MACFARLANE GROUP

23 February 2017

ANNUAL RESULTS FOR THE YEAR TO 31 DECEMBER 2016

Financial Highlights	**2016**	**2015**	**Year on Year Change**
Turnover	£179.8m	£169.1m	+6.3%
Profit before tax	£7.8m	£6.8m	+15.4%
Diluted earnings per share	4.64p	4.35p	+6.7%
Proposed full year dividend	1.95p	1.82p	+7.1%

Macfarlane Group PLC made further good progress in 2016 with sales of £179.8m (2015: £169.1m) up 6% on the previous year and profit before tax of £7.8m (2015: £6.8m), 15% up on the previous year. The trading performance continued the positive trends achieved in recent years and the results were in line with market expectations.

Trading

The Packaging Distribution business increased sales by 9% to £155.9m (2015: £143.0m). Organic sales growth was challenging in the first half of the year but strengthened in the second half of the year to 3%. This was supplemented by the contributions from Nelsons for Cartons & Packaging ("Nelsons"), acquired in July 2016, Colton Packaging Teesside ("Colton") and the packaging business of Edward McNeil ("McNeil") acquired in April 2016 and May 2016 respectively. Integration of these businesses has worked well and the combination of organic growth and the contributions from the acquired businesses resulted in Packaging Distribution achieving a 16% increase in operating profit to £7.8m (2015: £6.8m).

Sales in our Manufacturing Operations at £23.9m (2015: £26.1m) were 9% down on the previous year. This was mainly due to management actions to rebalance the mix of products in our Labels business, which positively impacted margins and resulted in Labels achieving good profit growth compared to 2015. Our Packaging Design and Manufacture business recovered from a poor first half of the year, but despite the recovery, the full year profit for Packaging Design and Manufacture was lower than in 2015. The overall Manufacturing Division operating profit in 2016 amounted to £0.9m, slightly below the 2015 result of £1.0m.

After charging interest of £0.9m (2015: £1.0m), Group profit before tax amounted to £7.8m (2015: £6.8m) an increase of 15%.

Dividend

The Board remains committed to providing shareholders with an appropriate return on investment and is proposing a final dividend of 1.40 pence per share, amounting to a full year dividend of 1.95 pence per share, a 7% increase on the prior year's dividend of 1.82 pence per share. Subject to the approval of shareholders at the Annual General Meeting on Tuesday 9 May 2017, this dividend will be paid on Thursday 8 June 2017 to those shareholders on the register at Friday 12 May 2017.

Net Bank Debt and Pension Scheme

As a consequence of the acquisitions undertaken during 2016, the Group's net bank borrowing at 31 December 2016 increased to £15.3m from £11.6m at the prior year-end. The Group's existing bank facility with Lloyds Banking Group of £25.0 million is available until June 2019 and accommodates normal working capital requirements as well as supporting acquisition funding. A further option is available to extend the facility to £30.0m in the period.

The Group's pension deficit increased as a result of the widely reported fall in gilt yields which reduced the discount rate used to measure the scheme's liabilities. Whilst much of the increase in liabilities resulting from the lower discount rate was offset by the scheme's holding in liability-driven investments, the deficit at 31 December 2016, rose by £3.0m to £14.5m (2015: £11.5m).

Outlook

The Board is confident that its strategy to position the business to serve key growth markets continues to be effective.

Commenting on the 2016 results, Graeme Bissett, Chairman, said:

"The 15% increase in pre-tax profits in 2016 represents the seventh consecutive year of profit growth for Macfarlane Group and the Group has started 2017 well.

We will continue to focus on opportunities in sectors with strong growth prospects (including internet retail, third party logistics and National Accounts) and to deliver high standards of service to all customers across a wide range of sectors. We will also maintain our programme of acquiring good quality businesses to augment organic growth.

This is a strategy based on taking positive action, which has served all stakeholders in our business well in recent years and we remain confident that it will continue to do so."

Further enquiries:	**Macfarlane Group**		Tel: 0141 333 9666
	Graeme Bissett	Chairman	
	Peter Atkinson	Chief Executive	
	John Love	Finance Director	
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Notes to Editors:

- Macfarlane Group PLC is listed on the London Stock Exchange (LSE: MACF) in the Industrials Sector.
- The company has more than 60 years' experience in the UK packaging industry.
- Macfarlane Group's businesses are:
  - **Macfarlane Packaging** is the leading UK distributor of a comprehensive range of protective packaging products.
  - **Labels** designs and prints high quality self-adhesive and resealable labels, principally for FMCG companies.
  - **Packaging Design and Manufacture** specialises in designing and producing protective packaging for high value, fragile products.
- Macfarlane Group is headquartered in Glasgow, Scotland, and employs over 800 people at 29 sites, principally in the UK and Ireland.
- The company has 20,000+ customers in the UK, Europe and the USA providing 600,000+ lines to a wide range of industry sectors including: consumer goods; food manufacturing; logistics; internet retail; mail order; electronics; defence and aerospace.

Business Review

Group performance	Revenue 2016 £000	Profit before tax 2016 £000	Revenue 2015 £000	Profit before tax 2015 £000
<u>Segment</u>				
Packaging Distribution	**155,900**	**7,836**	143,035	6,751
Manufacturing Operations	**23,872**	**876**	26,097	951
Revenue from continuing operations	**179,772**		169,132	
Operating profit		**8,712**		7,702
Net finance costs		**(901)**		(935)
Profit before tax - continuing operations		**7,811**		6,767

Macfarlane Packaging Distribution is the leading UK specialist distributor of protective packaging materials. In what is a highly fragmented market, Macfarlane operates from 20 Regional Distribution Centres (RDCs) supplying customers with a comprehensive range of protective packaging materials on a local, regional and national basis.

