4 OPERATING PROFIT

	2010 £m	2009 £m
Operating profit is arrived at after charging		
Amortisation of capitalised development costs	1.5	1.3
Impairment of capitalised development costs	0.3	0.1
Depreciation of owned assets	1.8	1.8
Net foreign exchange losses	–	0.4
Cost of inventories recognised as an expense	53.5	51.4
Operating leases		
– land and buildings	1.0	1.0
– other	0.3	0.3
Auditors' remuneration (Company £0.1m, 2009 £0.1m)	0.2	0.2
Other fees paid to KPMG UK		
– tax services (Company £0.1m, 2009 £0.1m)	0.1	0.1
Other fees paid to other members of KPMG International		
– tax services (Company £nil, 2009 £nil)	–	0.1

NOTES TO THE ACCOUNTS *continued***5 EXCEPTIONAL ITEMS**

The exceptional charge of £1.6m relates to reorganisations carried out during the year within the Tobacco Machinery division and includes curtailment costs of £0.7m relating to the UK pension scheme that are expected to be paid in 2011. Cash payments in respect of reorganisation costs of £1.0m were made in the year, including £0.9m in relation to the reorganisations carried out in the Tobacco Machinery division. In addition, non-capital payments of £0.5m were made in relation to the relocation of the tobacco machinery business previously based at Saunderton, UK.

The exceptional net charge of £0.4m in 2009 included costs of £0.7m related to reorganisations carried out during the year within the Tobacco Machinery division and the Packaging Machinery division, and costs of £0.1m in relation to the preparation for the relocation of the tobacco machinery business at Saunderton. In addition, profit of £0.4m on the sale of a property in the Netherlands was realised in 2009. Cash payments in respect of reorganisation costs of £1.2m were made in 2009, including a payment of £0.6m to the UK pension scheme in respect of redundancies carried out in 2008 and 2009.

6 EMPLOYEE INFORMATION

Continuing operations	Period end		Average	
	2010	2009	2010	2009
The number of persons employed by the Group was				
Scientific Services	123	124	125	124
Packaging Machinery	245	244	240	253
Tobacco Machinery	334	408	367	421
Head Office (including non-executive directors and pension scheme administrators)	15	16	16	16
	717	792	748	814

Continuing operations	Note	2010 £m	2009 £m
Employment costs/(credits) for the Group were			
Wages and salaries		25.3	25.0
Social security costs		3.7	4.1
Employee benefits			
– defined benefit schemes	24	(0.9)	1.9
– defined contribution schemes		0.4	0.4
– equity-settled share-based transactions	24	(0.1)	(0.2)
		28.4	31.2

In addition to the above employment costs in respect of continuing operations there were curtailment costs relating to the UK pension scheme of £0.7m (2009: £0.1m) (see notes 3 and 24).

7 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 persons connected with them in the ordinary shares of the Company, is included in the Remuneration report on pages 16 to 19.

8 NET FINANCING INCOME/EXPENSE

	2010 £m	2009 £m
Financial income		
Expected return on pension scheme assets	21.0	17.7
Amounts receivable on cash and cash equivalents	0.1	0.1
	21.1	17.8
Financial expenses		
Interest cost on pension scheme obligations	(18.9)	(18.6)
Amounts payable on bank loans and overdrafts	(0.1)	(0.1)
Preference dividends paid	(0.1)	(0.1)
	(19.1)	(18.8)
Net financing income/(expense)	2.0	(1.0)

9 TAXATION

Continuing operations	2010 £m	2009 £m
Current tax expense		
Current year	0.9	0.5
Adjustment in respect of prior years	–	0.1
	0.9	0.6
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	0.4	0.3
Adjustment in respect of prior years	(0.1)	–
	0.3	0.3
Total taxation	1.2	0.9

Included within the total taxation charge in 2010 is a tax credit of £0.4m (2009: £nil) attributable to the exceptional items set out in note 5.

In addition, the loss from discontinued operations of £0.1m (note 11) in 2009 is net of a tax credit of £0.1m.

RECONCILIATION OF EFFECTIVE TAX RATE

Continuing operations	2010		2009	
	%	£m	%	£m
Profit before tax		4.1		2.1
Income tax using the UK corporation tax rate	28.0	1.1	28.0	0.6
Permanent differences	4.9	0.2	14.9	0.3
Tax incentives	(2.4)	(0.1)	(9.5)	(0.2)
Current year losses for which no deferred tax asset has been recognised	6.0	0.3	9.5	0.2
Effect of brought forward losses utilised	(2.4)	(0.1)	(4.8)	(0.1)
Foreign tax charged at higher and lower rates than UK corporation tax rate	(2.4)	(0.1)	–	–
Adjustment in respect of prior years	(2.4)	(0.1)	4.8	0.1
	29.3	1.2	42.9	0.9

DEFERRED TAX (CHARGE)/CREDIT ON ITEMS IN OTHER COMPREHENSIVE INCOME/(EXPENSE)

	2010 £m	2009 £m
Actuarial (gains)/losses	(6.1)	3.9
Foreign currency derivatives	–	(0.1)
	(6.1)	3.8

10 CURRENT TAX ASSETS AND LIABILITIES

Current tax assets of £nil (2009: £0.1m) and current tax liabilities of £0.8m (2009: £0.8m) for the Group, and current tax liabilities of £0.3m (2009: £nil) for the Company, represent the amount of income taxes recoverable and payable in respect of current and prior periods.

11 DISCONTINUED OPERATIONS

The loss from discontinued operations of £0.1m in 2009 comprises aggregate charges of £0.2m in respect of a dilapidations claim on a former Group site in Nottingham and a third-party claim that relates to a former Group business but for which Molins retains responsibility, net of a tax credit of £0.1m.

During the year there were cash outflows of £0.1m (2009: £0.4m) from investing activities in respect of discontinued operations.

NOTES TO THE ACCOUNTS *continued***12 EARNINGS PER SHARE****BASIC EARNINGS PER SHARE**

The calculation of basic earnings per ordinary share is based upon the profit for the period of £2.9m (2009: £1.1m) and the weighted average number of ordinary shares in issue during the year ended 31 December 2010 of 18,968,324 (2009: 18,968,324). The weighted average number of shares excludes shares held by the employee trust in respect of the Company's long-term incentive arrangements.

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per ordinary share is based upon the profit for the period of £2.9m (2009: £1.1m) and the diluted weighted average number of ordinary shares in issue during the year of 19,353,413 (2009: 18,968,324), calculated as follows:

	2010	2009
Weighted average number of ordinary shares (non-diluted) at 31 December	18,968,324	18,968,324
Effect of own shares (deferred share plan)	385,089	–
Weighted average number of ordinary shares (diluted) at 31 December	19,353,413	18,968,324

The diluted weighted average number of shares includes the diluting effect, if any, of own shares held by the employee trust.

BASIC AND DILUTED EARNINGS PER SHARE ON CONTINUING OPERATIONS

The calculations of basic and diluted earnings per ordinary share on continuing operations are based upon the profit from continuing operations of £2.9m (2009: £1.2m) and the weighted average number of ordinary shares as shown above.

BASIC AND DILUTED LOSS PER SHARE ON DISCONTINUED OPERATIONS

The calculations of basic and diluted loss per ordinary share on discontinued operations are based upon the loss from discontinued operations for the period of £nil (2009: £0.1m) and amounted to nil (2009: 0.5p).

UNDERLYING EARNINGS PER SHARE

Underlying earnings per ordinary share, which is calculated on profit from continuing operations before exceptional items and net financing income/expense on pension scheme balances, amounted to 13.9p for the year ended 31 December 2010 (2009: 11.3p).

The calculation of underlying earnings per ordinary share is based upon an underlying profit for the period of £2.6m (2009: £2.2m) and is calculated as follows:

	2010 £m	2009 £m
Profit for the period	2.9	1.1
Net financing (income)/expense on pension scheme balances (net of tax)	(1.5)	0.6
Exceptional items (net of tax)	1.2	0.4
Loss from discontinued operations	–	0.1
Underlying profit for the period	2.6	2.2

13 INTANGIBLE ASSETS

	Group			Company		
	Goodwill £m	Development costs £m	Total £m	Goodwill £m	Development costs £m	Total £m
Cost						
Balance at 1 January 2009	12.3	10.6	22.9	7.2	9.1	16.3
Additions	–	1.1	1.1	–	1.0	1.0
Retranslation	(0.5)	(0.1)	(0.6)	–	–	–
Balance at 31 December 2009	11.8	11.6	23.4	7.2	10.1	17.3
Balance at 1 January 2010	11.8	11.6	23.4	7.2	10.1	17.3
Additions	–	1.5	1.5	–	1.2	1.2
Disposals	–	(1.8)	(1.8)	–	(1.8)	(1.8)
Retranslation	0.1	0.1	0.2	–	–	–
Balance at 31 December 2010	11.9	11.4	23.3	7.2	9.5	16.7
Amortisation and impairment losses						
Balance at 1 January 2009	1.7	6.3	8.0	1.1	5.3	6.4
Amortisation for the period	–	1.3	1.3	–	1.1	1.1
Impairment charge	–	0.1	0.1	–	0.1	0.1
Retranslation	–	(0.1)	(0.1)	–	–	–
Balance at 31 December 2009	1.7	7.6	9.3	1.1	6.5	7.6
Balance at 1 January 2010	1.7	7.6	9.3	1.1	6.5	7.6
Amortisation for the period	–	1.5	1.5	–	1.4	1.4
Impairment charge	–	0.3	0.3	–	0.3	0.3
Disposals	–	(1.8)	(1.8)	–	(1.8)	(1.8)
Retranslation	–	0.2	0.2	–	–	–
Balance at 31 December 2010	1.7	7.8	9.5	1.1	6.4	7.5
Carrying amounts						
At 1 January 2009	10.6	4.3	14.9	6.1	3.8	9.9
At 31 December 2009	10.1	4.0	14.1	6.1	3.6	9.7
At 31 December 2010	10.2	3.6	13.8	6.1	3.1	9.2

The amortisation and impairment charge for development costs are included in cost of sales in the consolidated income statement

GOODWILL

The carrying amount of goodwill at 31 December 2010 relates to the acquisitions of businesses by the Group and Company, and is attributable to the following cash generating units (CGUs) within the Scientific Services division

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cerulean	7.2	7.2	5.3	5.3
Arista Laboratories	3.0	2.9	0.8	0.8
	10.2	10.1	6.1	6.1

IMPAIRMENT REVIEW OF GOODWILL

Annual impairment reviews of goodwill are undertaken and are determined from value in use calculations for each CGU using cash flow projections based on the latest three year plan approved by the Board. The main assumptions for each CGU, which relate to sales volume, selling prices and cost changes, are based on recent history and expectations of future changes in the market. Cash flows beyond the period of the projections are extrapolated at growth rates which do not exceed those used in the three year plan. The discount rate applied to the cash flow forecasts for each CGU is based on a market participant's pre-tax weighted average cost of capital of 9.5%.

