

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take you are recommended immediately to seek your own financial advice from your stockbroker, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom, or if not, from another appropriately authorised independent financial adviser. Investment in the Company is speculative and involves a high degree of risk.

The Company and the Directors of Macfarlane Group plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document, together with the Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares you should retain these documents, and immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected. **This document should be read in conjunction with the accompanying Form of Proxy and the Notice of General Meeting as set out at the end of this Circular. The whole text of this document should be read. Your attention is particularly drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which confirms the Board's recommendations that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.**

Notice of a General Meeting of Macfarlane Group plc to be held at the York Suite, Hilton Coventry, Paradise Way, Coventry, CV2 2ST at 9.00 a.m. on 1 October 2014 is set out at the end of this document. Shareholders are urged to complete and return the enclosed Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to be received by the Company's registrars Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA no later than 9.00 a.m. on 29 September 2014. Completion and return of the Form of Proxy will not preclude Shareholders from attending the meeting and voting in person should they subsequently wish to do so.

Application will be made for the Placing Shares to be admitted to the Official List and to be admitted to trading on the Main Market of the London Stock Exchange (the "Main Market"). No application has been made or is currently intended to be made for the Placing Shares to be admitted to trading or dealt on any other exchange. It is expected that dealings in the Placing Shares on the Main Market will commence at 8.00 a.m. on 2 October 2014.

MACFARLANE GROUP PLC

(Incorporated in Scotland with registered number SC004221)

Placing of 8,000,000 Placing Shares at a price of 37.5 pence per share

and

Notice of General Meeting

ARDEN PARTNERS PLC

Financial Adviser, Sponsor and Broker

Arden Partners plc, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser, sponsor and broker to Macfarlane Group plc in connection with the proposed admission of the Placing Shares to trading on the Main Market of the London Stock Exchange and the proposals detailed in this document. Persons receiving this document should note that, in connection with such proposals, Arden Partners plc is acting exclusively for Macfarlane Group plc and no one else. Arden Partners plc will not be responsible to anyone other than Macfarlane Group plc for providing the protections afforded to clients of Arden Partners plc nor for advising any other person on the transactions and arrangements described in this document. No representation or warranty, express or implied, is made by Arden Partners plc as to any of the contents of this document. Apart from the liabilities and responsibilities, if any, which may be imposed on Arden Partners plc by the Financial Services and Markets Act 2000 or the regulatory regime established under it, Arden Partners plc accepts no responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it or on its behalf in connection with Macfarlane Group plc, the Existing Ordinary Shares, the Placing Shares or the proposals. Arden Partners plc accordingly disclaims all and any liability whatsoever whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

The Placing Shares referred to in this Circular have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the requirements of the Securities Act. There will be no public offer of the Placing Shares in the United States, the United Kingdom or elsewhere. The Placing Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of this offering. Any representation to the contrary is a criminal offence in the United States and any re-offer or resale of any of the Placing Shares in the United States or to a US Person may constitute a violation of US law or regulation.

The distribution of this Circular and the offering or sale of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company or Arden Partners plc that would permit an offering of the Placing Shares or possession or distribution of this Circular or any other offering or publicity material relating to the Placing Shares in any jurisdiction where action for that purpose is required. Persons into whose possession this Circular comes are required by the Company or Arden Partners plc to inform themselves about and to observe any such restrictions.

This Circular is directed only at members of the Company falling within the meaning of Article 43(2)(a) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (all such persons together being referred to as "Relevant Persons"). This Circular must not be acted on or relied on by persons who are not Relevant Persons. This document does not constitute an offer of securities and accordingly is not a prospectus.

Copies of this document will be available free of charge at the registered office of the Company and at the offices of Arden Partners plc, 125 Old Broad Street, London EC2N 1AR, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until one month after the date of Admission and will be available on the Company's website: www.macfarlanegroup.com.

FORWARD LOOKING STATEMENTS

This document includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this document. The Company, the Directors and Arden Partners plc expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the Listing Rules for Companies.

