MACFARLANE GROUP

INTERIM REPORT 2013

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CHAIRMAN'S STATEMENT

PERFORMANCE IN THE SIX MONTHS TO 30 JUNE 2013

Macfarlane Group continues to make progress in spite of market conditions remaining difficult. In the six months to 30 June 2013 sales were only slightly ahead of the comparable period in 2012 but profit before tax and exceptional items, at £1.6m, was ahead by a creditable 22%. The Group has maintained overall margins in the face of competitive pressure, reflecting the service quality we offer our customers.

In Packaging Distribution, operating profit before exceptional items was £1.6m (2012: £1.7m) reflecting competitive market conditions and subdued demand, but the cost base has been reduced, notably our property costs. Our Manufacturing Operations' operating profit before exceptional items was £0.6m (2012: £0.3m). The increase in Group profit before tax and exceptional items in the first half of the year, coupled with recent new business successes, provides a platform for further growth as we enter the traditionally busier second half.

Net debt at 30 June 2013 was £7.2m, a reduction of £0.6m compared to the same point last year. This is the result of our continued focus on effective cash management and the Board again expects the Group to be cash generative in the second half of the year.

DIVIDEND

We have previously commented on the influence of the pension fund deficit on dividend planning and in particular volatile bond yield movements. Bond yields have recently risen, for the first time in a number of years. Combined with the Group's deficit reduction contributions this has reduced the deficit at 30 June 2013 to £16.8m, compared to £18.9m at 31 December 2012. The Group continues to trade profitably and the Board is recommending that an interim dividend of 0.50p per share be paid on 10 October 2013 to shareholders on the register as at Friday 6 September 2013.

We continue to seek a fair balance between the interests of Macfarlane shareholders, our obligations to members of the pension scheme and the requirement to retain cashflow in the business for investment. All of these interests are best served by a strong and growing Macfarlane Group. Accordingly, whilst we remain wary of the impact of uncontrollable factors such as bond yields, our profit and cash generation prospects support the Board's objective to pay a full dividend for 2013 while we continue to manage the pension deficit and sustain investment in the business.

OUTLOOK

There are some signs of better economic conditions ahead, but this has not yet been reflected to any appreciable extent in market demand. Caution remains the watchword, but we see opportunities in those sectors, which are exhibiting recovery and growth. Meeting the exacting standards demanded by our customers is critical and this is our primary goal. We also continue to manage costs carefully. Our ability to deliver on these simple but fundamental business principles provides the Board with confidence that our full year expectations will be met.

Graeme Bissett
Chairman
29 August 2013

INTERIM RESULTS – MANAGEMENT REPORT

Macfarlane Group's trading activities comprise two divisions, **Packaging Distribution** and **Manufacturing Operations**.

PACKAGING DISTRIBUTION

Macfarlane's **Packaging Distribution** business is the leading UK distributor of a comprehensive range of packaging consumable products. In a highly fragmented market, Macfarlane is the market leader. We operate through 16 Regional Distribution Centres (RDCs) supplying customers with a comprehensive range of protective packaging materials and services on a local, regional and national basis. Macfarlane benefits its customers by enabling them to ensure their products are cost-effectively protected in transit and storage through the supply of a comprehensive product range, single source supply, Just In Time delivery, tailored stock management programmes, electronic trading and independent advice on both packaging materials and packing processes.

	2013 £000	2012 £000
Sales	54,896	54,957
Gross margin 29.8% (2012: 30.4%)	16,374	16,720
Overheads 26.9% (2012: 27.3%)	(14,797)	(15,021)
Profit before exceptional items	1,577	1,699

The main features of our first half performance in 2013 were:

> Sales were at similar levels to 2012 and showed stability recognising that full year 2012 sales were 1.6% below 2011;

> Sales volume was slightly higher despite underlying demand levels being impacted by the slow UK economy;

> Sales value was reduced by price deflation with competitive price pressure intensifying due to the weak demand conditions;

> A number of significant new business wins were achieved particularly in the internet retail sector including ASOS, Feel Unique and The Hut. The sales benefit of these wins will contribute to improving the sales performance in H2 2013;

> Our business in the Third Party Logistics (3PL) sector grew by 6.3% as we continue to strengthen our partnerships with key 3PL operators;

> Gross margin at 29.8% reduced versus 2012 due to the impact of lower sales prices and some supplier input price movements, which have yet to be fully recovered;

> Overheads (before exceptional items) were lower than 2012 reflecting our ongoing programme to reduce property costs; and

> Progress is being made on improving our focus on key segments of our customer base and a new Customer Service Centre has been created at Milton Keynes to facilitate this improvement.

We expect demand to remain subdued in H2 2013. Therefore the key areas we shall focus on are:

> We will build on the new business momentum created in H1 2013 to ensure the key business wins are effectively implemented to achieve annualised sales growth as we exit 2013;

> Our focus will be maintained on the growth potential for protective packaging in the internet retail sector both directly and through our partnerships with key 3PL operators;

> Supplier pricing remains volatile and we will work closely both with our suppliers and customers to recover gross margins in the remainder of the year;

> Cost reduction opportunities will continue to be pursued particularly in respect of the property portfolio;

> We will maintain the focus on improving our positioning and service to key segments of the UK protective packaging market and this additional focus will contribute to improved sales in the medium term;

> Work is underway with a number of potential in fill acquisition opportunities; and

> We continue to see medium term growth potential through the NovuPak partnership.

MANUFACTURING OPERATIONS

Macfarlane's manufacturing businesses comprise **Labels** producing high quality self-adhesive and resealable labels and **Packaging Design & Manufacture**, which designs and manufactures bespoke, composite transit packaging and protective packaging components.