There have been no impairments of goodwill during the period.

NOTES TO THE ACCOUNTS *continued***13 INTANGIBLE ASSETS** *continued***GOODWILL** *continued***IMPAIRMENT REVIEW OF GOODWILL** *continued***SENSITIVITY TO THE CHANGES IN ASSUMPTIONS**

The directors believe that any reasonably possible change in any of the key assumptions would not cause the carrying value of either Cerulean or Arista Laboratories to materially exceed its recoverable amount for either the Group or the Company

14 PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
	Land and buildings (restated) £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Total (restated) £m	Land and buildings (restated) £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Total (restated) £m
Cost								
Balance at 1 January 2009	8.5	13.4	12.8	34.7	3.5	2.3	4.7	10.5
Additions	0.3	0.8	0.5	1.6	0.1	0.1	0.1	0.3
Reclassifications	0.1	0.1	(0.2)	—	—	—	—	—
Disposals	(0.9)	(0.5)	(1.4)	(2.8)	—	—	(0.5)	(0.5)
Retranslation	(0.2)	1.0	(0.4)	0.4	—	—	—	—
Balance at 31 December 2009	7.8	14.8	11.3	33.9	3.6	2.4	4.3	10.3
Balance at 1 January 2010	7.8	14.8	11.3	33.9	3.6	2.4	4.3	10.3
Additions	1.0	0.6	0.6	2.2	1.0	0.1	0.2	1.3
Transfer to inventories	—	(0.3)	—	(0.3)	—	—	—	—
Disposals	—	(0.8)	(1.0)	(1.8)	—	(0.5)	(0.9)	(1.4)
Retranslation	0.3	0.5	0.2	1.0	—	—	—	—
Balance at 31 December 2010	9.1	14.8	11.1	35.0	4.6	2.0	3.6	10.2
Depreciation								
Balance at 1 January 2009	1.9	11.6	10.1	23.6	0.7	2.2	3.7	6.6
Depreciation charge for the period	0.2	0.5	1.1	1.8	0.1	—	0.5	0.6
Reclassifications	—	0.1	(0.1)	—	—	—	—	—
Disposals	(0.4)	(0.3)	(1.4)	(2.1)	—	—	(0.5)	(0.5)
Retranslation	(0.1)	0.7	(0.2)	0.4	—	—	—	—
Balance at 31 December 2009	1.6	12.6	9.5	23.7	0.8	2.2	3.7	6.7
Balance at 1 January 2010	1.6	12.6	9.5	23.7	0.8	2.2	3.7	6.7
Depreciation charge for the period	0.3	0.6	0.9	1.8	0.2	—	0.4	0.6
Disposals	—	(0.7)	(1.0)	(1.7)	—	(0.5)	(0.9)	(1.4)
Retranslation	0.1	0.4	0.2	0.7	—	—	—	—
Balance at 31 December 2010	2.0	12.9	9.6	24.5	1.0	1.7	3.2	5.9
Carrying amounts								
At 1 January 2009	6.6	1.8	2.7	11.1	2.8	0.1	1.0	3.9
At 31 December 2009	6.2	2.2	1.8	10.2	2.8	0.2	0.6	3.6
At 31 December 2010	7.1	1.9	1.5	10.5	3.6	0.3	0.4	4.3

At 31 December 2010, assets disclosed as land and buildings, with a carrying value of £6.0m were used as security for bank loans (2009 £5.1m)

PRIOR YEAR RESTATEMENT

The Group has applied the amendment to IAS 17 *Leases* for the year ended 31 December 2010, which states that leases of land should be assessed in the same way as all other leases. This amendment has been applied retrospectively and consequently the statements of financial position at 31 December 2009 have been restated for both the Group and Company.

Land and buildings has been restated to include £0.5m relating to a lease premium that was previously accounted for as an operating lease. This lease has been reassessed as a finance lease and the carrying value of £0.5m reclassified from other receivables to property, plant and equipment.

15 INVESTMENTS

Company	Cost of shares in subsidiaries £m
Balance at 1 January 2009	47.4
Capital contribution	3.2
Balance at 31 December 2009	50.6
Balance at 31 December 2010	50.6

The Company's principal divisions and subsidiaries are listed on page 61

IMPAIRMENT REVIEW

Annual impairment reviews of the Company's investments in subsidiaries are undertaken and are determined from value in use calculations for each cash generating unit (CGU) using cash flow projections based on the latest three year plan approved by the Board. The main assumptions for each CGU, which relate to sales volume, selling prices and cost changes, are based on recent history and expectations of future changes in the market. Cash flows beyond the period of the projections are extrapolated at growth rates which do not exceed those used in the three year plan. The discount rate applied to the cash flow forecasts for each CGU is based on a market participant's pre-tax weighted average cost of capital of 9.5%.

There have been no impairments of investments in subsidiaries during the period.

16 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following

Group	Assets		Liabilities		Net	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Intangible assets	–	–	(1.0)	(1.1)	(1.0)	(1.1)
Property, plant and equipment	0.1	0.1	(0.4)	(0.5)	(0.3)	(0.4)
Employee benefits	1.5	4.4	(3.5)	–	(2.0)	4.4
Inventories	0.6	0.6	–	–	0.6	0.6
Foreign currency derivatives	–	–	(0.1)	(0.1)	(0.1)	(0.1)
Provisions	0.7	0.8	–	–	0.7	0.8
Translation movements on foreign currency investments	–	–	(0.5)	(0.4)	(0.5)	(0.4)
Own shares (employee trust)	0.1	0.1	–	–	0.1	0.1
Deferred tax assets/(liabilities)	3.0	6.0	(5.5)	(2.1)	(2.5)	3.9
Offset of tax	(1.1)	(2.0)	1.1	2.0	–	–
Net tax assets/(liabilities)	1.9	4.0	(4.4)	(0.1)	(2.5)	3.9

Company	Assets		Liabilities		Net	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Intangible assets	–	–	(1.0)	(1.1)	(1.0)	(1.1)
Property, plant and equipment	0.1	0.1	–	(0.1)	0.1	–
Employee benefits	–	3.2	(3.5)	–	(3.5)	3.2
Foreign currency derivatives	–	–	(0.1)	(0.1)	(0.1)	(0.1)
Provisions	0.1	0.3	–	–	0.1	0.3
Own shares (employee trust)	0.1	0.1	–	–	0.1	0.1
Deferred tax assets/(liabilities)	0.3	3.7	(4.6)	(1.3)	(4.3)	2.4
Offset of tax	(0.3)	(1.3)	0.3	1.3	–	–
Net tax assets/(liabilities)	–	2.4	(4.3)	–	(4.3)	2.4

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

NOTES TO THE ACCOUNTS *continued***16 DEFERRED TAX ASSETS AND LIABILITIES** *continued*

The Emergency Budget of 22 June 2010 announced a phased reduction in the main UK corporation tax rate from 28% to 24% with the first 1% reduction taking effect from 1 April 2011. The first 1% reduction was substantively enacted for the purposes of IFRS on 20 July 2010. It has not been possible to quantify the full anticipated effect of the announced further 3% rate reduction but it is expected to result in a reduction in the Group's future current tax charge as well as a reduction in the value of both the Group and Company's net deferred tax liabilities, resulting in a further credit to income.

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of certain subsidiary tax losses. These assets are only recognised to the extent that their recovery is reasonably certain. At the year end the Group had £3.9m of unprovided deferred tax assets (2009: £3.3m) relating to tax losses which would become recoverable if the relevant companies were to make sufficient profits in the future. Under current tax legislation these tax losses expire as follows:

Year of expiry	Tax losses	
	2010 £m	2009 £m
2018	1.1	1.2
2019	–	0.1
2020	0.3	–
No expiry date	2.5	2.0
	3.9	3.3

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

Group	Balance at 1 January 2010 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Retranslation £m	Balance at 31 December 2010 £m
Intangible assets	(1.1)	0.1	–	–	(1.0)
Property, plant and equipment	(0.4)	0.1	–	–	(0.3)
Employee benefits	4.4	(0.4)	(6.1)	0.1	(2.0)
Inventories	0.6	–	–	–	0.6
Foreign currency derivatives	(0.1)	–	–	–	(0.1)
Provisions	0.8	(0.1)	–	–	0.7
Translation movements on foreign currency investments	(0.4)	–	–	(0.1)	(0.5)
Own shares (employee trust)	0.1	–	–	–	0.1
	3.9	(0.3)	(6.1)	–	(2.5)

Group	Balance at 1 January 2009 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Retranslation £m	Balance at 31 December 2009 £m
Intangible assets	(1.2)	0.1	–	–	(1.1)
Property, plant and equipment	(0.2)	(0.2)	–	–	(0.4)
Employee benefits	0.6	0.1	3.9	(0.2)	4.4
Inventories	0.7	–	–	(0.1)	0.6
Trade and other receivables	(0.2)	0.2	–	–	–
Foreign currency derivatives	–	–	(0.1)	–	(0.1)
Provisions	0.9	(0.1)	–	–	0.8
Translation movements on foreign currency investments	(0.3)	(0.1)	–	–	(0.4)
Own shares (employee trust)	0.1	–	–	–	0.1
Tax losses	0.3	(0.3)	–	–	–
	0.7	(0.3)	3.8	(0.3)	3.9