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DIRECTORS AND ADVISERS

Directors

Graeme Bissett (*Chairman*)
Peter Atkinson (*Chief Executive*)
Michael Arrowsmith (*Senior independent Director*)
John Love (*Finance Director*)
Robert McLellan (*Non-Executive Director*)
Stuart Paterson (*Non-Executive Director*)

all of:

21 Newton Place
Glasgow
G3 7PY

Company Secretary

Andrew Cotton

Financial Adviser, Sponsor and Broker

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Solicitors to the Company

CMS Cameron McKenna LLP
191 West George Street
Glasgow
G2 2LD

Solicitors to the Placing

Speechly Bircham LLP
6 New Street Square
London
EC4A 3LX

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
BN99 6DA

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Circular posted to Shareholders	8 September 2014
Admission and commencement of dealings of the Vendor Shares	8.00 a.m. on 11 September 2014
Latest time and date for receipt of Forms of Proxy	9.00 a.m. on 29 September 2014
General Meeting	9.00 a.m. on 1 October 2014
Admission and commencement of dealings of the Placing Shares	8.00 a.m. on 2 October 2014
CREST members' accounts expected to be credited for the Placing Shares in uncertificated form	2 October 2014
Dispatch of definitive share certificates for the issued Placing Shares in certificated form	by 14 October 2014

Each of the dates in the above timetable is subject to change at the absolute discretion of the Company. References to time in this Circular are to London time except when otherwise stated. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to the UK Listing Authority, the London Stock Exchange and (if appropriate) shareholders by announcement through a Regulatory Information Service.

PLACING STATISTICS

Placing Price	37.5 pence
Number of Existing Ordinary Shares in issue as at the date of this document	115,019,000
Total number of Vendor Shares	1,592,360
Issued share capital following the issue of the Vendor Shares	116,611,360
Total number of Placing Shares	8,000,000
Enlarged Share Capital following the Placing	124,611,360
Percentage of the Enlarged Share Capital comprised by the Placing Shares	6.42 per cent.
Estimated gross proceeds of the Placing	£3,000,000
ISIN	GB0005518872
SEDOL	0551887

DEFINITIONS

In this document, the following terms shall have the following meanings:

“2006 Act”	the Companies Act 2006 (as amended)
“Acquisition”	the acquisition of the entire issued share capital of Network Packaging which is governed by the SPA
“Admission”	the admission to the Official List and to trading on the Main Market of the London Stock Exchange of the Placing Shares, which is expected to take place on 2 October 2014
“Arden”	Arden Partners plc
“Articles”	the articles of association of the Company as at the date of this Circular
“Business Day”	any day (other than a Saturday, Sunday or public holidays) upon which commercial banks are open for business in London, UK
“Circular”	this document
“Company” or “Macfarlane”	Macfarlane Group plc
“CREST”	the relevant system for the paperless settlement of trades and the holding of uncertified securities operated by Euroclear UK and Ireland in accordance with the CREST Regulations
“CREST member”	a person who has been admitted by Euroclear UK and Ireland as a system-member (as defined in the CREST Regulations)
“Directors” or “Board”	the directors of the Company
“DUF”	Discretionary Unit Fund Managers Limited (registered number 00763486)
“Enlarged Share Capital”	the issued ordinary share capital of the Company following admission of the Vendor Shares and the Placing Shares
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	the existing Ordinary Shares as at the date of this Circular
“Form of Proxy”	the form of proxy accompanying this Circular for use by Shareholders in relation to the General Meeting
“FCA”	the Financial Conduct Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting” or “GM”	the general meeting of Shareholders to be held at the York Suite, Hilton Coventry, Paradise Way, Coventry CV2 2ST at 9.00 a.m. on 1 October 2014
“Group”	the Company, together with its subsidiary undertakings
“ISIN”	International Securities Identification Number