Competition in the distribution market is from local and regional protective packaging specialist companies and national/international distribution generalists who supply a range of products, including protective packaging materials. Macfarlane competes effectively on a local basis through its strong focus on and regular monitoring of customer service, its breadth and depth of product offer and through the recruitment and retention of staff with good local market knowledge. On a national basis Macfarlane Packaging has focus, expertise and a breadth of product and service knowledge all of which enables it to compete effectively against non-specialist packaging distributors.

Macfarlane Packaging 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.

	Base business £000	Acquisition impact £000	**2016 £000**	2015 £000	
Sales	144,195	11,705	**155,900**	143,035	Sales growth 9%
Cost of sales	(102,295)	(8,346)	**(110,641)**	(100,817)	
Gross margin	41,900	3,359	**45,259**	42,218	Margin growth 7%
Net operating expenses	(34,902)	(2,521)	**(37,423)**	(35,467)	Overhead growth 6%
Operating profit	6,998	838	**7,836**	6,751	Profit growth 16%

Macfarlane Packaging Distribution grew sales by 9% over 2015 comprising 1% organic growth in the base business and 8% from the contribution of the 2016 acquisitions of Nelsons, Colton and McNeil as well as the incremental contribution from the 2015 acquisition of One Packaging Limited. The business achieved growth in the supply of protective packaging to internet retailers both directly and through our partnerships with major Third Party Logistics ("3PL") customers and the organic growth rate strengthened during the second half of 2016 to 3%. During 2016 we opened our new Innovation Lab which contributed to a number of new business wins in the second half of 2016. The Innovation Lab will play a key role in our sales growth plans in 2017 and beyond.

The changing mix of customers and input price increases on polymer based products impacted gross margin, which at 29.0%, was slightly below the 29.5% achieved in 2015.

Overheads increased as a result of the impact of acquisition, but cost control remained strong with an improving overhead to sales ratio of 24.0% compared with 24.8% in 2015. Operating profit in the Packaging Distribution business at £7.8 million grew by 16% versus 2015.

Business Review (continued)

Future Plans

Our plans continue to be focused on those markets showing growth, building market share and improving profitability through the following actions:

- Maintaining our focus on the growth potential for protective packaging in our key market segments – the e-commerce sector, National Accounts and 3PL operators;
- Accelerating the growth in new business through effective use of our new Innovation Lab where we can fully showcase our Total Cost of Packaging solutions;
- Continuing to develop our web-based presence through www.macfarlanepackaging.com and our Customer Connect offering to improve online visibility and provide customers with a more effective way to access our full range of products and services;
- Integrating recently acquired businesses and companies following the completion of the respective earn-out periods;
- Supplementing organic growth through the identification and completion of further suitable high quality acquisition opportunities;
- Improving the awareness of our membership of NovuPak, for UK based customers requiring our capabilities on a wider European basis;
- Reducing operating costs by evaluating opportunities to consolidate the more fragmented parts of the existing property footprint;
- Improving our sourcing capabilities and our partnerships with key strategic suppliers;
- Implementing further operational savings in logistics by expanding the use of the Paragon vehicle management system and implementation of our warehouse best practice programme; and
- Maintaining the focus on working capital management to reduce borrowing levels.

Macfarlane's **Manufacturing Operations** comprise our Packaging Design and Manufacture business and our Labels business.

	2016	2015
	£000	£000
Sales	**23,872**	26,097
Cost of sales	**(13,418)**	(15,094)
Gross margin	**10,454**	11,003
Overheads	**(9,578)**	(10,052)
Operating profit	**876**	951

The principal activity of the **Packaging Design and Manufacture** business is the design, manufacture and assembly of custom-designed packaging solutions for customers requiring cost-effective methods of protecting high value products in storage and transit. The primary raw materials are corrugate, timber and foam. The business operates from two manufacturing sites in Grantham and Westbury, supplying both directly to customers and also through the RDC network of the Packaging Distribution business.

Key market sectors are defence, aerospace, medical equipment, electronics and automotive. The markets in which we operate are highly fragmented with a range of locally based competitors. We differentiate our market offering through technical expertise, design capability, industry accreditations and national coverage through Macfarlane Packaging Distribution.

2016 sales for Packaging Design and Manufacture were 4% above those in 2015 albeit with volatile demand in certain market sectors. This caused changes to customers' ordering patterns, resulting in increased operating costs in the first half of the year. This resulted in 2016 profitability being below that achieved in 2015. However actions implemented in the second half of 2016 showed improved profitability and the business has created a strong pipeline of new customer relationships, which should benefit the business in 2017.

Business Review (continued)

Future Plans

Packaging Design and Manufacture (continued)

The priorities for 2017 are:

- Accelerate sales growth, particularly in target market sectors e.g. defence, aerospace and medical;
- Prioritise 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.

Our **Labels** business designs and prints 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.

The Labels business has a high level of dependency on a small number of major customers. Management works closely with these key customers to ensure high levels of service and to introduce product and service development initiatives to achieve competitive differentiation.

Although sales in 2016 were 15% down on 2015, this was in line with our plans as we proactively exited relationships with lower margin customers, mainly in the lower added value and increasingly competitive self-adhesive labels market. As the issues of food waste and easy to open packs become higher profile, the demand for resealable packaging is creating growth opportunities for the Macfarlane Labels' Reseal-it range. This focus on Reseal-it resulted in improved margins in 2016 and was the key contributor to an improved profit performance compared to 2015.

Future Plans

The priorities for Labels in 2017 are: -

- Maintenance of the strategic focus on higher added value products and services to rebalance sales between our resealable and self-adhesive label ranges;
- Continued improvement in operational efficiency to mitigate sales price pressure; and
- Further development of the Reseal-it product in the US through the Printpack partnership, in Europe through new business wins and in the UK through penetration with key retailers.

2017 Outlook

We will concentrate our sales efforts on those segments of the market, such as e-commerce, which are forecast to show continued above average growth rates and where customers recognise the real value of a specialist protective packaging distributor.

During 2017 we will look at opportunities for growth through the acquisition of good quality protective packaging businesses that improve our penetration of target market sectors, leverage our property footprint or improve our geographic coverage.