16 DEFERRED TAX ASSETS AND LIABILITIES *continued*
MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR *continued*

Company	Balance at 1 January 2010 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Balance at 31 December 2010 £m
Intangible assets	(1 1)	0 1	–	(1 0)
Property, plant and equipment	–	0 1	–	0 1
Employee benefits	3 2	(0 5)	(6 2)	(3 5)
Foreign currency derivatives	(0 1)	–	–	(0 1)
Provisions	0 3	(0 2)	–	0 1
Own shares (employee trust)	0 1	–	–	0 1
	2 4	(0 5)	(6 2)	(4 3)

Company	Balance at 1 January 2009 £m	Recognised in profit or loss £m	Recognised in other comprehensive income/ (expense) £m	Balance at 31 December 2009 £m
Intangible assets	(1 2)	0 1	–	(1 1)
Property, plant and equipment	0 2	(0 2)	–	–
Employee benefits	(0 9)	–	4 1	3 2
Trade and other receivables	(0 2)	0 2	–	–
Foreign currency derivatives	–	–	(0 1)	(0 1)
Provisions	0 4	(0 1)	–	0 3
Own shares (employee trust)	0 1	–	–	0 1
Tax losses	0 3	(0 3)	–	–
	(1 3)	(0 3)	4 0	2 4

17 INVENTORIES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Raw materials and consumables	1 6	1 6	0 7	0 9
Work in progress	5 3	7 1	0 3	1 9
Finished goods	8 7	9 4	3 5	3 6
	15 6	18 1	4 5	6 4

An amount of £0.5m (2009 £0.9m) has been charged in the year in respect of inventory write-downs

18 CONSTRUCTION CONTRACTS

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Contracts in progress at statement of financial position date				
Gross amount due from customers for contract work (included in Trade and other receivables)	0 2	1 4	0 1	0 1
Gross amount due to customers for contract work (included in Trade and other payables)	(0 8)	(0 6)	(0 8)	(0 6)

For contracts in progress at the statement of financial position date, the contract costs incurred plus recognised profits less recognised losses to date was £1.9m (2009 £7.1m) for the Group and £1.1m (2009 £5.2m) for the Company. Deposits received on account from customers for contract work amounted to £0.3m (2009 £0.2m) for both the Group and the Company.

Revenue recognised in respect of construction contracts during the year amounted to £4.9m (2009 £6.5m).

NOTES TO THE ACCOUNTS *continued*

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current assets				
Trade receivables	11.4	13.2	5.0	5.4
Amounts owed by Group undertakings	–	–	6.6	8.7
Construction contracts	0.2	1.4	0.1	0.1
Other receivables	1.0	0.9	0.2	0.2
Prepayments and accrued income	2.7	1.6	0.6	0.5
Foreign currency derivatives	0.3	0.5	0.3	0.5
	15.6	17.6	12.8	15.4

20 INTEREST-BEARING LOANS AND BORROWINGS

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Non-current liabilities				
Bank borrowings	3.9	4.3	3.9	4.3
Fixed cumulative preference shares	0.9	0.9	0.9	0.9
	4.8	5.2	4.8	5.2
Non-current liabilities				
Repayable between one and two years	3.9	–	3.9	–
Repayable between two and five years	–	4.3	–	4.3
More than five years	0.9	0.9	0.9	0.9
	4.8	5.2	4.8	5.2

PREFERENCE SHARES

The preference shares carry a fixed cumulative preferential dividend at the rate of 6% per annum and on the winding-up of the Company 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. The preference shares do not entitle the holders to any further 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

- 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), or
- 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

There were no arrears in the payment of preference dividends at the statement of financial position date. Preference dividends paid in 2010 amounted to £54,000 (2009: £54,000).

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Net increase in cash and cash equivalents	3 5	3 2	2 9	1 8
Cash inflow from movement in borrowings	0 5	2 2	0 5	2 0
Change in net funds/(debt) resulting from cash flows	4 0	5 4	3 4	3 8
Translation movements	–	–	(0 1)	(0 1)
Movement in net funds/(debt) in the period	4 0	5 4	3 3	3 7
Opening net funds/(debt)	5 0	(0 4)	0 8	(2 9)
Closing net funds	9 0	5 0	4 1	0 8
Analysis of net funds				
Cash and cash equivalents – current assets	13 8	10 2	8 9	6 0
Interest-bearing loans and borrowings – non-current liabilities	(4 8)	(5 2)	(4 8)	(5 2)
Closing net funds	9 0	5 0	4 1	0 8

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current liabilities				
Deposits received on account	3 4	4 0	1 5	2 0
Trade payables	5 2	6 3	3 1	4 0
Amounts owed to Group undertakings	–	–	7 6	9 1
Construction contracts	0 8	0 6	0 8	0 6
Other taxes and social security	0 7	0 6	0 3	0 3
Other payables	3 2	2 5	2 3	1 6
Accruals and deferred income	5 6	6 3	2 5	2 3
Foreign currency derivatives	0 1	0 2	0 3	0 6
	19 0	20 5	18 4	20 5

Deposits received on account of £3 4m (2009 £4 0m) exclude £0 9m (2009 £1 4m) of deposits billed but not received, which are included in accruals and deferred income

23 PROVISIONS

Group	Warranty and after-sales service provisions £m	Exceptional provisions £m	Discontinued operations – business disposal provisions £m	Total £m
At 1 January 2010	1 0	0 7	0 2	1 9
Provisions created in the year	1 2	0 9	–	2 1
Utilised during the year	(0 9)	(1 5)	(0 1)	(2 5)
Unused amounts reversed	(0 2)	–	–	(0 2)
At 31 December 2010	1 1	0 1	0 1	1 3

Company	Warranty and after-sales service provisions £m	Exceptional provisions £m	Discontinued operations – business disposal provisions £m	Total £m
At 1 January 2010	0 6	0 6	0 1	1 3
Provisions created in the year	0 6	0 3	–	0 9
Utilised during the year	(0 4)	(0 8)	–	(1 2)
Unused amounts reversed	(0 1)	–	–	(0 1)
At 31 December 2010	0 7	0 1	0 1	0 9

NOTES TO THE ACCOUNTS *continued*

23 PROVISIONS *continued*

Warranty and after-sales service provisions are recognised when products or services are sold and are based on historical data and a weighting of all possible outcomes against their associated possibilities. Except for specific identifiable claims, they are generally utilised within one year of the statement of financial position date.

The exceptional provisions at 31 December 2010 relate to the restructuring of the Tobacco Machinery division during the year and are expected to be utilised within 2011. Included separately within the net pension asset of the Group and Company at 31 December 2010 are curtailment costs in respect of the restructuring of £0.7m (2009: £0.1m) relating to the UK pension scheme (see note 24).

Business disposal provisions relate to the remaining liabilities that will be utilised in completing the disposal of discontinued businesses, and are for the most part expected to be utilised within 2011.

24 EMPLOYEE BENEFITS

The Group operates defined benefit pension schemes in the UK and USA. The schemes are funded by contributions partly from employees and partly from Group companies as necessary, at rates determined by independent actuaries.

PENSIONS

UK PENSION SCHEME

The Group operated one defined benefit pension scheme in the UK through the year, the trustee of which is independent. The assets of the scheme are held separately from those of the Company and it is funded by means of contributions paid by members and the Company as necessary in order to ensure that the fund can meet the expected benefit obligations. Changes were made to the benefit structure of this scheme in 2006, principally moving the pension accrual link from final salary to career average for future entitlements. In addition, employee contribution rates were increased from 5% of earnings to 6.5% until 30 June 2007 and 8% thereafter for the majority of employees, new joiners and any other employees that have so elected, accrue lower pension benefits and contribute 6% of earnings. The funding policy is to ensure that the assets held by the scheme in the future are adequate to meet expected liabilities, allowing for future increases in pay and pensions. None of the assets of the fund are invested in the Company except for an interest in the cumulative preference shares of the Company with an estimated current market value of £0.1m.

The formal actuarial valuation of the scheme as at 30 June 2009 was completed during the year, using the projected unit credit method. The market value of the scheme assets at that date was £276.1m and the funding level was 96% of liabilities, which represents a deficit of £12.1m. Following agreement between the trustee of the scheme and the Company of a deficit recovery plan, the Company, with effect from 1 July 2010, commenced paying to the scheme £1.2m per annum, in monthly instalments. The deficit recovery period is estimated to be nine years, which is scheduled to be formally reassessed as at 30 June 2012. In addition to the deficit recovery payments, Company contributions from 1 July 2010 for ongoing benefits have reduced to 3.3% in respect of members who joined the scheme after March 2006 and 7.9% for the majority of other members. The previous rates were 5% and 11% respectively.

The Company paid contributions during the year of £1.2m (2009: £1.4m), including deficit recovery payments of £0.6m (2009: £nil). The contributions paid during 2009 included £0.6m to reflect the actuarial cost of redundancies carried out in 2008 and 2009.

The Company accounts for pension costs under IAS 19 (revised) *Employee benefits* and the valuation used has been based on the detailed valuation work carried out as at 30 June 2009, updated by the Company's actuary to assess the value of the liabilities of the scheme at 31 December 2010. The trustee of the scheme has decided that it is appropriate to use the CPI measure of inflation for certain future pension increases and this has been taken into account in the valuation of the scheme at 31 December 2010. The impact of this has been to reduce the value of the liabilities of the scheme by £20.6m (before tax) which has been accounted for as an assumption change and recognised through the statements of comprehensive income during the year. Scheme assets are stated at their market value at 31 December 2010.

US PENSION SCHEMES

In the USA, the Group has three schemes offering defined benefits to members, two of which are closed to future accruals. Formal independent actuarial valuations of the US pension schemes were carried out as at 1 January 2010 using the projected unit credit method. The valuations at 31 December 2010 have been based on these actuarial valuations, updated for conditions existing at the year end.