“Lane Packaging”	Lane Packaging Limited, a company incorporated in England and Wales with registered number 02014518 and registered address at c/o Macfarlane Group UK Limited, Siskin Parkway East, Middlemarch Business Park, Coventry CV3 4PE
“Listing Rules”	the listing rules made by the UK Listing Authority pursuant to Part VI of FSMA
“Listing Rules for Companies”	the Listing Rules for Companies, as published and amended from time to time by the London Stock Exchange
“London Stock Exchange”	London Stock Exchange plc
“Member Account ID”	the identification code or number attached to any member account in CREST
“MGUKL”	Macfarlane Group UK Limited (registered number 01630389)
“Miton”	Miton Group plc (registered number 05160210)
“Network Packaging”	Network Packaging Limited, a company incorporated in England and Wales with registered number 03400627 and registered address at Unit 5, Lanesfield Drive, Spring Road Industrial Estate, Ettingshall, Wolverhampton, West Midlands WV4 6UA
“Notice of General Meeting”	the notice of General Meeting set out at the end of this Circular
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	the ordinary shares of 25p each in the capital of the Company
“Overseas Shareholder”	a Shareholder who is resident, or who is a citizen of, or who has a registered address in a jurisdiction outside the United Kingdom
“Placees”	the persons who have conditionally agreed to subscribe for the Placing Shares
“Placing”	the placing of the Placing Shares at the Placing Price by Arden, as described in Part I of this Circular
“Placing Agreement”	the conditional agreement dated 8 September 2014 between the Company (1) and Arden (2) relating to the Placing
“Placing Price”	37.5 pence per Placing Share
“Placing Shares”	the 8,000,000 new Ordinary Shares which have been conditionally placed with institutional and other investors by Arden pursuant to the Placing
“Registrars”	Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA
“Related Party Transaction”	the participation of Miton and DUF in the Placing
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
“Restricted Jurisdiction”	each and any of the United States of America, Australia, Canada, Japan, New Zealand, Russia, and the Republic of South Africa and any other jurisdiction where extension or availability of the Placing would breach any applicable law or regulations

“SPA”	the share purchase agreement relating to the Acquisition dated on or around the date hereof, made between the Company and the Vendors
“Shareholder(s)”	holder(s) of Existing Ordinary Shares
“Sterling” “Pounds sterling” “Pence” or “p”	the lawful currency of the United Kingdom
“UK Listing Authority”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 of England and Wales, as amended
“US Person”	a US person as defined in Regulation S promulgated under the US Securities Act
“US Securities Act”	the United States Securities Act of 1993 (as amended)
“Vendor Shares”	the 1,592,360 new Ordinary Shares which have been issued, as agreed, to the Vendors under the terms of the SPA
“Vendors”	together, Martin John Dunn, Michaela Jane Dunn, Gary Philip Lewis, Samantha Lewis, Andrew Jonathan Plimmer, Kris Yvonne Plimmer, Gillian Elaine Tugman and Neal Ronald Tugman

PART I: LETTER FROM THE CHAIRMAN

MACFARLANE GROUP PLC

(Incorporated and registered in Scotland with registered number SC004221)

Graeme Bissett (*Chairman*)
Peter Atkinson (*Chief Executive*)
Michael Arrowsmith (*Senior independent Non-executive Director*)
John Love (*Finance Director*)
Robert McLellan (*Non-executive Director*)
Stuart Paterson (*Non-executive Director*)

Registered Office
21 Newton Place
Glasgow
G3 7PY

8 September 2014

Dear Shareholder,

Placing and Notice of General Meeting

1. Introduction

Earlier today your Board announced that the Company had conditionally raised £3 million (before expenses) by way of a placing of 8,000,000 Placing Shares at 37.5 pence per Placing Share with institutional investors. In addition, it was also announced that the Company had completed the acquisition of the entire issued share capital of Network Packaging for a maximum consideration of approximately £7.5 million. The acquisition is not conditional on the Placing.

As the allotment and issue of the Placing Shares will exceed the existing authorities which the Directors have to allot new Ordinary Shares for cash on a non pre-emptive basis, a general meeting of Shareholders is being convened to seek approval to grant new authorities to enable the Directors to complete the Placing. If Shareholder approval of either of the Resolutions is not given at the General Meeting, the Placing as currently envisaged will not proceed.

The Placing Shares to be issued pursuant to the Placing are to be admitted to the Official List and admitted to trading on the Main Market of the London Stock Exchange, which is expected to take place at 8.00 a.m. on 2 October 2014.