	2013 £000	2012 £000
Sales	15,121	15,043
Gross margin 35.5% (2012: 33.5%)	5,366	5,043
Overheads 31.4% (2012: 31.6%)	(4,740)	(4,757)
Profit before exceptional items	626	286

Our **Labels** business designs and produces self-adhesive labels for major FMCG customers in the UK and Europe and resealable labels for major customers in the UK, Europe and the USA. The business operates from production sites in Kilmarnock and Wicklow and a sales and design office in Sweden, which focuses on the development and growth of our resealable labels business – Reseal-it. More new product sectors are adopting the resealable label format, improving the penetration of our Reseal-it product in the UK, Europe and the USA. This is a key strategic focus for the Labels management team.

In H1 2013 Labels sales revenue showed some recovery and was 1.0% above 2012 levels following a decline of 2.1% 2012 versus 2011. There was good sales growth both in our range of resealable labels and systems primarily through new business wins. The self-adhesive labels sector saw a slight reduction in sales due to the ongoing impact of retailer pressure on our customers. The improving mix of our business in favour of the higher added value resealable label ranges ensured we were able to maintain margins in the period. Profit in the first half of 2013 was similar to that achieved in the same period in 2012. During H1 2013 we successfully relocated our labels facility in Dublin to a more effective location near Wicklow. This will enable us to serve our customers in Ireland better and gives us the potential to improve our product offering to both existing and new customers in Ireland.

We operate the **Packaging Design & Manufacture** business from two UK sites – Grantham and Westbury, where we design, manufacture and assemble custom-designed packaging solutions for customers requiring cost-effective methods of protecting high value products in storage and transit. We differentiate ourselves through our technical expertise, design capability, industry accreditations and national capability through the partnership with Macfarlane Packaging Distribution.

Sales in Packaging Design & Manufacture stabilised in H1 2013 and were at similar levels to 2012 following a 4.8% decline in sales 2012 versus 2011. Gross margins again strengthened as we concentrated on the higher added value bespoke composite pack product range and as a result, Packaging Design & Manufacture profit in H1 2013 was ahead of that achieved in the same period in 2012.

The priorities for the Manufacturing Operations in the second half of 2013 are to:

- Accelerate the Reseal-it growth momentum through improved geographic penetration, extending the Reseal-it product range and introducing Reseal-it to new product sectors;
- Increase our new business in the UK self-adhesive labels market, particularly in the branded sectors in order to create a more balanced customer portfolio;
- Maintain focus on operational and customer service improvements at Grantham and Westbury;
- Accelerate Packaging Design & Manufacture sales growth, particularly in key sectors e.g. Defence, Aerospace and Medical;
- Prioritise our sales activity on the higher added value bespoke composite pack product range; and
- Continue to strengthen the relationship between our Packaging Design & Manufacture operations and our Packaging Distribution business to create both sales and cost synergies.

INTERIM RESULTS – MANAGEMENT REPORT

SUMMARY AND FUTURE PROSPECTS

We expect general market demand in the remainder of 2013 to remain subdued.

Therefore our focus is on the specific market sectors such as internet retail, which are forecast to show good growth and where through our experience and expertise, Macfarlane Group is well positioned to benefit from the growth expected through this sector.

The Macfarlane businesses all have good market positions with strong differentiated product and service offerings. We have a flexible business model and a clear strategic plan, incorporating a range of actions, which is being effectively implemented. Our track record of continued profitable growth reflects the successful execution of this plan. We expect 2013 to be another successful year for Macfarlane Group.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties, which could impact on the performance of the Group, were outlined in our Annual Report and Accounts for 2012 (available on our website at www.macfarlanegroup.com) together with the mitigating actions. These remain substantially the same for the remaining six months of the financial year and are summarised below:

> All the Group's businesses are vulnerable to commodity-based raw material prices and manufacturer energy costs, with profitability sensitive to supplier price changes, however the Group works closely with its supply partners to manage effectively the scale and timing of these changes and any resultant impact on profit;

> The Group's defined benefit pension scheme is sensitive to a number of key factors; the value of the investments, the discount rate used to calculate the scheme's liabilities (which is based on corporate bond yields) and the mortality assumptions for the members of the scheme. The Group has sought to manage the volatility of the pension scheme deficit caused by these factors by undertaking a number of exercises to reduce the deficit and additional exercises will be considered in the future;

> Given the multi-site nature of its business the Group has an extensive property portfolio, which can give rise to risks for ongoing lease costs, dilapidations and fluctuations in value and accordingly the Group adopts a proactive approach to managing property costs and exposures;

> The Group needs continuous access to funding to meet its trading obligations and to support organic growth and there is a risk that the Group may be unable to obtain the necessary funds or that such funds will only be available on unfavourable terms. The Group fulfils this requirement for access to funding though an annually renewed facility with acceptable covenant tests. This arrangement has been in place consistently for a number of years and it is expected that a similar facility will be established at the expiry of the current facility in February 2014. The relationship with our bankers, Lloyds Banking Group, remains strong and constructive;

> In Packaging Distribution, the business model reflects a decentralised approach with a high dependency on effective local decision-making, which is closely monitored with regular reviews of performance and prospects for all locations. During 2012, there was a significant upgrade to the IT system, which will enhance the access to management information; and

> The Group has a significant investment in working capital in the form of trade receivables and inventories and there is a risk that this investment is not fully recovered. However rigour is applied to the management of trade receivables and inventories to mitigate these risks.