Macfarlane Group's businesses all have good market positions with strong differentiated product and service offerings. Our business model is flexible and we have a clear strategic plan, which is being effectively implemented, as reflected in our track record of consistent, profitable growth.

Our future performance will be largely dependent on our own efforts to grow sales, increase efficiencies and bring high quality acquisitions into the Group. We operate a flexible business model and our ability to focus on the most attractive UK market sectors for our products and services, combined with our successful track record of growth and acquisitions, gives us confidence that 2017 will be another year of progress for Macfarlane Group.

Business Review (continued)

The principal risks and uncertainties faced by Macfarlane Group and factors mitigating these risks are detailed below. These risks are complemented by an overall governance framework including clear and delegated authorities, business performance monitoring and appropriate insurance cover for a wide range of potential risks. There is a dependence on good quality local management, which is supported by an investment in training and development and ongoing performance evaluation.

Risk Description	Mitigating Factors
Raw material prices The Group's businesses are impacted by commodity-based raw material prices and manufacturer energy costs, with profitability sensitive to supplier price changes including currency fluctuations. The principal components are corrugated paper, polythene films, timber and foam, with changes to paper and oil prices having a direct impact on the price we pay to our suppliers.	The Group works closely with its supplier base to manage the scale and timing of price increases to end-users effectively. Our IT systems monitor and measure our effectiveness in recovering supplier price changes. Where possible, alternative supplier relationships are maintained to minimise supplier dependency. We work with customers to redesign packs and reduce packing cost to mitigate the impact of cost increases.
Funding defined benefit pension scheme The Group's defined benefit pension scheme is sensitive to a number of key factors; investment returns, discount rates used to calculate scheme liabilities and mortality assumptions. The IAS 19 valuation of the Group's defined benefit pension scheme as at 31 December 2016 estimated the scheme deficit to be £14.5m, an increase of £3.0m during 2016. Small changes in these assumptions could mean that the deficit increases.	The scheme was closed to new members in 2002. Benefits for active members were amended by freezing pensionable salaries at 30 April 2009 levels. Revaluation of deferred members' benefits has reflected Consumer Prices Index as the inflation measure since 2010. A Pension Increase Exchange option is available to offer flexibility to pensioners in the current level of pension benefits and the rate of future increases. The investment profile is constantly reviewed to ensure a more accurate matching of investments and the liability profile of the scheme.
Property Given the multi-site nature of its business, the Group has a property portfolio comprising 3 owned sites and 29 leased sites of which 3 are sublet. This portfolio gives rise to risks in relation to ongoing lease costs, dilapidations and fluctuations in value.	Where a site is non-operational the Group seeks to assign, sell or sub-lease the building to mitigate the financial impact. If this is not possible, rental voids are provided taking into consideration the likely period of vacancy and incentives to re-let.
Financial liquidity, debt covenants and interest rates The Group needs continuous access to funding to meet its trading obligations and to support organic growth and acquisitions. There is a risk that the Group may be unable to obtain funds or that such funds will only be available on unfavourable terms. The Group's borrowing facility comprises a committed facility of up to £25.0m, with an option to increase the facility to £30.0m. This includes requirements to comply with covenants, with a breach potentially resulting in borrowings being subject to more onerous conditions.	The Group seeks to maintain an appropriate level of committed bank facilities that provides sufficient headroom above peak projected borrowing requirements. The Group continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due. Compliance with debt covenants is monitored on a monthly basis and sensitivity analysis is applied to forecasts to assess the impact on covenants. The existing facilities are in place until June 2019.
Decentralised structure The Packaging Distribution business model reflects a decentralised approach with a high dependency on effective local decision-making. There is a risk that management control is less effective and local decisions do not meet overall corporate objectives.	A comprehensive management information system is maintained with key performance indicators monitored consistently and regularly with actions taken when required.

Business Review (continued)

Risk Description	Mitigating Factors
Working capital The Group has a significant investment in working capital in the form of trade receivables and inventories. There is a risk that this investment is not fully recovered.	Credit risk is controlled by applying rigour to the management of trade receivables by our credit control team, managed by a Credit Manager and subject to additional scrutiny from the Group Finance Director. Inventory levels and order patterns are regularly reviewed and risks arising from holding bespoke stocks are managed by obtaining order cover from customers.
Acquisitions The Group's growth strategy includes acquisitions as demonstrated in recent years with the acquisition of several businesses. There is a risk that such acquisitions will not be available to the Group on acceptable terms in the future. There is also a risk that the acquisitions will not be successful due to the loss of key people or customers following the acquisition or the acquired business not performing at the level expected which could potentially lead to impairment in the carrying value of the related intangible assets. There are also execution risks around the failure to successfully integrate the acquired business into the Group.	The Group carefully reviews potential acquisition targets, ensuring that the focus is on businesses which complement the existing Group product and sector profile and provide opportunity for growth. Having made a number of acquisitions in recent years, the Group has established due diligence and integration processes and procedures. In terms of monitoring post integration performance, the Group has a comprehensive management information system in place as referenced above. Goodwill and other intangible assets are tested for impairment on an annual basis.

There are a number of other risks that we manage which are not considered to be key risks. In addition the Group is subject to the impact of general economic conditions, the competitive environment and risks associated with business continuity. These are all mitigated in ways that are common to all businesses and not specific to Macfarlane Group.

Viability statement

The Board of Directors has considered the Group's viability as part of the ongoing programme to manage risk. Each year the Board reviews the Group's strategic plan for the forthcoming three-year period and challenges the Executive team on the plan's risks. The plan reflects the Group's businesses, which have a broad spread of customers across a range of different sectors with some longer term contracts in place. The assessment period of three years has been chosen as it is consistent with the Board's review of the Group's strategy, which includes assumptions regarding future growth rates for existing businesses and acceptable levels of performance in that period. A robust financial model of the Group is built covering the three year period.