The purpose of this letter is to explain to Shareholders the background to, and reasons for, the Placing. The Notice of General Meeting is set out at the end of this Circular and a Form of Proxy is also enclosed for you to complete. This Circular also includes an explanation of the Resolutions.

2. Background to and reasons for the Placing

Macfarlane is one of the leading specialist UK distributors of protective packaging materials. In a highly fragmented market, Macfarlane is one of the market leaders. The business operates through 17 Regional Distribution Centres ("RDCs") supplying customers with a comprehensive range of protective packaging materials and services on a local, regional and national basis.

Competition in the Packaging Distribution market is from local and regional protective packaging specialists and national distribution generalists who supply a range of products including protective packaging materials. Between 2006 and 2008 Macfarlane acquired three regional protective packaging specialists and successfully integrated them into our UK network.

The Board has consistently recognised that the achievement of its strategy for future growth in Packaging Distribution in the UK is likely to come from a combination of organic growth, primarily by winning new customers and from the successful acquisition and integration of smaller competitors to improve market share and increase operational efficiencies.

To support the “buy and build” element of this strategy, in February 2014, MGUKL (a subsidiary of Macfarlane) agreed a new three-year banking facility of up to £20.0 million with Lloyds Banking Group plc to enable us to continue to finance our trading requirements and address the Group’s pension deficit, but also to support controlled acquisition activity.

The first step in the current acquisition programme was the acquisition of PSD industrial Holdings Limited, the parent company of Lane Packaging, a specialist packaging distributor based in Reading in May 2014. The business was acquired to supplement Macfarlane’s existing activities in Berkshire and has performed to plan since acquisition.

The structure of the acquisition of Lane Packaging followed the format used in all recent Macfarlane acquisitions, being the payment of part of the consideration at completion, with the balance paid on a contingent basis following the satisfaction by the acquired company of pre-determined earnout targets. Macfarlane uses deferred consideration to seek to reduce the risk of over paying for a company and to incentivise certain key vendors to remain with the acquired company.

The acquisition of Network Packaging has followed this consideration structure and it is likely that any future acquisitions will follow a similar structure. Whilst the acquisition of Network Packaging is not conditional on the Placing completing, the Company would like to take the opportunity to issue new equity at this time. Without the Placing, the acquisition of Network Packaging would see the Group utilising much of its existing banking facilities and therefore limiting the Group’s funding capacity for future acquisitions.

The Placing gives the Company the ability to make further acquisitions in the future using existing debt facilities or further issues of new equity.

3. The Acquisition of Network Packaging

In addition to the Placing, the Company announced earlier today that it has agreed to acquire the entire issued share capital of Network Packaging, for a maximum consideration of approximately £7.5 million. Of the initial consideration of £4.9 million, £4.3 million will be paid in cash and £0.6 million will be settled by the issue of 1,592,360 Ordinary Shares, which will rank *pari passu* with the Existing Ordinary Shares. The deferred consideration of up to £2.6 million will become payable in two installments in the final quarters of 2015 and 2016 respectively, subject to certain trading targets being met in the first and second twelve month periods following the Acquisition (“the Earnout Period”).

Network Packaging was established in 1997 and is based in Wolverhampton. It has strong customer relationships both in the third-party logistics sector and internet retail and will strengthen Macfarlane’s existing Packaging Distribution activities in the Midlands. The directors of Network Packaging who form its management team will remain with the business post-completion and have agreed service contracts covering the Earnout Period. The SPA also includes provisions restricting the sale of any of the Ordinary Shares issued to them as part of the initial consideration in that period.

Network Packaging made an operating profit of £0.8 million on turnover of £7.8 million in the financial year to 31 December 2013 (audited). Gross and net assets in the audited accounts at that date totalled £3.1 million and £0.6 million respectively. The terms of the deferred consideration reflect Network Packaging’s business plan to improve turnover and operating profits by over 40 per cent. by the end of the Earnout Period.

Subject to the completion of the Placing, the Acquisition will be funded partly from the proceeds of the Placing and partly from existing resources. However, the Acquisition is not conditional upon the completion of the Placing.