The Group operates a formal framework for the identification and evaluation of the major business risks faced by each business and determines an appropriate course of action to manage these risks.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of Macfarlane Group PLC are:

G. Bissett	Chairman
P.D. Atkinson	Chief Executive
J. Love	Finance Director
M.R. Arrowsmith	Non-Executive Director/ Senior Independent Director
S.R. Paterson	Non-Executive Director
R. McLellan	Non-Executive Director

The Directors confirm that, to the best of their knowledge:

(i) The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

(ii) The interim management report includes a fair review of the information required by:

a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Approved by the Board of Directors on 29 August 2013 and signed on its behalf by:

Peter D. Atkinson
Chief Executive

John Love
Finance Director

CAUTIONARY STATEMENT

This announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential for the strategy to succeed. It should not be relied on by any other party or for any other purpose.

This announcement contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this announcement.

Such statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. These statements should be treated with caution as there are a number of factors, including both economic and business risk factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

INDEPENDENT REVIEW REPORT TO MACFARLANE GROUP PLC

INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2013, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

DIRECTORS' RESPONSIBILITIES

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1 the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in the half yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Craig Anderson
for and on behalf of KPMG Audit Plc
Chartered Accountants
191 West George Street
Glasgow G2 2LJ
29 August 2013

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTE	SIX MONTHS TO 30 JUNE 2013 BEFORE EXCEPTIONAL ITEMS £000	EXCEPTIONAL ITEMS £000 (SEE NOTE 4)	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 BEFORE EXCEPTIONAL ITEMS £000 AS RESTATED (SEE NOTE 1)	EXCEPTIONAL ITEMS £000 (SEE NOTE 4)	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
CONTINUING OPERATIONS	3							
Revenue		68,093	–	68,093	68,043	–	68,043	141,823
Cost of sales		(46,353)	–	(46,353)	(46,280)	–	(46,280)	(96,510)
GROSS PROFIT		21,740	–	21,740	21,763	–	21,763	45,313
Distribution costs		(3,743)	–	(3,743)	(3,679)	–	(3,679)	(7,382)
Administrative expenses		(15,794)	(193)	(15,987)	(16,099)	1,650	(14,449)	(31,104)
OPERATING PROFIT	3	2,203	(193)	2,010	1,985	1,650	3,635	6,827
Finance income	5	2	–	2	5	–	5	31
Finance costs	5	(601)	–	(601)	(680)	–	(680)	(1,380)
PROFIT BEFORE TAX		1,604	(193)	1,411	1,310	1,650	2,960	5,478
Tax	6	(414)	5	(409)	(418)	(396)	(814)	(1,613)
PROFIT FOR THE PERIOD		1,190	(188)	1,002	892	1,254	2,146	3,865
EARNINGS PER SHARE	8							
Basic and diluted		1.04p	(0.16p)	0.88p	0.79p	1.10p	1.89p	3.40p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTE	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
Exchange difference on translation of foreign operations		89	(63)	(63)
Actuarial gain/(loss) on defined benefit pension schemes	10	1,045	705	(1,776)
Tax on items taken direct to equity				
Actuarial (gain)/loss for the period	11	(240)	(169)	403
Long-term corporation tax rate change on pension deficit	11	–	(205)	(365)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		894	268	(1,801)
Profit for the period		1,002	2,146	3,865
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,896	2,414	2,064

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTE	SHARE CAPITAL £000	REVALUATION RESERVE £000	OWN SHARES £000	TRANSLATION RESERVE £000	RETAINED EARNINGS £000	TOTAL £000
At 1 January 2013		28,755	70	(810)	183	(4,180)	24,018
Profit for the period		–	–	–	–	1,002	1,002
Dividends	7	–	–	–	–	(1,202)	(1,202)
Exchange differences on translation of foreign operations		–	–	–	89	–	89
Actuarial gain on defined benefit pension scheme	10	–	–	–	–	1,045	1,045
Tax on actuarial gain	11	–	–	–	–	(240)	(240)
Transfer of own shares to pension schemes		–	–	499	–	(244)	255
AT 30 JUNE 2013		28,755	70	(311)	272	(3,819)	24,967

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTE	SHARE CAPITAL £000	REVALUATION RESERVE £000	OWN SHARES £000	TRANSLATION RESERVE £000	RETAINED EARNINGS £000 AS RESTATED (SEE NOTE 1)	TOTAL £000 AS RESTATED (SEE NOTE 1)
At 1 January 2012		28,755	70	(810)	246	(4,546)	23,715
Profit for the period		–	–	–	–	2,146	2,146
Dividends	7	–	–	–	–	(1,193)	(1,193)
Exchange differences on translation of foreign operations		–	–	–	(63)	–	(63)
Actuarial gain on defined benefit pension scheme	10	–	–	–	–	705	705
Tax on actuarial gain	11	–	–	–	–	(169)	(169)
Long-term corporation tax rate change on deferred tax	11	–	–	–	–	(205)	(205)
AT 30 JUNE 2012		28,755	70	(810)	183	(3,262)	24,936

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTE	SHARE CAPITAL £000	REVALUATION RESERVE £000	OWN SHARES £000	TRANSLATION RESERVE £000	RETAINED EARNINGS £000 AS RESTATED (SEE NOTE 1)	TOTAL £000 AS RESTATED (SEE NOTE 1)
At 1 January 2012		28,755	70	(810)	246	(4,546)	23,715
Profit for the year		–	–	–	–	3,865	3,865
Dividends	7	–	–	–	–	(1,761)	(1,761)
Exchange differences on translation of foreign operations		–	–	–	(63)	–	(63)
Actuarial loss on defined benefit pension scheme	10	–	–	–	–	(1,776)	(1,776)
Tax on actuarial loss	11	–	–	–	–	403	403
Long-term corporation tax rate change on deferred tax	11	–	–	–	–	(365)	(365)
AT 31 DECEMBER 2012		28,755	70	(810)	183	(4,180)	24,018