24 EMPLOYEE BENEFITS *continued*

PENSIONS *continued*

ASSUMPTIONS

The key financial assumptions used to calculate scheme liabilities and the annual net pension credit/cost at 31 December are as follows

	UK (Company)		US	
	2010	2009	2010	2009
Discount rate	5.40%	5.70%	5.20%	5.75%
Inflation rate				
– CPI	2.80%	n/a	3.00%	3.00%
– RPI	3.50%	3.60%	n/a	n/a
Increases to pensions in payment				
– final salary benefits	2.80%	3.60%	n/a	n/a
– career average benefits	2.30%	2.30%	n/a	n/a
Salary increases	4.50%	4.60%	3.00%	3.00%
Expected return on plan assets	6.90%	6.80%	7.50%	6.70%

The assumptions relating to longevity underlying the pension liabilities of the UK pension fund at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year-old to live for a number of years as follows:

- current pensioner aged 65: male – 22 years, female – 24 years, and
- future retirees upon reaching age 65: male – 24 years, female – 26 years

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

A discount rate of 5.4% has been used in evaluating the value of the liabilities of the UK pension fund at 31 December 2010. A 0.1% change to this rate would have changed the value of the pension fund liabilities at that date by approximately £3.9m before tax.

Inflation rates of 2.8% for CPI and 3.5% for RPI have been used in evaluating the value of the liabilities of the UK pension fund at 31 December 2010. A 0.1% change to these rates would have changed the value of the pension fund liabilities at that date by approximately £2.8m before tax.

In valuing the liabilities of the UK pension fund at 31 December 2010, mortality assumptions have been assumed as indicated above. If life expectancy had been changed to assume that all members of the fund live for one year longer on average, the value of the reported liabilities at 31 December 2010 would have increased by approximately £11.5m before tax.

CATEGORIES OF ASSETS AND FUNDED STATUS

The assets in the schemes and their expected rates of return, together with their funded status, were as follows:

	UK (Company)			US			Group	
	Expected rate of return 2010	Value 2010 £m	Value 2009 £m	Expected rate of return 2010	Value 2010 £m	Value 2009 £m	Value 2010 £m	Value 2009 £m
Equities	8.2%	150.7	134.2	8.2%	5.5	5.0	156.2	139.2
Bonds	5.0%	112.6	130.3	6.7%	8.0	7.6	120.6	137.9
Properties	6.8%	28.7	27.9	7.0%	1.0	0.9	29.7	28.8
Alternative investments	7.4%	34.5	18.6	n/a	–	–	34.5	18.6
Other	4.5%	2.1	2.0	n/a	–	–	2.1	2.0
Total fair (bid) value of assets	6.9%	328.6	313.0	7.5%	14.5	13.5	343.1	326.5
Present value of defined benefit obligations		(318.7)	(324.4)		(18.2)	(16.6)	(336.9)	(341.0)
Defined benefit asset/(liability)		9.9	(11.4)		(3.7)	(3.1)	6.2	(14.5)

NOTES TO THE ACCOUNTS *continued***24 EMPLOYEE BENEFITS** *continued***PENSIONS** *continued***DISCLOSED PENSION INCOME/EXPENSE FOR FINANCIAL YEAR****A) COMPONENTS OF PENSION INCOME/(EXPENSE)**

Net pension (credit)/cost recognised in the consolidated income statement comprises

	UK (Company)		US		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Current service costs	1 0	0 8	0 2	0 2	1 2	1 0
Interest on obligations	18 0	17 7	0 9	0 9	18 9	18 6
Expected return on assets	(20 1)	(16 9)	(0 9)	(0 8)	(21 0)	(17 7)
Net pension (credit)/cost before curtailment costs	(1 1)	1 6	0 2	0 3	(0 9)	1 9
Curtailment costs	0 7	0 1	–	–	0 7	0 1
Net pension (credit)/cost	(0 4)	1 7	0 2	0 3	(0 2)	2 0

B) STATEMENTS OF COMPREHENSIVE INCOME (SOCI)

The actuarial gain recognised in the SOCI in respect of pensions was £19 4m (2009 £13 2m loss), comprising an actuarial gain of £19 7m (2009 £13 8m loss) for the UK pension fund and an actuarial loss of £0 3m (2009 £0 6m gain) for the US schemes, all figures being before tax

The cumulative amount of actuarial gains before tax recognised in the SOCI in respect of pensions was £14 4m (2009 £5 0m losses)

ACTUAL RETURN ON FUND ASSETS

The actual return on fund assets in 2010 was a gain of £33 6m (2009 £47 2m), comprising a gain of £32 0m (2009 £44 7m) for the UK pension fund and a gain of £1 6m (2009 £2 5m) for the US schemes, all figures being before tax

RECONCILIATION OF PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

	UK (Company)		US		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Present value of defined benefit obligations at 1 January	324 4	281 1	16 6	17 2	341 0	298 3
Service cost	1 0	0 8	0 2	0 2	1 2	1 0
Interest cost	18 0	17 7	0 9	0 9	18 9	18 6
Employee contributions	0 5	0 6	–	–	0 5	0 6
Actuarial (gain)/loss	(7 8)	41 6	1 0	1 1	(6 8)	42 7
Benefit payments	(18 1)	(17 5)	(1 0)	(1 0)	(19 1)	(18 5)
Curtailment costs	0 7	0 1	–	–	0 7	0 1
Retranslation	–	–	0 5	(1 8)	0 5	(1 8)
Present value of defined benefit obligations at 31 December	318 7	324 4	18 2	16 6	336 9	341 0

RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS

	UK (Company)		US		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Fair value of fund assets at 1 January	313 0	283 8	13 5	13 4	326 5	297 2
Expected return on fund assets	20 1	16 9	0 9	0 8	21 0	17 7
Actuarial gain	11 9	27 8	0 7	1 7	12 6	29 5
Company contributions	1 2	1 4	–	–	1 2	1 4
Employee contributions	0 5	0 6	–	–	0 5	0 6
Benefit payments	(18 1)	(17 5)	(1 0)	(1 0)	(19 1)	(18 5)
Retranslation	–	–	0 4	(1 4)	0 4	(1 4)
Fair value of fund assets at 31 December	328 6	313 0	14 5	13 5	343 1	326 5

24 EMPLOYEE BENEFITS *continued*
PENSIONS *continued*
EXPERIENCE GAINS AND LOSSES FOR THE YEAR

	UK (Company)		US		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Fair value of fund assets	328 6	313 0	14 5	13 5	343 1	326 5
Defined benefit obligations	(318 7)	(324 4)	(18 2)	(16 6)	(336 9)	(341 0)
Surplus/(deficit)	9 9	(11 4)	(3 7)	(3 1)	6 2	(14 5)
Experience gain on fund assets	11 9	27 8	0 7	1 7	12 6	29 5
Experience gain/(loss) on defined benefit obligations	7 8	(41 6)	(1 0)	(1 1)	6 8	(42 7)
Total gain/(loss) recognised in the SOCI during the year	19 7	(13 8)	(0 3)	0 6	19 4	(13 2)

MOVEMENTS IN THE NET ASSET/(LIABILITY) OF EMPLOYEE BENEFITS RECOGNISED IN THE STATEMENTS OF FINANCIAL POSITION

	UK (Company)		US		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Net (liability)/asset for employee benefits at 1 January	(11 4)	2 7	(3 1)	(3 8)	(14 5)	(1 1)
Income/(expenses) recognised in the income statement (see below)	0 4	(1 7)	(0 2)	(0 3)	0 2	(2 0)
Company contributions	1 2	1 4	–	–	1 2	1 4
Actuarial gains/(losses) recognised in the SOCI	19 7	(13 8)	(0 3)	0 6	19 4	(13 2)
Retranslation	–	–	(0 1)	0 4	(0 1)	0 4
Net asset/(liability) for employee benefits at 31 December	9 9	(11 4)	(3 7)	(3 1)	6 2	(14 5)
Disclosed as						
Non-current assets	9 9	–	–	–	9 9	–
Non-current liabilities	–	(11 4)	(3 7)	(3 1)	(3 7)	(14 5)

EMPLOYEE BENEFIT INCOME/EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The income/expense is recognised in the following line items in the consolidated income statement

	UK (Company)		US		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Cost of sales	0 4	0 4	0 1	0 1	0 5	0 5
Distribution expenses	0 2	0 1	–	0 1	0 2	0 2
Administrative expenses	0 4	0 3	0 1	–	0 5	0 3
Other operating expenses	0 7	0 1	–	–	0 7	0 1
Financial income	(20 1)	(16 9)	(0 9)	(0 8)	(21 0)	(17 7)
Financial expenses	18 0	17 7	0 9	0 9	18 9	18 6
Net pension (credit)/cost	(0 4)	1 7	0 2	0 3	(0 2)	2 0

The curtailment costs in other operating expenses in 2010 and 2009 are included in exceptional items in the consolidated income statement

NOTES TO THE ACCOUNTS *continued*24 EMPLOYEE BENEFITS *continued*PENSIONS *continued*

HISTORICAL DISCLOSURE INFORMATION

	UK (Company)			US			Group		
	2008 £m	2007 £m	2006 £m	2008 £m	2007 £m	2006 £m	2008 £m	2007 £m	2006 £m
Fair value of fund assets	283.8	355.0	348.4	13.4	12.7	13.0	297.2	367.7	361.4
Defined benefit obligations	(281.1)	(329.1)	(355.0)	(17.2)	(12.3)	(13.4)	(298.3)	(341.4)	(368.4)
Surplus/(deficit)	2.7	25.9	(6.6)	(3.8)	0.4	(0.4)	(1.1)	26.3	(7.0)
Experience (loss)/gain on fund assets	(81.5)	(2.2)	9.5	(3.3)	(0.1)	0.1	(84.8)	(2.3)	9.6
Experience gain/(loss) on defined benefit obligations	52.8	29.1	(4.3)	(0.1)	1.1	-	52.7	30.2	(4.3)
Total (loss)/gain recognised in the SOCI during the year	(28.7)	26.9	5.2	(3.4)	1.0	0.1	(32.1)	27.9	5.3

The Group expects to contribute approximately £2.5m to the UK pension scheme in 2011, including deficit recovery payments of £1.2m and £0.7m in respect of curtailment costs incurred in 2010.

SHARE-BASED PAYMENTS

The Company operates a long-term incentive plan (LTIP) and a deferred share plan. Own shares are held in trust and granted to plan participants when certain conditions are met. Further details of the LTIP and the deferred share plan, including the performance conditions and vesting periods, are in the Remuneration report (pages 16 to 19) and in this note.