4. Trading Update, outlook and prospects

On 28 August 2014, the Company announced a trading update for the six months ended 30 June 2014, in which it said:

“Performance in the six months to 30 June 2014

Our results for the six months to 30 June 2014 are in line with our statement at the AGM in May. Group sales were 3 per cent. ahead of the comparable period in 2013, but Group profit before exceptional items at £1.2 million was behind the level achieved in 2013 due mainly to margin pressure and our increased weighting in the internet retail sector where the trading pattern of customers is more highly focused towards the second half of the year. The Board is confident that full year expectations will be met.

In our core Packaging Distribution business, sales were 4 per cent. ahead of 2013. Margins in that division were lower, reflecting a competitive market and despite overheads being held at 2013 levels, operating profit before exceptional items was slightly down on 2013 at £1.5 million (2013: £1.6 million). Our Manufacturing Operations’ operating profit before exceptional items was £0.2 million (2013: £0.6 million). This reflected lower sales in Packaging Design and Manufacture due to the absence of higher-margin project work, which benefited the first half of 2013 and margin erosion in our Labels business caused by highly competitive conditions in the UK retail sector.

In May 2014, we acquired Lane Packaging, a packaging distributor based in Reading. It is pleasing to report that the business is performing well.

Net debt at 30 June 2014 was £11.6 million, an increase of £4.4 million compared to the same point last year. A new longer-term borrowing facility was put in place in February 2014 to accommodate working capital requirements, finance for acquisitions and a contribution to reduce the pension scheme deficit. In the first half of 2014, an additional £2.5 million was paid to the pension scheme and the initial cost of acquiring Lane Packaging, including inherited debt, was £1.2 million. The pension scheme deficit reduced from £15.9 million at 31 December 2013 to £13.2 million at 30 June 2014, mainly as a result of the additional £2.5 million contribution. The first half has also seen the expected seasonal uplift in working capital.

The Board expects Group trading to be strongly cash generative in the second half of 2014.

Dividend

The Board is recommending that an interim dividend of 0.50p per share be paid on 16 October 2014 to shareholders on the register as at Friday, 10 October 2014.

Outlook

Signs of growth in the economy are now more evident and our results in July and August to date are encouraging. Combined with our strength in the more seasonal internet retail sector, these factors should support the planned uplift in performance in the second half of 2014. Accordingly, the Board is confident that our full year expectations will be met.

Future growth for Macfarlane will be mostly dependent on our continuing efforts to win new business in targeted sectors and through value-enhancing acquisitions. Discussions are moving ahead well on prospective acquisitions. The Board will take steps to ensure that the funding of this programme continues to achieve a proper balance between debt and equity. Acquisitions are an important aspect of our strategy and we look forward to updating shareholders when appropriate.”

5. Details of the Placing and the Placing Agreement

The Placing

Arden has raised £3 million (before expenses) for the Company by way of a conditional placing of 8,000,000 Placing Shares at 37.5 pence per Placing Share with institutional investors.

The Placing is conditional, *inter alia*, upon:

- (a) the passing of the Resolutions at the General Meeting;
- (b) the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms; and

- (c) admission of the Placing Shares to the Official List and to trading on the Main Market of the London Stock Exchange becoming effective by not later than 8.00 a.m. on 2 October 2014 (or such later time and/or date as Arden and the Company may agree).

Accordingly, if such conditions are not satisfied, or, if applicable, waived, the respective part or parts of the Placing will not proceed.

The Placing will result in the issue of 8,000,000 Placing Shares (representing, in aggregate, approximately 6.42 per cent. of the Enlarged Share Capital). The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and therefore will rank equally for all dividends (including the interim dividend declared as part of the interim results announced on 28 August 2014) or other distributions declared, made or paid after the date of issue of the Placing Shares. No temporary documents of title will be issued.

Dealings in the Placing Shares on the Main Market of the London Stock Exchange are expected to commence on 2 October 2014. It is expected that CREST accounts will be credited on the day of Admission as regards the Placing Shares in uncertificated form and that certificates for Placing Shares to be issued in certificated form will be dispatched by first class post by 14 October 2014.

The Placing Agreement

Pursuant to the terms of the Placing Agreement, Arden as agent for the Company has agreed conditionally to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price. The Placing is not underwritten.