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AT 30 JUNE 2013

	NOTE	30 JUNE 2013 £000	30 JUNE 2012 £000	31 DECEMBER 2012 £000
NON-CURRENT ASSETS				
Goodwill and other intangible assets		25,567	25,863	25,710
Property, plant and equipment		7,148	8,357	7,718
Other receivables		1,716	1,850	1,783
Deferred tax asset	11	4,312	4,784	4,906
TOTAL NON-CURRENT ASSETS		38,743	40,854	40,117
CURRENT ASSETS				
Inventories		9,168	9,157	8,120
Trade and other receivables		32,640	32,465	34,515
Current asset held for sale	4	501	–	–
Cash and cash equivalents	9	315	307	289
TOTAL CURRENT ASSETS		42,624	41,929	42,924
TOTAL ASSETS	3	81,367	82,783	83,041
CURRENT LIABILITIES				
Trade and other payables		31,548	30,738	31,705
Current tax liabilities		92	642	256
Provisions		82	332	332
Obligations under finance leases	9	96	137	126
Bank overdrafts and loans	9	7,389	7,899	6,954
TOTAL CURRENT LIABILITIES		39,207	39,748	39,373
NET CURRENT ASSETS		3,417	2,181	3,551
NON-CURRENT LIABILITIES				
Retirement benefit obligations	10	16,787	17,256	18,898
Deferred tax liabilities	11	326	411	381
Provisions		–	250	250
Other creditors		80	97	88
Obligations under finance leases	9	–	85	33
TOTAL NON-CURRENT LIABILITIES		17,193	18,099	19,650
TOTAL LIABILITIES		56,400	57,847	59,023
NET ASSETS	3	24,967	24,936	24,018
EQUITY				
Share capital		28,755	28,755	28,755
Revaluation reserve		70	70	70
Own shares		(311)	(810)	(810)
Translation reserve		272	183	183
Retained earnings		(3,819)	(3,262)	(4,180)
TOTAL EQUITY		24,967	24,936	24,018

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTE	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000	YEAR TO 31 DECEMBER 2012 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	1,274	1,404	3,358
INVESTING ACTIVITIES				
Interest received		2	5	31
Disposal of subsidiary undertaking		–	25	25
Proceeds on disposal of property, plant and equipment		34	–	3
Purchases of property, plant and equipment		(454)	(428)	(825)
NET CASH USED IN INVESTING ACTIVITIES		(418)	(398)	(766)
FINANCING ACTIVITIES				
Dividends paid	7	(1,202)	(1,193)	(1,761)
Repayments of obligations under finance leases		(63)	(170)	(233)
NET CASH USED IN FINANCING ACTIVITIES		(1,265)	(1,363)	(1,994)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(409)	(357)	598
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		(665)	(1,235)	(1,235)
Effect of exchange rate fluctuation on cash and cash equivalents held		–	–	(28)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	(1,074)	(1,592)	(665)

NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2012 except as set out below.

In the current financial year the application of IAS19 (R) impacts the measurement of the various components representing movements in the retirement benefit obligations and associated disclosures, but not the Group's total retirement benefit obligations. Following the replacement of expected returns on pension scheme assets with a net finance cost in the consolidated income statement, the profit for the period reduces and accordingly other comprehensive income increases.

This change has been applied retrospectively and accordingly the comparative figures have been restated for the periods ended 30 June 2012 and 31 December 2012. The effect is to increase the interest expense on retirement benefit obligations recognised in the Consolidated Income Statement by £214,000 for 30 June 2012 and by £429,000 for 31 December 2012 and to reduce the expense recognised in the Consolidated Statement of Comprehensive Income by the same amount as set out in the table below.

CONSOLIDATED INCOME STATEMENT	SIX MONTHS TO 30 JUNE 2012 £000	YEAR TO 31 DECEMBER 2012 £000
FINANCE INCOME AND FINANCE COSTS (AS PREVIOUSLY REPORTED)		
Expected return on pension scheme assets	1,343	2,685
Interest cost of pension scheme liabilities	(1,606)	(3,186)
Net interest cost of pension scheme liabilities	(263)	(501)
FINANCE INCOME AND FINANCE COSTS (AS RESTATED)		
Net interest expense on retirement benefit obligation	(477)	(930)
IMPACT ON FINANCE COSTS AND PROFIT BEFORE TAXATION	(214)	(429)
TAX		
Adjustment to deferred tax thereon	51	104
IMPACT ON PROFIT FOR THE PERIOD – REDUCTION	(163)	(325)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
ACTUARIAL GAIN/(LOSS) ON DEFINED BENEFIT PENSION SCHEMES		
Previously shown as	491	(2,205)
Now shown as	705	(1,776)
IMPACT ON ACTUARIAL GAIN/(LOSS) ON DEFINED BENEFIT PENSION SCHEMES	214	429
TAX		
Adjustment to deferred tax thereon	(51)	(104)
IMPACT ON COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	163	325

1. BASIS OF PREPARATION (CONTINUED)

There has been no impact on the retirement benefit obligations or net asset position recorded on the balance sheet at 30 June 2012 or 31 December 2012.

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Interim Management Report on pages 1 to 4.