The share awards that were subject to conditional grants during the year were:

	At 1 January 2010	Granted	Lapsed	At 31 December 2010
LTIP				
- 2008	504,444	-	(504,444)	-
- 2009	295,000	-	-	295,000
Deferred share plan				
- 1 March 2010	-	437,800	-	437,800
- 1 December 2010	-	212,600	-	212,600
	799,444	650,400	(504,444)	945,400

The granting of all conditional awards and the exercise of such awards are at nil cost to the participant.

As at 31 December 2010 none of the above share awards were exercisable.

The share-based compensation credit for the year amounted to £0.1m (2009: £0.2m).

The fair value of the conditional awards made under the deferred share plan has been based on the market price of the Company's shares at the date of grant, reduced by the assumptions made (for the purposes of this exercise) in respect of the present value of dividends expected to be paid during the vesting period, and amounted to 48.0p in respect of the grant on 1 March 2010 and 45.0p in respect of the grant on 1 December 2010. The vesting period for the deferred share plan is three years.

24 EMPLOYEE BENEFITS *continued*

SHARE-BASED PAYMENTS *continued*

The fair value of the conditional awards made under the LTIP has been estimated using a Monte Carlo simulation model. The assumptions used in respect of the LTIP granted in 2009 were as follows:

	LTIP 2009
Vesting period (years)	3
Expected volatility – Molins (%)	40
Expected volatility – comparator group (%)	35
Correlation with comparator group (%)	50
Dividend yield (%)	5.0
Expectation of meeting non-market-based performance criteria (%)	100
Share price at date of grant (p)	38.0
Fair value of share awards (p)	19.0

Expected volatility was based on the historical volatility of the Company's share price over the last few years.

Additionally, the Company operated an employee share option plan that ended during 2009. This share option arrangement was granted before 7 November 2002 and in accordance with the transitional provisions in IFRS 1 *First-time adoption of International Financial Reporting Standards*, the recognition and measurement principles in IFRS 2 *Share-based payment* have not been applied.

Options held over Molins PLC ordinary shares were as follows:

	Executive schemes
At 1 January 2009	5,000
Lapsed	(5,000)
At 31 December 2009	–

25 CAPITAL AND RESERVES

SHARE CAPITAL

	2010 Authorised £m	2009 Authorised £m	2010 Allotted, called up and fully paid £m	2009 Allotted, called up and fully paid £m
Ordinary shares of 25p each	10.1	10.1	5.0	5.0

There were 20,171,540 (2009: 20,171,540) ordinary shares in issue at the year end. The holders of the ordinary shares are entitled to one vote per share at meetings of the Company and to receive dividends as declared from time to time. An employee trust holds 1,203,216 of the ordinary shares and it has agreed to waive all dividends and not to exercise voting rights in respect of these shares. The Company also has in issue 900,000 6% fixed cumulative preference shares of £1 each (see note 20); these are classified as borrowings.

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company.

CAPITAL REDEMPTION RESERVE

The capital redemption reserve records the historical repurchase of the Company's own shares.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

INVESTMENT IN OWN SHARES

Included within retained earnings is the carrying value of own shares held in trust for the benefit of employees. These shares are used to service the obligations of the Company's Long-term incentive plan (LTIP) and deferred share plan. Further details of the LTIP and deferred share plan can be found in the Remuneration report (pages 16 to 19) and on pages 50 and 51 in note 24.

NOTES TO THE ACCOUNTS *continued***25 CAPITAL AND RESERVES** *continued***INVESTMENT IN OWN SHARES** *continued*

At the year end the employee trust held 1,203,216 (2009 1,203,216) ordinary shares of 25p each, representing 6.0% of the issued shares at 31 December 2010 (2009 6.0%), of which 945,400 shares (2009 799,444) were subject to conditional grants. The shares held by the trust were purchased at an aggregate cost of £2.1m (2009 £2.1m). The market value of the shares at 31 December 2010 was £0.8m (2009 £0.7m).

DIVIDENDS

	2010 £m	2009 £m
Dividends to shareholders paid in the period		
Final dividend for the year ended 31 December 2009 of 2.5p per ordinary share (2008 2.5p)	0.5	0.5
Interim dividend for the year ended 31 December 2010 of 2.5p per ordinary share (2009 2.5p)	0.5	0.5
	1.0	1.0

The Board recommends a final dividend of 2.5p per share. The proposed final dividend is subject to approval at the Annual General Meeting on 6 May 2011 and has not been included as a liability at 31 December 2010. Subject to approval, the dividend will be paid on 20 May 2011 to those shareholders appearing on the register at the close of business on 26 April 2011.

26 FINANCIAL RISK MANAGEMENT

The Group has exposure to credit, liquidity and market risks from its use of financial instruments.

These risks are regularly considered and the impact of these risks on the Group and how to mitigate them assessed. The Board of directors is responsible for the Group's system of internal controls and has established risk management policies to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit Committee assists the Board in the discharge of its duty in relation to the maintenance of proper internal controls. Further details regarding the Audit Committee can be found in the Corporate governance statement on pages 20 to 22.

CATEGORIES OF FINANCIAL INSTRUMENTS

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Financial assets				
Derivative instruments in designated hedge accounting relationships	0.3	0.5	0.3	0.5
Loans and receivables (including cash and cash equivalents)	25.2	23.4	20.5	20.1
	25.5	23.9	20.8	20.6
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	0.1	0.2	0.3	0.6
Amortised cost	23.7	25.5	22.9	25.1
	23.8	25.7	23.2	25.7

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash held at financial institutions. In addition, for the Company, a credit risk exists in respect of amounts owed by Group undertakings.

TRADE RECEIVABLES

The Group ensures that the provision of credit to customers is adequately managed by each individual operating business in order that the risk of non-payment or delayed payment is minimised. The Group's exposure to risk is influenced mainly by the individual characteristics of each customer, the industry and country in which customers operate. The Group has a relatively diversified base of customers and the customer that accounts for the largest proportion of sales, excluding one-off projects, is routinely responsible for no more than 5% of total sales in any year.

26 FINANCIAL RISK MANAGEMENT *continued*

CREDIT RISK *continued*

TRADE RECEIVABLES *continued*

The Group has written credit control policies which cover procedures for accepting new customers, setting credit limits, dealing with overdue amounts and delinquent payers

An impairment loss provision against trade receivables is created where it is anticipated that the value of trade receivables is not fully recoverable

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for the Group and the Company at 31 December was

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade receivables	11.4	13.2	5.0	5.4
Amounts owed by Group undertakings	—	—	6.6	8.7
Foreign currency derivatives	0.3	0.5	0.3	0.5
Cash and cash equivalents	13.8	10.2	8.9	6.0
	25.5	23.9	20.8	20.6

The maximum exposure to credit risk for trade receivables at 31 December by business segment was

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Operating segments				
Scientific Services	3.3	2.9	2.4	2.3
Packaging Machinery	3.6	3.9	1.0	1.0
Tobacco Machinery	4.5	6.4	1.6	2.1
	11.4	13.2	5.0	5.4

IMPAIRMENT LOSS PROVISIONS

The ageing of trade receivables and the impairment loss provisions for the Group and the Company at 31 December was

Group	2010			2009		
	Gross £m	Impairment loss provisions £m	Total £m	Gross £m	Impairment loss provisions £m	Total £m
Not past due	8.9	—	8.9	9.4	—	9.4
Past due up to 30 days	1.7	—	1.7	1.6	—	1.6
Past due 31–60 days	0.6	—	0.6	1.0	—	1.0
Past due 61–90 days	0.1	—	0.1	0.4	—	0.4
Past due more than 91 days	0.4	(0.3)	0.1	1.0	(0.2)	0.8
	11.7	(0.3)	11.4	13.4	(0.2)	13.2

Company	2010			2009		
	Gross £m	Impairment loss provisions £m	Total £m	Gross £m	Impairment loss provisions £m	Total £m
Not past due	4.0	—	4.0	3.5	—	3.5
Past due up to 30 days	0.5	—	0.5	0.8	—	0.8
Past due 31–60 days	0.4	—	0.4	0.4	—	0.4
Past due 61–90 days	0.1	—	0.1	0.2	—	0.2
Past due more than 91 days	0.1	(0.1)	—	0.6	(0.1)	0.5
	5.1	(0.1)	5.0	5.5	(0.1)	5.4

NOTES TO THE ACCOUNTS *continued***26 FINANCIAL RISK MANAGEMENT** *continued***CREDIT RISK** *continued***IMPAIRMENT LOSS PROVISIONS** *continued*

The movement in the impairment loss provisions in respect of trade receivables during the period was as follows

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Impairment loss provisions at 1 January	0.2	0.3	0.1	0.1
Provisions created in the year	0.2	0.1	–	–
Utilised during the year	–	(0.1)	–	–
Unused amounts reversed	(0.1)	(0.1)	–	–
Impairment loss provisions at 31 December	0.3	0.2	0.1	0.1

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they become due. Further details of the Group's treasury policies can be found in the Financial review on pages 8 to 11.

CONTRACTUAL MATURITIES OF NON-DERIVATIVE FINANCIAL LIABILITIES

The non-derivative financial liabilities for the Group and the Company at 31 December were

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current liabilities				
Trade and other payables (excluding derivatives)	18.9	20.3	18.1	19.9
Non-current liabilities				
Interest-bearing loans and borrowings	4.8	5.2	4.8	5.2

The maturities of the interest-bearing loans and borrowings are disclosed in note 20. Further details relating to the committed borrowing facilities of the Group can be found in the Financial review on pages 8 to 11.

Trade and other payables shown as current liabilities are expected to mature within six months of the statement of financial position date.

The contractual maturities of forward foreign exchange contracts that the Group and Company had committed at 31 December are shown in the foreign currency risk section in this note.

MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. Exposure to interest rate and currency risks arises in the normal course of the Group's business. The Group does not trade in financial instruments and enters into derivatives (principally forward foreign exchange contracts) solely for the purpose of minimising currency exposure on sales or purchases in other than the functional currencies of its various operations.