The obligations of Arden under the Placing Agreement are conditional, *inter alia*, upon: (i) the passing of the Resolutions at the General Meeting; and (ii) Admission becoming effective by not later than 8.00 a.m. on 2 October 2014 (or such later time and/or date as Arden and the Company may agree).

The Placing Agreement contains certain warranties and indemnities given by the Company in favour of Arden as to certain matters relating to the Company and its business. The obligations of Arden under the Placing Agreement may be terminated in certain circumstances if there occurs either a material breach of any of the warranties or if a *force majeure* event occurs at any time prior to Admission. Such rights exist in the event that such circumstances arise prior to Admission. If the conditions in the Placing Agreement are not fulfilled on or before the relevant date in the Placing Agreement then the subscription monies will be returned to Placees without interest.

6. Application for Admission

Application will be made to the UKLA and the London Stock Exchange for the Placing Shares to be admitted to the Official List and to trading on the Main Market. It is expected that Admission will become effective and that dealings for normal settlement in the Placing Shares on the Main Market will commence at 8.00 a.m. on 2 October 2014.

The Articles permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system, which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. The Existing Ordinary Shares are already admitted to CREST and therefore the Placing Shares will also be eligible for settlement in CREST. CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so upon request.

7. General Meeting

A notice convening a General Meeting of the Company, to be held at the York Suite, Hilton Coventry, Paradise Way, Coventry CV2 2ST at 9.00 a.m. on 1 October 2014 is set out at the end of this Circular. At the General Meeting, the following Resolutions will be proposed:

Resolution 1, to authorise the Directors to allot the Placing Shares for the purposes of the Placing.

Resolution 2, to approve the waiver by Shareholders of their statutory pre-emption rights in respect of the Placing Shares to be issued for the purposes of the Placing and to authorise the Directors to allot these Placing Shares for cash other than on a pre-emptive basis.

Resolution 1 is to be proposed as an ordinary resolution and Resolution 2 is to be proposed as a special resolution.

8. Action to be taken by Shareholders

General Meeting

Shareholders will find accompanying this Circular a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it to Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA, UK as soon as possible and, in any event, so as to arrive no later than 9.00 a.m. on 29 September 2014. Completion and return of the Form of Proxy will not affect Shareholders' right to attend and vote in person at the General Meeting if they so wish. Further information regarding the appointment of proxies can be found in the notes to the Notice of General Meeting.

In the case of non-registered Shareholders who receive these materials through their broker or other intermediary, such Shareholders should complete and send a letter of direction in accordance with the instructions provided by their broker or other intermediary.

In order for the Placing to proceed, Shareholders will need to approve the Resolutions as set out in the Notice of General Meeting. If any of the Resolutions are not passed at the General Meeting, the Placing will not proceed in the form currently envisaged, with the result that the anticipated net proceeds of the Placing will not become available to part fund the Acquisition and fund future acquisitions, meaning that the Board may not be able to fully implement its growth strategy.

Accordingly it is important that Shareholders vote in favour of the Resolutions, in order that the Placing can proceed.

9. Related Party Transaction

As Miton and DUF are participating in the Placing by way of investing £400,000 and £250,000 respectively at the Placing Price, and both are deemed substantial shareholders in Macfarlane, the Placing is deemed to be a related party transaction as described in the Listing Rules. As the participation of Miton and DUF in the placing is less than 5 per cent. under the relevant class tests in the Listing Rules, shareholder approval is not required under Listing Rule 11. The Directors, who have consulted with Arden in its capacity as Financial Adviser and Sponsor to the Company, consider the Placing, and Resolutions to be fair and reasonable insofar as Shareholders are concerned and to be in the best interests of the Company and its Shareholders as a whole. Further details as to the number and percentage of shares held by holders over 3 per cent. are set out in Part II of this Circular.

10. Directors' recommendation

The Directors consider the Placing to be in the best interests of the Company and its Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their own beneficial holdings of 2,102,472 Existing Ordinary Shares, representing approximately 1.83 per cent of the Existing Ordinary Shares.