The Group's principal financial risks in the medium term relate to liquidity and credit risk. Liquidity risk is managed by ensuring that the Group's day-to-day working capital requirements are met by having access to banking facilities with suitable terms and conditions to accommodate the requirements of the Group's operations. Credit risk, which is heightened as a result of the difficulties customers may face in a more challenging climate, is managed by applying considerable rigour in controlling the Group's trade receivables. The Directors believe that the Group is adequately placed to manage its financial risks effectively.

The Group's principal banking facility of £11.0 million has been renewed until 28 February 2014 and the Directors are of the opinion that the Group's cash forecasts and revenue projections, which they believe are based on prudent market data and past experience taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the Group should be able to operate within its current facilities and comply with its banking covenants. The Group has held preliminary discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on commercially acceptable terms.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing this condensed set of financial statements.

These condensed financial statements were approved by the Board of Directors on 29 August 2013.

This condensed set of financial statements is unaudited but has been formally reviewed by the auditor and their Independent Review Report to the Company is set out on page 6.

NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

2. GENERAL INFORMATION

The comparative figures for the financial year ended 31 December 2012 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim report will be posted to shareholders on 10 September 2013. Copies will be available from the registered office, 21 Newton Place, Glasgow G3 7PY and available on the Company's website, www.macfarlanegroup.com, from that date.

3. SEGMENTAL INFORMATION

The Group's principal business segment is **Packaging Distribution**, comprising the distribution of packaging materials and supply of storage and warehousing services in the UK. This constitutes over 80% of Group turnover and profit in each calendar year and as such, the Group has elected to combine the remaining operations for the manufacture and supply of self-adhesive and resealable labels to a variety of FMCG customers in the UK & Europe and the design, manufacture and assembly of timber, corrugated and foam-based packaging materials in the UK into one segment headed **Manufacturing Operations**. No individual business segments within Manufacturing Operations represents more than 10% of Group turnover or profit in each calendar year.

The two Cash Generating Units (CGU's) within the Manufacturing Operations' segment are both associated with the Labels business and relate to the Reseal-it segment and the Irish operations. The recent relocation of the manufacturing operations in Ireland in order to further develop the Reseal-it business mean that the overlap between these two CGU's will increase to such an extent that the Board have concluded that they should now be combined and reported as one CGU.

Trading results continuing operations

	SIX MONTHS TO 30 JUNE 2013 BEFORE EXCEPTIONAL ITEMS £000	EXCEPTIONAL ITEMS £000 (SEE NOTE 4)	SIX MONTHS TO 30 JUNE 2013 £000
PACKAGING DISTRIBUTION			
REVENUE	54,896	–	54,896
Cost of sales	(38,522)	–	(38,522)
GROSS PROFIT	16,374	–	16,374
Net operating expenses	(14,797)	(42)	(14,839)
OPERATING PROFIT	1,577	(42)	1,535
MANUFACTURING OPERATIONS			
REVENUE	15,121	–	15,121
Cost of sales	(9,755)	–	(9,755)
GROSS PROFIT	5,366	–	5,366
Net operating expenses	(4,740)	(151)	(4,891)
OPERATING PROFIT	626	(151)	475

3. SEGMENTAL INFORMATION (CONTINUED)

Trading results continuing operations (continued)

	SIX MONTHS TO 30 JUNE 2012 BEFORE EXCEPTIONAL ITEMS £000	EXCEPTIONAL ITEMS £000 (SEE NOTE 4)	SIX MONTHS TO 30 JUNE 2012 £000
PACKAGING DISTRIBUTION			
REVENUE	54,957	–	54,957
Cost of sales	(38,237)	–	(38,237)
GROSS PROFIT	16,720	–	16,720
Net operating expenses	(15,021)	1,320	(13,701)
OPERATING PROFIT	1,699	1,320	3,019
MANUFACTURING OPERATIONS			
REVENUE	15,043	–	15,043
Cost of sales	(10,000)	–	(10,000)
GROSS PROFIT	5,043	–	5,043
Net operating expenses	(4,757)	330	(4,427)
OPERATING PROFIT	286	330	616

	YEAR ENDED 31 DECEMBER 2012 BEFORE EXCEPTIONAL ITEMS £000	EXCEPTIONAL ITEMS £000 (SEE NOTE 4)	YEAR ENDED 31 DECEMBER 2012 £000
PACKAGING DISTRIBUTION			
REVENUE	114,807	–	114,807
Cost of sales	(80,077)	–	(80,077)
GROSS PROFIT	34,730	–	34,730
Net operating expenses	(29,863)	776	(29,087)
OPERATING PROFIT	4,867	776	5,643
MANUFACTURING OPERATIONS			
REVENUE	31,475	–	31,475
Cost of sales	(20,892)	–	(20,892)
GROSS PROFIT	10,583	–	10,583
Net operating expenses	(9,616)	217	(9,399)
OPERATING PROFIT	967	217	1,184

NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

3. SEGMENTAL INFORMATION (CONTINUED)

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
GROUP SEGMENT – TOTAL REVENUE			
Packaging Distribution	54,896	54,957	114,807
Manufacturing Operations	15,121	15,043	31,475
Inter-segment revenue	(1,924)	(1,957)	(4,459)
EXTERNAL REVENUE CONTINUING OPERATIONS	68,093	68,043	141,823
OPERATING PROFIT CONTINUING OPERATIONS			
Packaging Distribution	1,535	3,019	5,643
Manufacturing Operations	475	616	1,184
OPERATING PROFIT	2,010	3,635	6,827
Net finance costs (see note 5)	(599)	(675)	(1,349)
PROFIT BEFORE TAX	1,411	2,960	5,478
Tax (see note 6)	(409)	(814)	(1,613)
PROFIT FOR THE PERIOD	1,002	2,146	3,865

The Packaging Distribution business has historically benefited from additional demand in the final months of the year, resulting in revenue and profitability at higher levels in the second half of the year.