The model is subject to sensitivity analysis which includes flexing a number of the main assumptions, namely:- future revenue growth, gross margins, operating costs and working capital management. The results of flexing these assumptions, both individually and in aggregate, are used to determine whether additional bank facilities will be required during the three year period. The results indicated that no additional facilities would be required and assumed that the existing facilities, due for renewal in June 2019 would be renewed on the current terms. The review and analysis also considers the principal risks facing the Group as described on pages 6 and 7, which could prevent the Group from achieving its strategic objectives and the potential impact these risks could have on the Group's business model, future performance, solvency and liquidity over the assessment period.

The Directors' assessment has been made with reference to the resilience of the Group and the strength of its financial position, the Group's current strategy, the Board's risk appetite and the principal risks and how these are managed as set out on the current and previous page. Based on the assessment of these risks and the sensitivity analysis undertaken, the Directors have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years to December 2019.

Going Concern

The Directors, in their consideration of going concern, have reviewed the Group's cash flow forecasts and revenue projections, which they believe are based on past experience and what they consider to be prudent market data. The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and Business Review on pages 1 to 7.

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 is managed by applying considerable rigour in managing the Group's trade receivables. The Directors believe that the Group is adequately placed to manage its financial risks effectively, despite any economic uncertainty.

The Group's principal banking facility is in place until June 2019. The Directors are of the opinion that the Group's cash forecasts and revenue projections, 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.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next twelve months. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Cautionary Statement

The Chairman's Statement and the Business Review on pages 1 to 7 have been prepared to provide additional information to members of the Company 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 report and the financial statements contain certain forward-looking statements relating to operations, performance and financial status. By their nature, such statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. 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. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report.

Responsibility Statement of the Directors

The responsibility statement below has been prepared in connection with the company's full annual report for the year ending 31 December 2016. Certain parts of the full annual report are not included within this announcement. The Directors of Macfarlane Group PLC are

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

To the best of the knowledge of the Directors (whose names and functions are set out above), the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation taken as a whole; and

Pursuant to Disclosure and Transparency Rules, Chapter 4, the Directors' Report of the Company's annual report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

Peter Atkinson	John Love
Chief Executive	Finance Director
23 February 2017	23 February 2017

Macfarlane Group PLC

Consolidated income statement

For the year ended 31 December 2016

	Note	**2016 £000**	2015 £000
Continuing operations			
Revenue	3	**179,772**	169,132
Cost of sales		**(124,059)**	(115,911)
Gross profit		**55,713**	53,221
Distribution costs		**(7,622)**	(7,587)
Administrative expenses		**(39,379)**	(37,932)
Operating profit	3	**8,712**	7,702
Finance costs	4	**(901)**	(935)
Profit before tax		**7,811**	6,767
Tax	5	**(1,761)**	(1,317)
Profit for the year	7	**6,050**	5,450
Earnings per share			
Basic	7	**4.67p**	4.37p
Diluted	7	**4.64p**	4.35p

Macfarlane Group PLC

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £000	2015 £000
Items that may be reclassified to profit or loss			
Foreign currency translation differences - foreign operations		**195**	(62)
Items that will not be reclassified to profit or loss			
Remeasurement of pension scheme liability	10	**(5,552)**	111
Tax recognised in other comprehensive income			
Tax on remeasurement of pension scheme liability	11	**1,000**	(22)
Long-term corporation tax rate change	11	**(146)**	(229)
Other comprehensive expense for the year, net of tax		**(4,503)**	(202)
Profit for the year		**6,050**	5,450
Total comprehensive income for the year		**1,547**	5,248

Macfarlane Group PLC

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Note	Share Capital £000	Share Premium £000	Revaluation Reserve £000	Translation Reserve £000	Retained Earnings £000	Total £000
At 1 January 2015		31,153	1,018	70	121	(2,116)	30,246
Other comprehensive income							
Profit for the year		-	-	-	-	5,450	5,450
Foreign currency translation differences		-	-	-	(62)	-	(62)
Credit for share-based payments		-	-	-	-	72	72
Remeasurement of pension liability	10	-	-	-	-	111	111
Tax on remeasurement of pension liability	11	-	-	-	-	(22)	(22)
Long-term corporation tax rate change	11	-	-	-	-	(229)	(229)
Total other comprehensive income		-	-	-	(62)	5,382	5,320
Transactions with shareholders							
Dividends	6	-	-	-	-	(2,094)	(2,094)
Total transactions with shareholders		-	-	-	-	(2,094)	(2,094)
At 31 December 2015		**31,153**	**1,018**	**70**	**59**	**1,172**	**33,472**
Other comprehensive income							
Profit for the year		**-**	**-**	**-**	**-**	**6,050**	**6,050**
Foreign currency translation differences		**-**	**-**	**-**	**195**	**-**	**195**
Credit for share-based payments		-	-	-	-	**108**	**108**
Remeasurement of pension liability	10	**-**	**-**	**-**	**-**	**(5,552)**	**(5,552)**
Tax on remeasurement of pension liability	11	**-**	**-**	**-**	**-**	**1,000**	**1,000**
Long-term corporation tax rate change	11	-	-	-	-	**(146)**	**(146)**
Total other comprehensive income		**-**	**-**	**-**	**195**	**1,460**	**1,655**
Transactions with shareholders							
Dividends	6	**-**	**-**	**-**	**-**	**(2,358)**	**(2,358)**
Issue of share capital	12	**2,931**	**3,623**	**-**	**-**	**-**	**6,554**
Total transactions with shareholders		**2,931**	**3,623**	**-**	**-**	**(2,358)**	**4,196**
At 31 December 2016		**34,084**	**4,641**	**70**	**254**	**274**	**39,323**