Yours faithfully

Graeme Bissett

Non-executive Chairman

PART II: ADDITIONAL INFORMATION

1. Registered Office

The registered office of Macfarlane is at 21 Newton Place, Glasgow G3 7PY (telephone number +44 141 333 9666). Macfarlane is incorporated in Scotland with registered number SC004221.

2. Share Capital

<i>Issued Share Capital as at the date of this Circular</i>	<i>Issued Share Capital following completion of the Acquisition</i>	<i>Issued Share Capital following completion of the Placing</i>
115,019,000	116,611,360	124,611,360

3. Major shareholders

<i>Shareholder</i>	<i>Number of shares as at the date of this Circular</i>	<i>% of issued share capital</i>	<i>Number of shares following completion of the Acquisition</i>	<i>% of issued share capital</i>	<i>Number of shares following completion of the Placing</i>	<i>% of Enlarged Share Capital</i>
DUF	20,659,184	18.0	20,659,184	17.7	21,325,851	17.1
Miton	15,275,970	13.3	15,275,970	13.1	16,342,637	13.1
Unicorn Investment Funds	7,783,695	6.8	7,783,695	6.7	8,850,362	7.1
Hargreave Hale Investment Management	4,000,000	3.5	4,000,000	3.4	5,333,333	4.3
Lord Macfarlane of Bearsden KT and Lady Macfarlane	3,533,170	3.1	3,533,170	3.0	3,533,170	2.8

4. Material contracts

The following contracts are the only: (i) material contracts (not being a contract entered into in the ordinary course of business) which has been entered into within the two years prior to the date of this document by members of the Group; and (ii) contracts (not being a contract entered into in the ordinary course of business) entered into at any time by members of the Group which contains provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document:

1. **£20 million Receivables Finance Agreement with Lloyds Bank Commercial Finance Limited**

On 21 February 2014, MGUKL entered into a Receivables Finance Agreement (the "Facility Agreement") with Lloyds Bank Commercial Finance Limited ("Lloyds") pursuant to which Lloyds agreed to make available to MGUKL a credit facility of up to £20 million (the "Facility"). As the Letter from the Chairman in Part I of the Circular details, the purpose of the Facility is to enable the Group to finance its trading requirements, to address the Group's pension fund deficit and to support controlled acquisition activity. The Facility Agreement contains representations, warranties and covenants of a type which are usual for a facility of this nature. The term of the Facility Agreement is 36 months and thereafter either party may terminate it by giving the other party no less than 6 months' notice. The prompt performance by MGUKL of its obligations under the Facility Agreement is guaranteed by the Company and Macfarlane Labels Limited. The Facility is secured by an English law book debts debenture and a Scots law bond and floating charge granted by MGUKL over its invoices and amounts standing to the credit of its bank accounts.

2. Acquisition SPA

On 5 September 2014, the Company entered into a share purchase agreement with the Vendors, pursuant to which the Company agreed to acquire the entire issued share capital of Network Packaging for a maximum consideration of approximately £7.5 million. Of the initial consideration of £4.9 million, £4.3 million will be paid in cash and £0.6 million will be settled by the issue of 1,592,360 Ordinary Shares, which will rank *pari passu* with the Existing Ordinary Shares. The deferred consideration of up to £2.6 million will become payable in two installments in the final quarters of 2015 and 2016 respectively, subject to certain trading targets of Network Packaging being met in the first and second twelve month periods following the Acquisition.

3. Placing Agreement

On 8 September 2014, Arden and the Company entered into a placing agreement whereby Arden has agreed conditionally, *inter alia*, on Admission taking place no later than 8.00 a.m. on 2 October 2014 (or such later date as the Company and Arden may agree, being in any event not later than 8.00 a.m. on 31 October 2014) as agent for the Company to procure subscribers for the Placing Shares at the Placing Price.

Arden has the right to terminate the Placing Agreement prior to Admission in certain circumstances, including (i) in the event of certain *force majeure* events or other events involving certain material adverse changes relating to the Company; and (ii) in the event of a material breach of the warranties or undertakings in the Placing Agreement.

5. No Significant Change

There has been no significant change in the financial or trading position of the Group since 30 June 2014, the date to which the latest published unaudited interim financial information in relation to the Group was prepared.