	30 JUNE 2013 £000	30 JUNE 2012 £000	31 DECEMBER 2012 £000
TOTAL ASSETS			
Packaging Distribution	68,280	69,740	69,054
Manufacturing Operations	13,087	13,043	13,987
TOTAL ASSETS	81,367	82,783	83,041
NET ASSETS			
Packaging Distribution	17,887	16,803	18,186
Manufacturing Operations	7,080	8,133	5,832
NET ASSETS	24,967	24,936	24,018

4. EXCEPTIONAL ITEMS

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000	YEAR ENDED 31 DECEMBER 2012 £000
PENSION SCHEME			
Pension Increase Exchange exercise (see note 10)	–	1,855	1,855
Related professional costs	–	(205)	(205)
Net benefit from Pension Increase Exchange exercise	–	1,650	1,650
Property costs for vacated premises	(193)	–	(657)
NET EXCEPTIONAL ITEMS	(193)	1,650	993
Tax thereon	5	(396)	(390)
EXCEPTIONAL ITEMS AFTER TAX	(188)	1,254	603

In the first half of 2013, the Group absorbed net costs totalling £0.2 million to secure exits from three properties, which were surplus to requirements. This represents a continuation of our proactive approach to reducing property costs and exposures.

During 2012, the Group made the decision to amend benefits for pensioner, deferred and active members in the defined benefit pension scheme by making a Pension Increase Exchange (PIE) offer to pensioner members at 1 May 2012 and providing a PIE option for deferred and active members after 1 May 2012. The PIE offer enabled current pensioners to exchange non-statutory increase to pensions in payment for higher flat-rate pensions, which do not escalate in future years. The PIE option enables deferred and active members to have the same principle applied to their pension options on retirement.

The pensioner members who accepted the offer, represented 35% of the pensioner liabilities and the changes to their benefits took effect on 1 May 2012. For retirements after 1 May 2012, it has been assumed that 35% of deferred and active members take up the option to receive a higher flat-rate pension in place of non-statutory increases. As a result of both of these actions, a gain of £1.65 million was recorded in the first half of 2012 after charging attributable professional expenses of £0.20 million.

Our Manufacturing site in Dublin was relocated to our site in Wicklow in the first quarter in 2013 with the Dublin property becoming available for sale at that point. The Dublin property is classified as a current asset held for sale at 30 June 2013.

The Dublin relocation gave rise to an exceptional charge in the year ended 31 December 2012 of £0.66 million of which £0.46 million related to the impairment of the Dublin property and was non-cash.

Exceptional items are those transactions that are material to the income statement and their separate disclosure is necessary for an appropriate understanding of the Group's financial performance.

NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2012

5. FINANCE INCOME AND FINANCE COSTS

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
Investment income	2	5	31
Interest on bank loans and overdrafts	(208)	(188)	(434)
Interest on obligations under finance leases	(3)	(15)	(16)
Net interest expense on retirement benefit obligation (See note 10)	(390)	(477)	(930)
TOTAL FINANCE COSTS	(601)	(680)	(1,380)
NET FINANCE COSTS	(599)	(675)	(1,349)

6. TAX

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
CURRENT TAX			
UK corporation tax	(105)	(175)	(811)
Overseas tax	(16)	15	(12)
Prior year adjustments	11	(124)	–
TOTAL CURRENT TAX	(110)	(284)	(823)
TOTAL DEFERRED TAX (see note 11)	(299)	(530)	(790)
TOTAL	(409)	(814)	(1,613)

Tax for the first six months has been charged at 25.8% (2012: 27.3%) representing the best estimate of the effective tax charge for the full year.

7. DIVIDENDS

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000	YEAR TO 31 DECEMBER 2012 £000
Amounts recognised as distributions to equity holders in the period			
Final Dividend (1.05p per share) (2012: 1.05p per share)	1,202	1,193	1,193
Interim Dividend (2012: 0.50p per share)	–	–	568
DISTRIBUTIONS IN THE PERIOD	1,202	1,193	1,761

Dividends are not payable on Own shares held in the Employee Share Ownership Trust.

The dividend of 0.50p per share, payable on 10 October 2013 was declared on 29 August 2013 and has therefore not been included as a liability in these condensed financial statements.

8. EARNINGS PER SHARE

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
EARNINGS			
Earnings from continuing operations for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	1,002	2,146	3,865

	30 JUNE 2013	30 JUNE 2012	31 DECEMBER 2012
NUMBER OF SHARES '000			
Weighted average number of ordinary shares in issue	115,019	115,019	115,019
Weighted average number of Own shares in Employee Share Ownership Trusts	(1,141)	(1,436)	(1,436)
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE FOR THE PURPOSES OF BASIC EARNINGS PER SHARE	113,878	113,583	113,583
Effect of dilutive potential ordinary shares due to share options	41	–	–
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE FOR THE PURPOSES OF DILUTED EARNINGS PER SHARE	113,919	113,583	113,583
EARNINGS PER SHARE	0.88p	1.89p	3.40p

NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2013

9. NOTES TO THE CASH FLOW STATEMENT

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000	YEAR TO 31 DECEMBER 2012 £000
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	2,203	1,985	5,834
Adjustments for:			
Amortisation of intangible assets	143	153	306
Depreciation of property, plant and equipment	514	485	1,020
(Profit)/loss on disposal of property, plant and equipment	(24)	–	1
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	2,836	2,623	7,161
(Increase)/decrease in inventories	(1,048)	(520)	517
Decrease in receivables	1,941	4,185	2,202
Increase/(decrease) in payables	60	(3,458)	(2,572)
Decrease in provisions	(500)	–	–
Adjustment for pension scheme funding	(1,529)	(1,218)	(2,583)
CASH GENERATED BY OPERATIONS	1,760	1,612	4,725
Income taxes paid	(275)	(5)	(917)
Interest paid	(211)	(203)	(450)
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,274	1,404	3,358
MOVEMENT IN NET DEBT			
(Decrease)/increase in cash and cash equivalents in period	(409)	(357)	570
Cash flows from lease financing	63	170	233
MOVEMENT IN NET DEBT IN THE PERIOD	(346)	(187)	803
Opening net debt	(6,824)	(7,627)	(7,627)
CLOSING NET DEBT	(7,170)	(7,814)	(6,824)
NET DEBT COMPRISES:			
Cash and cash equivalents	315	307	289
Bank overdraft	(1,389)	(1,899)	(954)
Cash and cash equivalents in statement of cash flows	(1,074)	(1,592)	(665)
Bank loans	(6,000)	(6,000)	(6,000)
NET BANK DEBT	(7,074)	(7,592)	(6,665)
Obligations under finance leases			
Due within one year	(96)	(137)	(126)
Due outwith one year	–	(85)	(33)
CLOSING NET DEBT	(7,170)	(7,814)	(6,824)

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with maturity of three months or less.

Bank overdrafts and loans comprise £6.0 million of loans repayable within one year, the remainder being bank overdrafts repayable on demand for which there is no right of offset against cash and cash equivalents on the balance sheet. For the purposes of the cash flow statement, the overdraft is included within cash and cash equivalents.

10. RETIREMENT BENEFIT OBLIGATIONS

The figures below have been based on the results of the triennial actuarial valuation as at 1 May 2011, updated to 30 June 2013, 30 June 2012 and 31 December 2012. The assets in the scheme and the net liability position of the scheme as calculated under IAS 19 are as follows:

	30 JUNE 2013 £000	30 JUNE 2012 £000	31 DECEMBER 2012 £000
Fair value of assets	52,082	48,651	51,349
Present value of scheme liabilities	(68,869)	(65,907)	(70,247)
PENSION SCHEME DEFICIT	(16,787)	(17,256)	(18,898)
Deferred tax asset (see note 11)	3,861	4,141	4,346
PENSION SCHEME DEFICIT NET OF RELATED DEFERRED TAX ASSET	(12,926)	(13,115)	(14,552)

These amounts were calculated using the following principal assumptions as required under IAS 19:

Assumptions

	30 JUNE 2013	30 JUNE 2012	31 DECEMBER 2012
Discount rate	4.60%	4.60%	4.40%
Rate of increase in salaries	0.00%	0.00%	0.00%
Rate of increase in pensions in payment	3% or 5% for fixed increases or 2.90% for LPI	3% or 5% for fixed increases or 2.90% for LPI	3% or 5% for fixed increases or 2.90% for LPI
Spouse's pension assumption			
Pensioner/deferred and active members	70%/80%	70%/80%	70%/80%
Inflation assumption (RPI)	3.40%	2.90%	3.00%
Inflation assumption (CPI)	2.50%	1.90%	2.30%
Life expectancy beyond normal retirement age of 65			
Male	22.6 years	22.4 years	22.4 years
Female	24.9 years	24.6 years	24.6 years

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
MOVEMENT IN SCHEME DEFICIT IN THE PERIOD			
At start of period	(18,898)	(20,484)	(20,484)
Normal service cost	(73)	(73)	(146)
Contributions	1,529	1,218	2,583
Pension increase exchange gains (see note 4)	–	1,855	1,855
Other finance charges	(390)	(477)	(930)
Actuarial gain/(loss) in the period	1,045	705	(1,776)
AT END OF PERIOD	(16,787)	(17,256)	(18,898)

NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2013

10. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	SIX MONTHS TO 30 JUNE 2013 £000	SIX MONTHS TO 30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	YEAR TO 31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
MOVEMENT IN FAIR VALUE OF SCHEME ASSETS			
Scheme assets at start of period	51,349	46,968	46,968
Interest income	1,122	1,343	2,685
Return on scheme assets (exc. amounts shown in interest income)	7	209	1,622
Contributions from the employer companies	1,529	1,218	2,583
Contributions from scheme participants	36	40	80
Benefits paid	(1,961)	(1,127)	(2,589)
SCHEME ASSETS AT END OF PERIOD	52,082	48,651	51,349
MOVEMENT IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS			
Obligations at start of period	(70,247)	(67,452)	(67,452)
Current service costs	(73)	(73)	(146)
Interest costs	(1,512)	(1,820)	(3,615)
Pension increase exchange gains	–	1,855	1,855
Contributions from scheme participants	(36)	(40)	(80)
Actuarial gain/(loss) on liabilities in the period	1,038	496	(3,398)
Benefits paid	1,961	1,127	2,589
OBLIGATIONS AT END OF PERIOD	(68,869)	(65,907)	(70,247)

Following the triennial valuation at 1 May 2011, the Company reached agreement with the Pension Scheme Trustees on a new schedule of contributions to take effect from 1 May 2012, which assumes a recovery plan period of 13 years. The cash contributions to the scheme to reduce the deficit in 2013 and 2014 will not exceed £2.5 million and £2.7 million respectively.