The Group's treasury policies are explained in the Financial review on pages 8 to 11.

26 FINANCIAL RISK MANAGEMENT *continued*

INTEREST RATE RISK

CASH AND CASH EQUIVALENTS

The cash profile at 31 December was

Group	2010			2009		
	Cash at floating rates £m	Cash on which no interest received £m	Total £m	Cash at floating rates £m	Cash on which no interest received £m	Total £m
Currency						
Sterling	8 6	0 2	8 8	5 7	0 1	5 8
US dollar	1 7	–	1 7	0 7	0 1	0 8
Canadian dollar	0 1	–	0 1	0 3	–	0 3
Euro	2 0	–	2 0	1 5	–	1 5
Czech koruna	0 4	–	0 4	0 1	–	0 1
Brazilian real	0 6	–	0 6	1 5	–	1 5
Other	0 2	–	0 2	0 2	–	0 2
	13 6	0 2	13 8	10 0	0 2	10 2

Company	2010			2009		
	Cash at floating rates £m	Cash on which no interest received £m	Total £m	Cash at floating rates £m	Cash on which no interest received £m	Total £m
Currency						
Sterling	8.3	0 2	8 5	5 4	0 1	5 5
US dollar	0 4	–	0 4	–	–	–
Canadian dollar	–	–	–	0 3	–	0 3
Euro	–	–	–	0 2	–	0 2
	8 7	0 2	8 9	5 9	0 1	6 0

Interest rates are based on LIBID and relevant national equivalents. All cash surplus to immediate operational requirements is placed on deposit at floating rates of interest.

INTEREST-BEARING LOANS AND BORROWINGS

The profile of interest-bearing loans and borrowings at 31 December was

Group and Company	2010			2009		
	Borrowings at floating rates £m	Borrowings at fixed rates £m	Total £m	Borrowings at floating rates £m	Borrowings at fixed rates £m	Total £m
Currency						
Sterling	–	0 9	0 9	–	0 9	0 9
Canadian dollar	3 9	–	3 9	3 3	–	3 3
Czech koruna	–	–	–	1 0	–	1 0
	3 9	0 9	4 8	4 3	0 9	5 2

The borrowings at fixed rates in sterling are the fixed cumulative preference shares which are explained in more detail in note 20.

The floating rate borrowings are based on interest rates at UK base rate, UK LIBOR and relevant national equivalents.

NOTES TO THE ACCOUNTS *continued***26 FINANCIAL RISK MANAGEMENT** *continued***INTEREST RATE RISK** *continued***SENSITIVITY TO INTEREST RATE RISK**

If UK interest rates had been 100 basis points higher/lower throughout the period for both the Group and Company, financial expenses would have increased/decreased by £nil (2009: £nil). This analysis assumes that all other variables remain constant.

FOREIGN CURRENCY RISK

The majority of the Group's operations are outside of the UK, and therefore a significant portion of its business is conducted overseas in currencies other than sterling. As explained on page 10 in the Financial review, foreign currency risk is one of the principal risks and uncertainties to which the Group is exposed. The Group is exposed to both transaction and translation risk. Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The revenues and expenses of foreign operations are translated at an average rate for the period. The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the statement of financial position date and foreign exchange differences are taken directly to the translation reserve.

The following exchange rates (relative to sterling), which are significant to the Group, applied during the period:

	Average rate		Closing rate	
	2010	2009	2010	2009
US dollar	1.55	1.56	1.57	1.61
Canadian dollar	1.60	1.78	1.56	1.69
Euro	1.17	1.12	1.17	1.13
Czech koruna	29.56	29.66	29.11	29.80
Brazilian real	2.72	3.13	2.58	2.82

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group enters into forward foreign exchange contracts solely for the purpose of minimising currency exposures on sale and purchase transactions. The Group classifies its forward foreign exchange contracts used for hedging as either cash flow or fair value hedges and states them at fair value.

FAIR VALUE

The fair value of forward foreign exchange contracts at 31 December was:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash flow hedges				
Gain	0.5	0.7	0.6	0.8
Loss	(0.1)	(0.2)	(0.3)	(0.6)
	0.4	0.5	0.3	0.2

The fair value is the gain/(loss) on all open forward foreign exchange contracts at the period end. These amounts are based on the market values of equivalent instruments at the period end date and all relate to those forward foreign exchange contracts that have been designated as effective cash flow hedges under IAS 39 *Financial instruments – recognition and measurement*.

There were no open forward foreign exchange contracts, as at either 31 December 2010 or 2009, that had been designated as fair value hedges under IAS 39.

26 FINANCIAL RISK MANAGEMENT *continued*

FOREIGN CURRENCY RISK *continued*

FORWARD FOREIGN EXCHANGE CONTRACTS *continued*

CONTRACTUAL MATURITY DATE AND FUTURE CASH FLOWS

The contractual maturity date and period when cash flows are expected to occur in relation to open forward foreign exchange contracts at 31 December were

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Less than six months	90	110	111	141
Between six and twelve months	48	32	53	37
Between twelve and twenty-four months	01	25	01	28
	139	167	165	206

CASH FLOW HEDGES AFFECTING PROFIT OR LOSS

The period when the cash flows associated with those derivatives designated as cash flow hedges are expected to affect profit or loss was

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Less than six months	97	111	118	143
Between six and twelve months	42	31	47	35
Between twelve and twenty-four months	—	25	—	28
	139	167	165	206

CURRENCY PROFILE

The currency profiles at 31 December of Cash and cash equivalents and Interest-bearing loans and borrowings are shown within the interest rate risk section in this note

The main functional currency of the Group is sterling. The following analysis of financial assets and liabilities (excluding net funds/debt) shows the Group and Company exposure after the effects of forward foreign exchange contracts used to manage currency exposure. The amounts shown represent the transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures represent the financial assets and liabilities of the Group and the Company that are not denominated in the functional currency of the business involved.

Group	2010			2009		
	US dollar £m	Euro £m	Total £m	US dollar £m	Euro £m	Total £m
Functional currency						
Canadian dollar	04	—	04	01	—	01
Brazilian real	02	07	09	02	06	08
	06	07	13	03	06	09

Company	2010		2009	
	US dollar £m	Euro £m	Czech koruna £m	Total £m
Functional currency				
Sterling	02	(01)	(02)	(03)

NOTES TO THE ACCOUNTS *continued*

26 FINANCIAL RISK MANAGEMENT *continued*

FOREIGN CURRENCY RISK *continued*

SENSITIVITY TO FOREIGN CURRENCY RISK

PROFIT FOR THE PERIOD

Average exchange rates are used to translate the profits of foreign operations in the consolidated income statement. If sterling had been 10% stronger/weaker against all foreign currencies during the period, the effect of this on the average exchange rates used to translate profits would have increased/decreased Group profit for the period by £nil (2009 £0.1m).

EQUITY

If sterling had been 10% stronger against all foreign currencies at 31 December 2010, Group equity would have reduced by £1.7m (2009 £1.9m). Conversely, if sterling had been 10% weaker against all foreign currencies at 31 December 2010, Group equity would have increased by £2.1m (2009 £2.3m). This analysis assumes that all other variables remain constant.

FAIR VALUES

The fair value of borrowings at fixed rates for both the Group and the Company at 31 December 2010 is £1.1m (2009 £1.0m) and has been calculated by discounting the expected future cash flows at prevailing interest rates.

There are no other significant differences between book and fair values for any of the other financial assets or liabilities included in either the Group or Company statement of financial position.

CAPITAL MANAGEMENT

Capital comprises total equity as shown in the statement of financial position. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group manages its capital structure and makes adjustments to it in light of the economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital through measures of earnings per share (see note 12), return on capital employed (profit for the period divided by average equity) and tangible net worth (total equity before intangible assets and employee benefits, net of tax).

There were no changes to the Group's approach to capital management during the year and neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Less than one year	1.3	1.1	0.6	0.5
Between one and five years	2.9	3.7	1.6	2.1
More than five years	1.9	2.3	1.3	1.3
	6.1	7.1	3.5	3.9

The Group leases a number of manufacturing and service facilities under operating leases. The lease terms vary in length and some have the option to renew at the end of the lease term.

During the year ended 31 December 2010, £1.3m was recognised as an expense in the consolidated income statement in respect of operating leases (2009 £1.3m).

28 CAPITAL COMMITMENTS

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Capital investment contracted but not provided for	0.2	–	–	–

29 CONTINGENT LIABILITIES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Contingent liabilities in respect of guarantees and indemnities related to sales and other contracts	4.2	7.9	4.2	7.7

30 RELATED PARTIES

IDENTITY OF RELATED PARTIES

The Company has a related party relationship with its subsidiaries (see note 31), directors and the UK and US pension schemes. In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's-length basis.

Details regarding transactions involving the directors and their remuneration can be found in the Remuneration report (pages 16 to 19).

The Group recharges the UK pension scheme with the costs of administration incurred by the Group. The total amount recharged in the year to 31 December 2010 was £0.2m (2009: £0.2m).

31 GROUP ENTITIES

All intragroup related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group and therefore in accordance with IAS 24 *Related party disclosures*, are not disclosed.

SUBSIDIARY UNDERTAKINGS

Details of the principal subsidiary undertakings are shown on page 61.

During the year ended 31 December 2010 the Company made sales of £7.1m (2009: £9.7m) and purchased goods totalling £7.8m (2009: £8.5m) to and from other Group undertakings.

During the year ended 31 December 2010 the Company received interest income from subsidiary undertakings of £0.1m (2009: £0.1m) and Group recharges of £0.7m (2009: £0.7m).

At 31 December 2010 amounts owed by subsidiary undertakings to the Company were £6.6m (2009: £8.7m) and amounts owed by the Company to subsidiary undertakings were £7.6m (2009: £9.1m).

At 31 December 2010 investments in subsidiaries by the Company were £50.6m (2009: £50.6m).

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

The development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates, are considered as part of the remit of the Audit Committee.

GOODWILL IMPAIRMENT

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGUs) to which the goodwill relates. The value in use calculation requires the Group to estimate the future cash flows expected to arise from each CGU and to determine a suitable discount rate to calculate the present value. The carrying value of goodwill at 31 December 2010 was £10.2m and there have been no impairments of goodwill during the period. Further information is contained in note 13.