Macfarlane Group PLC

Consolidated balance sheet at 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Goodwill and other intangible assets		**44,002**	36,181
Property, plant and equipment		**7,770**	7,691
Other receivables		**425**	559
Deferred tax assets	11	**2,878**	2,499
Total non-current assets		**55,075**	46,930
Current assets			
Inventories		**12,986**	10,559
Trade and other receivables		**48,572**	43,238
Cash and cash equivalents	9	**1,930**	1,407
Total current assets		**63,488**	55,204
Total assets	3	**118,563**	102,134
Current liabilities			
Trade and other payables		**43,202**	41,297
Current tax liabilities		**1,020**	654
Finance lease liabilities	9	**395**	388
Bank borrowings	9	**17,206**	13,039
Total current liabilities		**61,823**	55,378
Net current assets/(liabilities)		**1,665**	(174)
Non-current liabilities			
Retirement benefit obligations	10	**14,537**	11,518
Deferred tax liabilities	11	**1,697**	988
Trade and other payables		**781**	40
Finance lease liabilities	9	**402**	738
Total non-current liabilities		**17,417**	13,284
Total liabilities	3	**79,240**	68,662
Net assets		**39,323**	33,472
Equity			
Share capital	12	**34,084**	31,153
Share premium	12	**4,641**	1,018
Revaluation reserve		**70**	70
Translation reserve		**254**	59
Retained earnings		**274**	1,172
Total equity	3	**39,323**	33,472

Macfarlane Group PLC

Consolidated cash flow statement

For the year ended 31 December 2016

	Note	2016 £000	2015 £000
Net cash inflow from operating activities	9	**3,294**	5,368
Investing activities			
Acquisition of subsidiary undertakings	8	**(8,718)**	(3,941)
Proceeds on disposal of property, plant and equipment		**57**	263
Purchases of property, plant and equipment		**(1,144)**	(809)
Net cash used in investing activities		**(9,805)**	(4,487)
Financing activities			
Dividends paid	6	**(2,358)**	(2,094)
Proceeds from issue of share capital (net of issue expenses)	12	**5,554**	-
Drawdown on bank borrowing facility		**4,167**	1,690
Repayments of obligations under finance leases	9	**(329)**	(320)
Net cash generated by/(used in) financing activities		**7,034**	(724)
Net increase in cash and cash equivalents	9	**523**	157
Cash and cash equivalents at beginning of year		**1,407**	1,250
Cash and cash equivalents at end of year	9	**1,930**	1,407

Notes to the financial information

For the year ended 31 December 2016

1. General information

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements as defined in Section 435 of the Companies Act 2006 and has been extracted from the full statutory accounts for the years ended 31 December 2016 and 31 December 2015 respectively.

The financial statements for 2016 were approved by the Board of Directors on 23 February 2017. The auditor's report on the statutory financial statements for the year ended 31 December 2016 was unqualified pursuant to Section 498 of the Companies Act 2006 and did not contain a statement under sub-section 498 (2) or (3) of that Act.

The comparative figures for the financial year ended 31 December 2015 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.

2. Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out on pages 1 to 8.

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 committed banking facilities with suitable terms and conditions to accommodate the requirements of the Group's operations. Credit risk is managed by applying considerable rigour in managing the Group's trade receivables. The Directors believe that the Group is adequately placed to manage its financial risks effectively despite any economic uncertainty.

The Group's principal bank borrowing arrangement with Lloyds Banking Group PLC comprises a committed borrowing facility of £25.0 million available until June 2019 with an additional option to increase it further to £30.0 million. The facility bears interest at normal commercial rates and carries standard financial covenants in relation to interest cover and levels of headroom over certain trade debtors of the Group.

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.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next twelve months. For this reason they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2016.

2. Basis of preparation (continued)

Judgements, assumptions and estimation uncertainties

In preparing the 2016 financial statements, management has made judgements, assumptions and estimates, which affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the amounts estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements, assumptions and estimation uncertainties made in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements and therefore have the most significant risk of resulting in a material change are as follows:-

(i)	Retirement Benefit Obligations	The valuation of the pension deficit is affected by small movements in key actuarial assumptions
(ii)	Trade and Other Receivables	The provision for doubtful receivables is based on judgemental estimates over the recoverable amounts

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 revenue and profit. The Group's **Manufacturing Operations** segment **comprises** the design, manufacture and assembly of timber, corrugated and foam-based packaging materials in the UK, the design, manufacture and supply of self-adhesive labels to a variety of FMCG customers in the UK & Europe and the design, manufacture and supply of resealable labels to a variety of FMCG customers in the UK, Europe and the USA. No individual business segment within Manufacturing Operations represents more than 10% of Group revenue or income.

	2016	2015
	£000	£000
Packaging Distribution		
Revenue	**156,187**	143,265
Cost of sales	**(110,928)**	(101,047)
Gross profit	**45,259**	42,218
Net operating expenses	**(37,423)**	(35,467)
Operating profit	**7,836**	6,751
Manufacturing Operations		
Revenue	**28,031**	31,017
Cost of sales	**(17,577)**	(20,014)
Gross profit	**10,454**	11,003
Net operating expenses	**(9,578)**	(10,052)
Operating profit	**876**	951

3. Segmental information (continued)

	2016	2015
	£000	£000
Group segment – total revenue		
Packaging Distribution	**156,187**	143,265
Manufacturing Operations	**28,031**	31,017
Inter-segment revenue	**(4,446)**	(5,150)
External revenue - continuing operations	**179,772**	169,132
Operating profit - continuing operations		
Packaging Distribution	**7,836**	6,751
Manufacturing Operations	**876**	951
Operating profit – continuing operations	**8,712**	7,702
Finance costs	**(901)**	(935)
Profit before tax	**7,811**	6,767
Tax	**(1,761)**	(1,317)
Profit for the year	**6,050**	5,450

	Assets	Liabilities	Net assets
	£000	£000	£000
Group segments			
Packaging Distribution	**105,034**	**72,503**	**32,531**
Manufacturing Operations	**13,529**	**6,737**	**6,792**
Net assets 2016	**118,563**	**79,240**	**39,323**