11. DEFERRED TAX

	30 JUNE 2013 £000	30 JUNE 2012 £000 AS RESTATED (SEE NOTE 1)	31 DECEMBER 2012 £000 AS RESTATED (SEE NOTE 1)
DEFERRED TAX ASSET ON PENSION SCHEME DEFICIT			
At start of period	4,346	5,121	5,121
(Charge)/credit on actuarial movement in the period applied through statement of comprehensive income	(240)	(169)	403
Charge on actuarial deficit in the period due to long-term corporation tax rate change applied through statement of comprehensive income	–	(205)	(365)
Charge through income statement based on gain from Pension Increase Exchange exercise in the period	–	(445)	(445)
Charge through income statement based on payments made to reduce deficit in the period	(245)	(161)	(368)
Deferred tax asset on pension scheme deficit (see note 10)	3,861	4,141	4,346
Deferred tax assets on other timing differences	451	643	560
DEFERRED TAX ASSET AT END OF PERIOD	4,312	4,784	4,906

	30 JUNE 2013 £000	30 JUNE 2012 £000	31 DECEMBER 2012 £000
DEFERRED TAX ASSET ON OTHER TIMING DIFFERENCES			
At start of period	560	623	623
(Credit)/charge through income statement	(109)	20	(63)
DEFERRED TAX ASSET AT END OF PERIOD	451	643	560
DEFERRED TAX LIABILITY ON OTHER INTANGIBLE ASSETS			
At start of period	(381)	(467)	(467)
Credit through income statement			
Credit on movement in other intangible assets in the period	55	39	52
Long-term corporation tax rate change	–	17	34
DEFERRED TAX LIABILITY AT END OF PERIOD	(326)	(411)	(381)

The Chancellor's Autumn Statement on 5 December 2012 announced that the UK corporation tax rate will reduce to 20% by 2015. The most recent rate reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 and has been reflected in these financial statements.

The remaining rate reductions to 21% from April 2014 and 20% from April 2015 were substantively enacted on 2 July 2013. These reductions are not yet reflected in these financial statements in accordance with IAS 10, as they are non-adjusting events occurring after the reporting period.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The impact of the rate reductions, which will be reflected in the next reporting period, is estimated to reduce our UK deferred tax balances by a net value of £0.5 million, however the actual impact will be dependent on our deferred tax position at that time.

NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2013

12. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Details of individual and collective remuneration of the Company's Directors and dividends received by the Directors for calendar year 2013 will be disclosed in the Group's Annual Report for the year ending 31 December 2013.

In April 2013, the Company transferred 885,000 shares with a value of £255,000 from the Employee Share Ownership Trust to the Pension Scheme in lieu of cash contributions. This gave the pension scheme a holding of 2,030,918 shares in Macfarlane Group PLC. The holding of 2,030,918 shares in the pension scheme was then disposed of for a consideration of £558,000 at the end of June 2013.

The fair value of investments, shown in the pension scheme disclosures in note 10, includes 0, 1,145,918 and 1,145,918, shares in Macfarlane Group PLC at 30 June 2013, 31 December 2012 and 30 June 2012 respectively with values of £Nil, £321,000 and £195,000 respectively.

The directors are satisfied that there are no other related party transactions occurring during the six month period which require disclosure.

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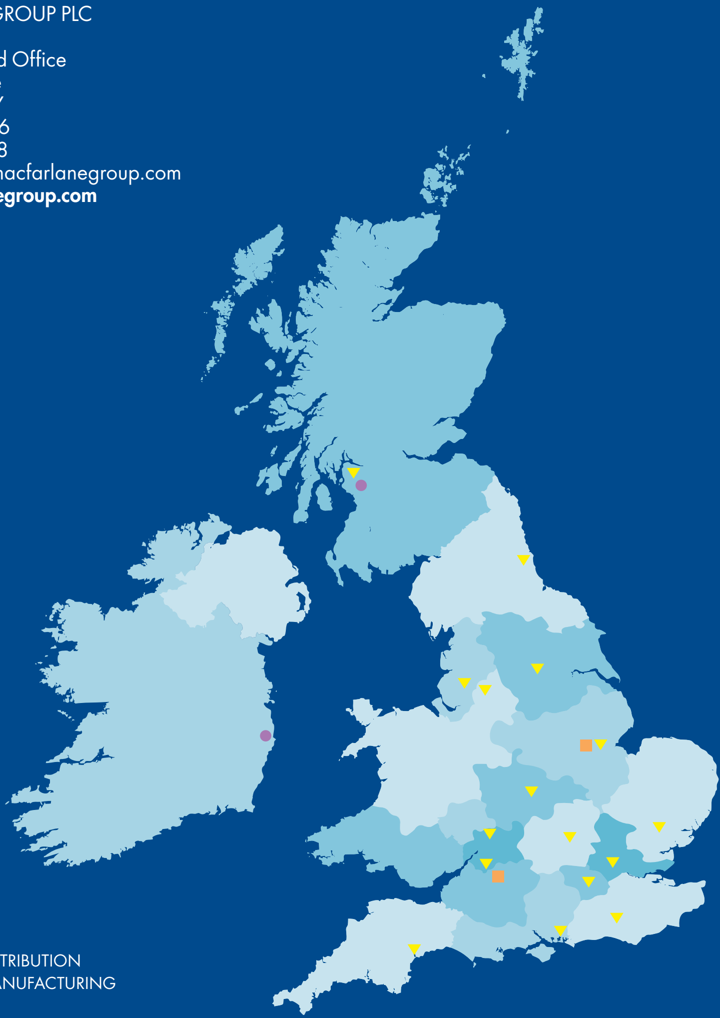

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■ PACKAGING MANUFACTURING
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