INVESTMENT IMPAIRMENT

Determining whether the Company's investments in subsidiaries are impaired requires an estimation of the value in use of the cash generating units (CGUs) to which the investments relate. The value in use calculation requires the Company to estimate the future cash flows expected to arise from each CGU and to determine a suitable discount rate to calculate the present value. The carrying value of investments in subsidiaries by the Company at 31 December 2010 was £50.6m and there have been no impairments of investments in subsidiaries during the period. Further information is contained in note 15.

PENSION ACCOUNTING

Changes to key assumptions used for calculating the net pension asset/liability of the Group can have a significant impact on the accounting valuation of the Group's pension schemes. The key assumptions used in calculating the net pension asset/liability for the Group are disclosed in note 24. The value of the schemes' liabilities is particularly sensitive to the discount, inflation and mortality rates used. An analysis of the impact on the net pension asset/liability to changes in these assumptions is also disclosed.

PROVISIONS

The Group assesses the carrying value of both debtor balances and inventory balances based on past losses, current trading patterns and anticipated future events. Provisions for expected future cash flows are made based upon past experience and management's assessment of the likely outflow, after taking professional advice where appropriate.

CONSTRUCTION CONTRACTS

The timing of revenue recognition on construction contracts is based on the assessed stage of completion of contract activity at the statement of financial position date. The assessed stage of completion is based on an estimate of the labour costs expended on each contract at the statement of financial position date as a proportion of estimated total labour costs on each contract.

FIVE YEAR RECORD

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue – continuing operations	86 4	83 8	91 5	89 3	88 6
Revenue – discontinued operations	–	–	–	–	12 8
Revenue – total	86 4	83 8	91 5	89 3	101 4
Continuing operations					
Underlying operating profit*	3 7	3 5	3 0	3 6	4 8
Exceptional items	(1 6)	(0 4)	1 7	–	(2 6)
Operating profit	2 1	3 1	4 7	3 6	2 2
Net financing income/(expense)	2 0	(1 0)	4 1	3 8	3 2
Profit before tax	4 1	2 1	8 8	7 4	5 4
Taxation	(1 2)	(0 9)	(2 1)	(1 8)	(1 7)
Profit from continuing operations	2 9	1 2	6 7	5 6	3 7
(Loss)/profit from discontinued operations	–	(0 1)	–	2 3	(12 2)
Profit/(loss) for the period	2 9	1 1	6 7	7 9	(8 5)
Underlying operating return on sales*	4 3%	4 2%	3 3%	4 0%	5 4%
Underlying earnings per ordinary share†	13 9p	11 3p	10 9p	11 3p	13 8p
Basic earnings/(loss) per ordinary share	15 3p	5 8p	35 2p	42 0p	(45 6)p
Dividends per ordinary share	5 0p	5 0p	5 0p	7 0p	4 0p

	2010 £m	2009 (restated)* £m	2008 (restated)* £m	2007 (restated)* £m	2006 (restated)* £m
Intangible assets	13 8	14 1	14 9	13 3	13 3
Property, plant and equipment (including assets held for sale)	10 5	10 2	11 1	23 9	24 6
Inventories	15 6	18 1	17 1	15 1	12 9
Trade and other receivables (including taxation)	17 5	21 7	25 3	19 0	26 6
Employee benefits	6 2	(14 5)	(1 1)	26 3	(7 0)
Trade and other payables (including taxation and provisions)	(25 5)	(23 3)	(26 7)	(37 7)	(34 0)
	38 1	26 3	40 6	59 9	36 4
Net funds/(debt)	9 0	5 0	(0 4)	(7 6)	(12 3)
Net assets	47 1	31 3	40 2	52 3	24 1
Net assets per ordinary share	233p	155p	199p	259p	120p
Ordinary shares in issue (000's)	20,172	20,172	20,172	20,172	20,167

* Continuing operations before exceptional items

† Continuing operations before exceptional items and net financing income/expense on pension scheme balances

Restated to reflect changes in accounting for leases. Further information is contained in note 14 to the accounts

PRINCIPAL DIVISIONS AND SUBSIDIARIES

The subsidiary undertakings shown include those which principally affect the profits and net assets of the Group as at the date of this report. 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 (or equivalent) and the proportion held is 100% unless otherwise indicated. Shares in the UK, 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.

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Mark Aldridge, Managing Director

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Olga Agafontseva, General Director

NOTICE OF MEETING

The ninety-ninth Annual General Meeting of Molins PLC will be held at Rockingham Drive, Linford Wood East, Milton Keynes MK14 6LY on Friday 6 May 2011 at 2 p.m. for the following purposes

AS ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions

- 1 To receive the Directors' report and audited accounts for the year ended 31 December 2010 now laid before the meeting (*Resolution 1*)
- 2 To declare a final dividend for the year ended 31 December 2010 of 2.5p per ordinary share to be paid on 20 May 2011 to the shareholders who were on the Register of Members at the close of business on 26 April 2011 (*Resolution 2*)
- 3 To appoint Mrs A Palmer-Baunack, a director appointed since the last Annual General Meeting, as a director (*Resolution 3*)
- 4 To appoint Mr J L Davies, a director appointed since the last Annual General Meeting, as a director (*Resolution 4*)
- 5 To appoint Mr P J Moorhouse, a director appointed since the last Annual General Meeting, as a director (*Resolution 5*)
- 6 To re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration (*Resolution 6*)
- 7 To approve the Remuneration report (*Resolution 7*)

AS SPECIAL BUSINESS

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

8 Power to allot securities

That, in substitution for all existing authorities, 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 551 of the Companies Act 2006) up to an aggregate nominal value of £1,512,865 (representing 30% of the total ordinary share capital in issue at 1 March 2011) provided that this authority shall expire on the day fifteen months following 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 8*)

To consider and, if thought fit, to pass the following resolutions as special resolutions

9 Disapplication of pre-emption rights

That, the directors be and are hereby empowered pursuant to section 571 of the Companies Act 2006 (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, for the period ending on the date of the next Annual General Meeting following the passing of this resolution or at the end of fifteen months following the passing of this resolution, whichever is the earlier (unless previously revoked or varied) as if section 561 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

- a 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
- b to the allotment (otherwise than pursuant to sub-paragraph a above) of equity securities having an aggregate nominal value not exceeding £252,144 (representing 5% of the total ordinary share capital in issue as at 1 March 2011)

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

AS SPECIAL BUSINESS *continued*

10 Purchase of own shares

That, the directors be empowered in the terms of Article 11 of the Company's Articles of Association and pursuant to section 701 of the Companies Act 2006 to make market purchases (as defined in section 693(4) of that Act) of ordinary shares of 25p each in the capital of the Company on such terms and in such manner as the directors may from time to time determine, provided that

- a the maximum aggregate number of shares which may be so purchased shall be 3,000,000 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 five 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 of ordinary shares pursuant to any such contract (*Resolution 10*)

By order of the Board



MRS S P CANNON
SECRETARY
1 March 2011

NOTICE OF MEETING *continued*

NOTES RELATING TO THE NOTICE

ENTITLEMENT TO ATTEND AND VOTE

- 1 Only those members registered on the Company's Register of Members 48 hours prior to the time of Meeting or, if this Meeting is adjourned, 48 hours prior to the time of the adjourned Meeting shall be entitled to attend and vote at the Meeting

WEBSITE GIVING INFORMATION REGARDING THE MEETING

- 2 A copy of this Notice and other information required by section 311A of the Companies Act 2006 (the Act) is available online at www.molins.com

APPOINTMENT OF PROXIES

- 3 Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the Meeting using the proxy form accompanying this Notice of Meeting. The person appointed proxy does not need to be a member of the Company but must attend the Meeting to represent the member. The Chairman of the Meeting or another person may be appointed as proxy. Members wishing their proxy to speak on their behalf at the Meeting will need to appoint their own choice of proxy (not the Chairman) and give instructions directly to them. Members can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The appointment of a proxy does not preclude a shareholder from attending and voting in person at the Meeting. More than one proxy may be appointed provided each proxy is appointed to exercise rights attached to different shares. More than one proxy to exercise rights attached to any one share may not be appointed. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

The notes to the proxy form explain how to direct the proxy to vote on each resolution or withhold their vote. The manner in which the proxy(ies) is/are to vote should be indicated by marking either 'Vote for' or 'Vote against' or 'Vote withheld'. If none is marked, the proxy(ies) will vote or abstain at his/her/their discretion. A 'Vote withheld' option is provided on the proxy form to enable instructions to be given to a proxy not to vote on any particular resolution. It should, however, be noted that a vote withheld is not a vote in law and therefore will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

- 4 Those that are not members of the Company but who have been nominated by a member of the Company under section 146 of the Act to enjoy information rights, do not have a right to appoint any proxies under the procedures set out herein or in the proxy form. They may have a right under an agreement with the member of the Company who has nominated them (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting. If they either do not have such a right or if they have such a right but do not wish to exercise it, they may have a right under an agreement with the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. The main point of contact in terms of their investment in the Company is the Relevant Member and they should contact them (and not the Company) regarding their interest in the Company.

APPOINTMENT OF PROXY USING HARD COPY PROXY FORM

- 5 To appoint a proxy using the proxy form, the form must be
 - a completed and signed,
 - b sent or delivered to the Company's registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, and
 - c received by the Company's registrars not less than 48 hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the proxy form proposes to vote

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a notarised copy of such power or authority or a copy of such power and written authority certified in accordance with the Powers of Attorney Act 1971) must be included with the proxy form. In the case of a poll taken more than 48 hours after it is demanded, the proxy document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, and where the poll is taken less than 48 hours after it was demanded, the proxy documents must either be delivered at the meeting at which the demand is made, or at the proxy notification address not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or otherwise as the Chairman of the meeting at which a poll is demanded may direct.

NOTES RELATING TO THE NOTICE *continued*

APPOINTMENT OF PROXY USING E-MAIL

- 6 As an alternative to submitting the hard copy proxy form by hand or by post, a proxy may be appointed electronically by e-mailing a copy of the signed hard copy proxy form and any accompanying documents to agm@molinsplc.com with details of the full name and address of the registered shareholder. For an electronic proxy appointment to be valid it must be delivered not less than 48 hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the proxy form proposes to vote. Please refer to note 5 for details as to when proxy notices appointing a proxy in the event of a poll are to be delivered.