	Assets	Liabilities	Net assets
	£000	£000	£000
Packaging Distribution	87,590	61,625	25,965
Manufacturing Operations	14,544	7,037	7,507
Net assets 2015	102,134	68,662	33,472

4. Finance costs

	2016	2015
	£000	£000
Interest on bank borrowings	**(480)**	(460)
Interest on obligations under finance leases	**(48)**	(37)
Net interest expense on retirement benefit obligation (see note 10)	**(373)**	(438)
Total finance costs	**(901)**	(935)

5. Tax

	2016	2015
	£000	£000
Current tax		
United Kingdom corporation tax at 20.00% (2015: 20.25%)	**(1,409)**	(1,134)
Foreign tax	**(79)**	(48)
Prior period adjustments	**83**	80
Total current tax	**(1,405)**	(1,102)
Deferred tax		
Current year	**(196)**	(215)
Prior period adjustments	**(160)**	-
Total deferred tax (see note 11)	**(356)**	(215)
Total	**(1,761)**	(1,317)

The standard rate of tax based on the UK average rate of corporation tax, is 20.00% (2015 – 20.25%). Taxation for other jurisdictions is calculated at the rates prevailing in these jurisdictions. The actual tax charge for the current and previous year varies from 20.00% (2015 – 20.25%) of the results as set out in the consolidated income statement for the reasons set out in the following reconciliation:-

	2016	2015
	£000	£000
Profit before taxation	**7,811**	6,767
Tax on profit at 20.00% (2015 – 20.25%)	**(1,562)**	(1,370)
Factors affecting tax charge for the year:-		
Non-deductible expenses	**(122)**	(37)
Difference on overseas tax rates	**-**	10
Changes in estimates related to prior years	**(77)**	80
Tax charge for the year	**(1,761)**	(1,317)
Effective rate of tax for the year	**22.5%**	19.5%

6. Dividends

	2016	2015
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2015 of 1.29p per share (2014 – 1.15p per share)	**1,608**	1,433
Interim dividend for the year ended 31 December 2016 of 0.55p per share (2015 – 0.53p per share)	**750**	661
	2,358	2,094

In addition to the amounts shown above, a proposed dividend of 1.40p per share will be paid on 8 June 2017 to those shareholders on the register at 12 May 2017. This is subject to approval by shareholders at the Annual General Meeting on 9 May 2017 and has not been included as a liability in these financial statements.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2016	2015
	£000	£000
Earnings for the purposes of earnings per share		
Profit for the year from continuing operations	**6,050**	5,450

Number of shares in issue for the purposes of calculating basic and diluted earnings per share	**2016 No. of shares '000**	2015 No. of shares '000
Weighted average number of shares in issue for the purposes of basic earnings per share	**129,496**	124,611
Effect of dilutive potential ordinary shares due to share options	**859**	576
Weighted average number of shares in issue for the purposes of diluted earnings per share	**130,355**	125,187
Basic Earnings per share	**4.67p**	4.37p
Diluted Earnings per share	**4.64p**	4.35p

8. Acquisition of subsidiary companies

On 5 April 2016, the Group's subsidiary, Macfarlane Group UK Limited, acquired the business of Colton Packaging Teesside, for a consideration of approximately £1.3 million. £1.1 million was paid in cash on acquisition, with the deferred consideration of £0.2 million payable in the second quarter of 2017, if the earn-out target for the year to 31 March 2017 is achieved. On 3 May 2016, Macfarlane Group UK Limited also acquired the packaging business of Edward McNeil Limited, for a consideration of approximately £1.7 million. £1.6 million was paid in cash on acquisition, with the deferred consideration of £0.1 million payable in the next twelve months, based on certain working capital targets.

On 29 July 2016, the Group acquired 100% of the issued share capital of Nelsons for Cartons & Packaging Limited, a packaging distributor, for a consideration of approximately £7.2 million. £4.7 million was paid in cash on acquisition, and £1.0 million was settled by the issue of shares. The deferred consideration of £1.5 million, is payable in two equal instalments in the final quarter of 2017 and 2018, subject to certain trading targets being met in the two twelve month periods ending on 29 July 2017 and 29 July 2018 respectively. The contingent consideration is recognised as a liability in creditors and is remeasured to fair value at the balance sheet date on a range of outcomes between £Nil and £1.5 million.

8. Acquisition of subsidiary companies

In 2015 the Group acquired 100% of One Packaging Limited for a consideration of £2.7 million. £2.0 million was paid in cash on acquisition, with the deferred consideration of £0.7 million paid in 2016 as the earn-out target for the year to 31 July 2016 has been met. In 2014 the Group acquired Network Packaging Limited with deferred consideration on acquisition of £2.6 million. £1.3 million of this was paid in 2015 with the remainder of £1.3 million paid in 2016 following the achievement of the earn-out target.

All of these businesses are accounted for in the Packaging Distribution segment. Goodwill arising on these acquisitions is attributable to the anticipated future profitability of the distribution of Group product ranges in the UK and anticipated operating synergies from future combinations of activities with the Packaging Distribution network. Fair values assigned to net assets acquired and consideration paid and payable are set out below:-

	2014/15 Acquisitions £000	Colton & McNeil £000	Nelsons £000	**2016 £000**	2015 £000
Net assets acquired					
Other intangible assets	-	**1,619**	**2,933**	**4,552**	1,238
Property, plant and equipment	-	**25**	**170**	**195**	168
Inventories	-	**628**	**914**	**1,542**	350
Trade and other receivables	-	-	**1,728**	**1,728**	1,098
Cash and bank balances	-	-	**696**	**696**	-
Bank loans and overdrafts	-	-	-	-	(403)
Trade and other payables	-	-	**(1,837)**	**(1,837)**	(974)
Current tax liabilities	-	-	**(256)**	**(256)**	-
Finance lease liabilities	-	-	**(7)**	**(7)**	(59)
Deferred tax liabilities	-	**(292)**	**(536)**	**(828)**	(249)
Net assets acquired	-	**1,980**	**3,805**	**5,785**	1,169
Goodwill arising on acquisition	-	**1,041**	**3,345**	**4,386**	1,644
Total consideration	-	**3,021**	**7,150**	**10,171**	2,813
Contingent consideration on acquisitions					
Current year	-	**(320)**	**(1,500)**	**(1,820)**	-
Prior years	**2,063**	-	-	**2,063**	725
Shares	-	-	**(1,000)**	**(1,000)**	-
Total consideration	**2,063**	**2,701**	**4,650**	**9,414**	3,538
Net cash outflow arising on acquisition					
Cash consideration	**(2,063)**	**(2,701)**	**(4,650)**	**(9,414)**	(3,538)
Cash and bank balances acquired	-	-	**696**	**696**	-
Bank loans and overdrafts assumed	-	-	-	-	(403)
Net cash outflow	**(2,063)**	**(2,701)**	**(3,954)**	**(8,718)**	(3,941)