CHANGING PROXY INSTRUCTIONS

- 7 To change proxy instructions simply submit a new proxy form using the methods set out above. Note that the cut-off times for receipt of proxy forms (see note 5) also apply in relation to amended instructions, any amended proxy form received after the relevant cut-off time will be disregarded. Where another hard copy proxy form is required please contact the Company (see note 18). If a member submits more than one valid proxy form, the form received last before the latest time for the receipt of proxies will take precedence.

TERMINATION OF PROXY APPOINTMENTS

- 8 To revoke a proxy instruction the Company must be informed by either
- a sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the Company's registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or
 - b sending an e-mail clearly stating the registered shareholder's name and address and the intention to revoke the previous proxy appointment to agm@molinsplc.com

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company (any power of attorney or any other authority under which the revocation notice is signed (or a notarised copy of such power or authority or a copy of such power and written authority certified in accordance with the Powers of Attorney Act 1971) must be included with the revocation notice).

The revocation notice must be received by the Company's registrars or delivered to agm@molinsplc.com (as the case may be) no later than six hours before the time fixed for holding the relevant meeting or adjourned meeting or, in the case of a poll not taken on the same day as the meeting or adjourned meeting, before the time fixed for taking the poll.

If the revocation is received after the time specified then the original proxy appointment will remain valid.

CORPORATE REPRESENTATIVES

- 9 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. Representatives will be required to produce documentary evidence of their appointment.

ISSUED SHARES AND TOTAL VOTING RIGHTS

- 10 As at the close of business on 28 February 2011 (being the last business day prior to publication of this notice), the Company's issued share capital comprised 20,171,540 ordinary shares of 25p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at that time was 20,171,540.

QUESTIONS AT THE MEETING

- 11 Under section 319A of the Act, the Company must answer any question asked at the Meeting relating to the business being dealt with at the Meeting unless
- a answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information,
 - b the answer has already been given on a website in the form of an answer to a question, or
 - c it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

NOTICE OF MEETING *continued*

NOTES RELATING TO THE NOTICE *continued*

MEMBERS' RIGHT TO REQUIRE CIRCULATION OF RESOLUTION TO BE PROPOSED AT THE MEETING

- 12 Under section 338 of the Act, a member or members meeting the qualification criteria set out at note 15, may, subject to conditions, require the Company to give its members notice of a resolution which may properly be moved and is intended to be moved at that Meeting. The conditions are that
- a the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise),
 - b the resolution must not be defamatory of any person, frivolous or vexatious, and
 - c the request
 - i may be in hard copy form or in electronic form (see note 16),
 - ii must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported,
 - iii must be authenticated by the person or persons making it (see note 16), and
 - iv must be received by the Company not later than six weeks before the Meeting to which the request relates

MEMBERS' RIGHT TO HAVE A MATTER OF BUSINESS DEALT WITH AT THE MEETING

- 13 Under section 338A of the Act, a member or members meeting the qualification criteria set out at note 15, may, subject to conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that
- a the matter of business must not be defamatory of any person, frivolous or vexatious, and
 - b the request
 - i may be in hard copy form or in electronic form (see note 16),
 - ii must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported,
 - iii must be accompanied by a statement setting out the grounds for the request,
 - iv must be authenticated by the person or persons making it (see note 16), and
 - v must be received by the Company not later than six weeks before the Meeting to which the request relates

WEBSITE PUBLICATION OF AUDIT CONCERNS

- 14 Pursuant to sections 527 to 531 of the Act, where requested by a member or members meeting the qualification criteria set out at note 15, the Company must publish on its website a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Meeting. Where the Company is required to publish such a statement on its website
- a it may not require the members making the request to pay any expenses incurred by the Company in complying with the request,
 - b it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website,
 - c the statement may be dealt with as part of the business of the Meeting, and
 - d the request
 - i may be in hard copy form or in electronic form (see note 16),
 - ii either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported,
 - iii must be authenticated by the person or persons making it (see note 16), and
 - iv must be received by the Company at least one week before the Meeting

MEMBERS' QUALIFICATION CRITERIA

- 15 A request under section 338, section 338A or section 527 of the Act (see notes 12 to 14) may only be made by
- a a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company, or
 - b at least 100 members having a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital
- For information on voting rights, including the total number of voting rights, see note 10 and the website referred to in note 2

NOTES RELATING TO THE NOTICE *continued*

SUBMISSION OF HARD COPY AND ELECTRONIC REQUESTS AND AUTHENTICATION REQUIREMENTS

16 A request made under section 338, section 338A or section 527 of the Act (see notes 12 to 14) must be made in accordance with one of the following ways

- a a hard copy request which is signed by the Relevant Member(s), stating their full name(s) and address(es) and sent for the attention of the Company Secretary at the Company's Registered Office address, or
- b a request which states the Relevant Member's full name and address e-mailed to agm@molinsplc.com

DOCUMENTS ON DISPLAY

17 Copies of directors' letters of appointment and service contracts will be available for inspection for 15 minutes before, and during, the Meeting

COMMUNICATION

18 Except where specifically provided above, members who have general queries about the Meeting or who require additional copies of the Notice and/or proxy form should write to or telephone the Company Secretary at the Company's registered office (see inside back cover)

No other methods of communication will be accepted

AFTER THE MEETING

19 Members will have the opportunity to meet the directors of the Company

EXPLANATORY NOTES ON THE RESOLUTIONS

Resolutions 1 to 8 are ordinary resolutions, resolutions 9 and 10 are special resolutions. To be passed, ordinary resolutions require more than half the votes cast to be in favour of the resolution and special resolutions require at least three-quarters of the votes cast to be in favour of the resolution

THE RESOLUTIONS

ORDINARY BUSINESS

Resolution 1 – To receive the directors' report and audited accounts for the year ended 31 December 2010

The Companies Act 2006 requires the directors to lay before the Company in general meeting copies of the Company's annual accounts, the directors' report and the auditors' report on those accounts

Resolution 2 – Declaration of a dividend

The Company's Articles of Association state that the Company may, by ordinary resolution, declare a dividend be paid to members

Resolutions 3, 4 and 5 – Director's appointment

The Company's Articles of Association require a director to retire

- a who was appointed by the Board since the last Annual General Meeting, or
- b at the third Annual General Meeting following the Annual General Meeting at which he was elected or last re-elected

In both cases the retiring director can offer him/herself for appointment/re-appointment

Resolutions 3, 4 and 5 – Mrs Palmer-Baunack, Mr Davies and Mr Moorhouse were appointed after the 2010 Annual General Meeting and therefore retire at the 2011 Annual General Meeting in accordance with (a) above but being eligible offer themselves for appointment. Information on Mrs Palmer-Baunack, Mr Davies and Mr Moorhouse is given on page 12

Resolution 6 – To re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration

It is a Companies Act 2006 (the Act) requirement that a Company appoint auditors at each general meeting at which accounts are laid, to hold office from the conclusion of the Meeting until the conclusion of the next similar general meeting. In addition the Act states that their remuneration shall be fixed by the Meeting or in such manner as the Company in general meeting may determine. For simplicity of administration the directors are seeking authorisation to determine KPMG's remuneration

NOTICE OF MEETING *continued*

EXPLANATORY NOTES ON THE RESOLUTIONS *continued*

THE RESOLUTIONS *continued*

ORDINARY BUSINESS *continued*

Resolution 7 – To approve the Remuneration report

The Directors' Remuneration Report Regulations 2002 requires the directors to present the Remuneration report (pages 16 to 19) to members for approval

SPECIAL BUSINESS

Resolution 8 – Power to allot securities

The Companies Act 2006 and the Company's Articles of Association permit the allotment of new shares only if the Company is authorised to do so by resolution of the Company. Such authorisation was given for a period of five years at the 2010 Annual General Meeting. The National Association of Pension Funds' Corporate Governance Policy and Voting Guidelines state that in its opinion such authorities should be renewed annually and consequently the directors have decided to again seek the necessary power, for a period of fifteen months to match the timescale of the disapplication of pre-emption rights authority sought in resolution 9.

The Directors have no current intention of exercising the power to be conferred by this resolution and will exercise this power only when they believe that such exercise is in the best interests of the shareholders.

Resolution 9 – Disapplication of pre-emption rights

In Resolution 8 above the directors seek authority to allot securities up to an aggregate nominal value of £1,512,865 in accordance with the requirements of section 551 of the Companies Act 2006 (the Act). However section 561 of the Act requires such securities to be offered to existing shareholders (pre-emption rights). This resolution, which is permitted by section 571 of the Act, seeks shareholders' authorisation for the directors to disapply, albeit to the extent limited within the resolution, the section 561 pre-emption rights so that the Company can satisfy existing share option schemes and incentive plans. Currently the directors have no other intention of allotting securities.

Resolution 10 – Purchase of own shares

At the 2010 Annual General Meeting, authority to purchase for cancellation 3,000,000 ordinary shares was granted. The 2010 Annual General Meeting authority expires on 29 April 2011 and the directors consider it appropriate to seek further authority from the shareholders at the forthcoming Annual General Meeting for the Company to purchase up to a maximum number of 3,000,000 ordinary shares representing approximately 15% of the issued ordinary share capital at the date of the Notice convening the Annual General Meeting.

In reaching a decision to purchase ordinary shares, 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.

CORPORATE INFORMATION

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FT Cityline – tel +44 (0)905 817 1690
Financial Times and certain other national newspapers

WEBSITE

Further information is available at www.molins.com

TIMETABLE

ANNUAL GENERAL MEETING
6 May 2011

PAYMENT DATES FOR PREFERENCE DIVIDEND

30 June 2011 and 31 December 2011

RECORD DATE FOR PROPOSED FINAL DIVIDEND

26 April 2011

PAYMENT DATE FOR PROPOSED FINAL DIVIDEND

20 May 2011

HALF-YEAR ANNOUNCEMENT

August 2011

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