9. Notes to the cash flow statement

		2016	2015
		£000	£000
Operating profit		**8,712**	7,702
Adjustments for:			
Amortisation of intangible assets		**1,117**	826
Depreciation of property, plant and equipment		**1,267**	1,151
(Gain)/loss on disposal of property, plant and equipment		**(18)**	34
Operating cash flows before movements in working capital		**11,078**	9,713
Increase in inventories		**(885)**	(546)
Increase in receivables		**(3,450)**	(2,042)
Increase in payables		**1,280**	2,178
Decrease in provisions		**-**	(32)
Adjustment for pension scheme funding		**(2,906)**	(2,682)
Cash generated by operations		**5,117**	6,589
Income taxes paid		**(1,295)**	(724)
Interest paid		**(528)**	(497)
Net cash inflow from operating activities		**3,294**	5,368
Movement in net debt			
Increase in cash and cash equivalents		**523**	157
Increase in bank borrowings		**(4,167)**	(1,690)
New finance lease facilities		**-**	(813)
Repayment of obligations under finance leases		**329**	320
Movement in net debt in the year		**(3,315)**	(2,026)
Opening net debt		**(12,758)**	(10,732)
Closing net debt		**(16,073)**	(12,758)
Net debt comprises:			
Cash and cash equivalents in statement of cash flows		**1,930**	1,407
Bank borrowings		**(17,206)**	(13,039)
Net bank debt		**(15,276)**	(11,632)
Obligations under finance leases	Due within one year	**(395)**	(388)
	Due outwith one year	**(402)**	(738)
Closing net debt		**(16,073)**	(12,758)

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.

10. Pension scheme

Macfarlane Group PLC sponsors a defined benefit pension scheme for certain active and former UK employees – the Macfarlane Group PLC Pension & Life Assurance Scheme (1974) ("the scheme"). The two major trading subsidiaries, Macfarlane Group UK Limited and Macfarlane Labels Limited are the other two sponsoring employers of the scheme.

The scheme is administered by a separate Board of Trustees composed of employer nominated representatives and member nominated Trustees and is legally separate from the Group. The assets of the scheme are held separately from those of the Group in managed funds under the supervision of the Trustees. The Trustees are required by law to act in the interest of all classes of beneficiary in the scheme and are responsible for investment policy and the day-to-day administration of benefits. The scheme was closed to new entrants during 2002.

The scheme provides qualifying employees with an annual pension of 1/60 of pensionable salary for each completed year's service on attainment of a normal retirement age of 65. Pensionable salaries were frozen for the remaining active members at the levels current at 30 April 2009 with the change taking effect from 30 April 2010 and as a result no further salary inflation applies for active members who remained in the scheme. Active members' benefits also include life assurance cover, albeit the payment of these benefits is at the discretion of the scheme's Trustees.

On withdrawing from active service a deferred member's pension is revalued from the time of withdrawal until the pension is drawn. Revaluation in deferment is statutory and since 2010 has been revalued on the Consumer Price Index ("CPI") measure of inflation. Revaluation of pensions in payment is a blend of fixed increases and inflationary increases depending on the relevant periods of accrual of benefit. For pensions in payment, with the inflationary increases is currently based on the Retail Prices Index ("RPI") measure of inflation.

During 2012, Macfarlane Group PLC agreed with the Board of Trustees to amend benefits for pensioner, deferred and active members in the defined benefit pension scheme by offering a Pension Increase Exchange ("PIE") option for deferred and active members after 1 May 2012.

The Group will consider further actions to reduce the deficit in 2017.

Balance sheet disclosures

The fair value of the scheme investments, present value of the scheme liabilities and the expected rates of return have been based on the results of the actuarial valuation as at 1 May 2014, updated to the year-end.

	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Investment class					
Equities	**17,112**	16,788	15,893	15,079	14,474
Multi-asset diversified funds	**21,509**	25,476	18,541	16,414	13,026
Liability-driven investment funds	**26,532**	14,107	22,195	-	-
Bonds	**-**	11,119	11,263	22,534	23,544
European loan fund	**6,334**	-	-	-	-
Other (cash and similar assets)	**6,321**	303	98	211	305
Fair value of assets	**77,808**	67,793	67,990	54,238	51,349
Present value of scheme liabilities	**(92,345)**	(79,311)	(81,863)	(70,134)	(70,247)
Deficit in the scheme	**(14,537)**	(11,518)	(13,873)	(15,896)	(18,898)
Related deferred tax asset (see note 11)	**2,471**	2,073	2,775	3,179	4,346
Net pension scheme liability	**(12,066)**	(9,445)	(11,098)	(12,717)	(14,552)

10. Pension scheme (continued)

The Trustees review the investments of the scheme on a regular basis and consult with the Company regarding any proposed changes to the investment profile. During 2016, the interest rate and inflation rate protection in the scheme was increased by adding to the Liability Driven Investment funds, a new European loan fund was added to the portfolio and both of these investments were financed by the disposal of the Corporate Bond Fund holding.

The ability to realise the Scheme's assets at, or very close to, fair value was considered when setting the investment strategy. The Scheme's investment strategy has 84% of the assets being able to be realised at fair value on a daily or weekly basis. The remaining assets have monthly or quarterly liquidity, however, whilst the income from these helps to meet the Scheme's cashflow needs, they are not expected to require to be realised at short notice.

The present value of the scheme liabilities is derived from cash flow projections over a long period of time and is thus inherently uncertain.

The scheme's liabilities were calculated on the following bases as required under IAS 19:

Assumptions	**2016**	2015	2014	2013	2012
Discount rate	**2.70%**	3.70%	3.50%	4.50%	4.40%
Rate of increase in salaries	**0.00%**	0.00%	0.00%	0.00%	0.00%
Inflation assumption (RPI)	**3.30%**	3.10%	3.00%	3.40%	3.00%
Inflation assumption (CPI)	**2.30%**	2.10%	2.10%	2.50%	2.30%
Spouse's pension assumption					
Pensioner members	**70%**	70%	70%	70%	70%
Deferred and active members	**80%**	80%	80%	80%	80%
Life expectancy beyond normal retirement date of 65					
Male	**22.8 years**	22.7 years	22.7 years	22.6 years	22.4 years
Female	**25.3 years**	25.3 years	25.1 years	25.1 years	24.6 years

Movement in scheme deficit	**2016 £000**	2015 £000	2014 £000	2013 £000	2012 £000
At 1 January	**(11,518)**	(13,873)	(15,896)	(18,898)	(20,484)
Current service cost	**(95)**	(152)	(126)	(148)	(146)
Employer contributions	**3,001**	2,834	5,480	2,748	2,583
Pension Increase Exchange gain	**-**	-	-	-	1,855
Net finance cost	**(373)**	(438)	(594)	(775)	(930)
Remeasurement of pension scheme liability	**(5,552)**	111	(2,737)	1,177	(1,776)
At 31 December	**(14,537)**	(11,518)	(13,873)	(15,896)	(18,898)

Funding

UK pension legislation requires that pension schemes are funded prudently. Following the completion of the triennial actuarial valuation at 1 May 2014, Macfarlane Group PLC is paying deficit reduction contributions in accordance with an agreement with the scheme trustees to reduce the deficit over 10 years.

The next triennial actuarial valuation of the scheme is due at 1 May 2017.

10. Pension scheme (continued)

Sensitivity to key assumptions

The key assumptions used for IAS 19 are discount rate, inflation and mortality. If different assumptions were used, then this could have a material effect on the results disclosed. Assuming all other assumptions are held static then a movement in the following key assumptions would affect the level of the deficit as shown below:-

Assumptions	**2016** **£000**	2015 £000	2014 £000
Discount rate movement of +0.1%	**1,478**	1,142	1,285
Inflation rate movement of +0.1%	**(471)**	(404)	(393)
Mortality movement of +0.1 year in age rating	**277**	214	295

Positive figures reflect a reduction in the scheme liabilities and therefore a reduction in the scheme deficit. The sensitivity information has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date and is consistent with the approach adopted in previous years.

All of the sensitivity information assumes that the average duration of liabilities in the scheme is seventeen years.

11. Deferred tax

		2016 **£000**	2015 £000
At 1 January		**1,511**	2,226
Inherited on acquisitions		**(828)**	(249)
Charged in income statement	Current year	**(196)**	(215)
	Change in estimates for prior years	**(160)**	-
Credited/(charged) in other comprehensive income			
Remeasurement of pension scheme liability		**1,000**	(22)
Long-term corporation tax rate change		**(146)**	(229)
At 31 December		**1,181**	1,511

	2016 **£000**	2015 £000
On retirement benefit obligations (see note 10)	**2,471**	2,073
Corporation tax losses	**407**	426
Disclosed as deferred tax asset	**2,878**	2,499
On accelerated capital allowances		
Disclosed as a deferred tax liability	**(160)**	-
On other intangible assets		
Disclosed as a deferred tax liability	**(1,537)**	(988)
At 31 December	**1,181**	1,511

Reductions in the UK corporation tax rate to 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on this rate.

12. Share capital

	2016	2015
	£000	£000
Allotted, issued and fully paid:		
At 1 January	**31,153**	31,153
Issued during the year	**2,931**	-
At 31 December	**34,084**	31,153
Share premium		
At 1 January	**1,018**	1,018
Issue of new shares during the year	**3,869**	-
Expenses of share issue	**(246)**	-
At 31 December	**4,641**	1,018

The Company has one class of ordinary shares, which carry no right to fixed income. Each ordinary share carries one vote in any General Meeting of the Company.

On 26 July 2016, the Company announced a placing of 10,000,000 ordinary shares of 25p each at a price of 58p per share. These shares were admitted to the official List of the London Stock Exchange on 29 July 2016.

On 29 July 2016, the Company acquired the whole issued share capital of Nelsons for Cartons & Packaging Limited. As part of the initial consideration, the Company issued 1,724,137 ordinary shares of 25p each at a value of 58p per share to the Vendors, for a total value of £1,000,000, which were also admitted to the official List of the London Stock Exchange on 29 July 2016.

13. 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 2016 will be disclosed in the Group's Annual Report for the year ending 31 December 2016.

On 8 May 2015, Peter Atkinson and John Love were granted option awards over 775,254 and 360,026 ordinary shares respectively under the Macfarlane Group PLC Long Term Incentive Plan. These awards are based on targets around Earnings per share, Total Shareholder Return and sales levels for the year ended 31 December 2017.

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

14. Posting to shareholders and Annual General Meeting

The Annual Report and Accounts will be sent to shareholders on Friday 31 March 2017 and will be available to members of the public at the Company's Registered Office, 21 Newton Place, Glasgow G3 7PY from Monday 3 April 2017.

The Annual General Meeting will take place at the Double Tree by Hilton Hotel, Cambridge Street Glasgow G2 3HN at 12 noon on Tuesday 9 May 2017.