6. Consent

Arden Partners plc, acting as Financial Adviser, Sponsor and Broker to the Company, has given and not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which it appears.

7. Documents on display

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Arden at 125 Old Broad Street, London EC2N 1AR until close of business on 1 October 2014:

- (i) the memorandum and articles of association of Macfarlane;
- (ii) the consent letter referred to above in paragraph 6; and
- (iii) the Annual Reports and Accounts of the Company, including the audited consolidated accounts and the independent auditors' reports for each of the years ended 31 December 2012 and 31 December 2013.

MACFARLANE GROUP PLC

(Incorporated and registered in Scotland with registered no. SC004221)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Macfarlane Group plc ("**Macfarlane**" or "**the Company**") will be held at the York Suite, Hilton Coventry, Paradise Way, Coventry CV2 2ST at 9.00 a.m. on 1 October 2014 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

Resolution 1

That, conditional on Admission (as defined in the circular dated 8 September 2014 of which this Notice forms part (the "**Circular**")) and in addition to the like authority conferred on them at the last annual general meeting of the Company on 6 May 2014, the Directors of the Company ("**the Directors**") be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies 2006 Act, as amended, (the "**2006 Act**") to exercise all powers of the Company to allot up to 8,000,000 ordinary shares of 25p each in the capital of the Company ("**Ordinary Shares**") of an aggregate nominal amount of £2,000,000 pursuant to the Placing (as defined in the Circular) (representing 7.0 per cent. of the Company's issued share capital as at 5 September 2014), provided that this authority shall be in addition to and not in substitution for all previous authorities pursuant to section 551 of the 2006 Act and shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2015 and 8 September 2015.

Resolution 2

That, conditional on the passing of Resolution 1 above, the Directors be and they are hereby empowered pursuant to Section 571 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 1 above as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of up to 8,000,000 Ordinary Shares of an aggregate nominal amount of £2,000,000 pursuant to the Placing and shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2015 and 8 September 2015.

By order of the Board

Andrew Cotton

Company Secretary

8 September 2014

Registered Office
21 Newton Place
Glasgow
G3 7PY

Notes:

- (1) A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy or proxies, in accordance with the Company's articles of association, to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a Shareholder and the appointment of a proxy does not preclude a Shareholder from attending and voting in person if he or she wishes to do so. A Form of Proxy is enclosed for this purpose (please note that this is different to the alternative method of submitting proxies using CREST which is described in Note 6 below). To be valid, the instrument to appoint a proxy must be lodged with Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA as soon as possible but in any event so as to arrive not later than 48 hours before the time appointed for the General Meeting or any adjournment thereof together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed.
- (2) A Shareholder has the right to appoint one or more persons as his or her proxy or proxies, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. The person named in the enclosed Form of Proxy is the chairman of the General Meeting (which is expected to be a Director of the Company); a Shareholder has the right to appoint a person or persons other than the chairman of the General Meeting as his or her proxy or proxies. Further details are included in the notes to the Form of Proxy.
- (3) A Shareholder who has appointed a proxy may revoke the proxy appointment in accordance with the provisions contained in the Company's Articles of Association by an instrument in writing, including another proxy, duly executed by the Shareholder or by his or her attorney authorised in writing, deposited with the Company as provided above. A Shareholder may also revoke a proxy in any other manner permitted by law, but such revocation must be prior to the exercise of rights by such proxy in respect of any particular matter.
- (4) A Shareholder attending the General Meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the Companies Act 2006 (the "**Act**"), in certain circumstances prescribed by the same section of the Act, the Company need not answer a question.
- (5) Information regarding the General Meeting, including the information required by section 311A of the Act, is available from www.macfarlanegroup.com.
- (6) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <http://www.euroclear.com>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA19) not later than forty eight hours before the time appointed for holding the General Meeting, being no later than 9.00 a.m. on 29 September 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (7) Only those Shareholders registered in the register of members of the Company as at 6.00 p.m. on 29 September 2014 shall be entitled to attend and vote at the General Meeting to which this Notice relates in respect of the number of Ordinary Shares registered in their name at that time. Changes to the entries on the register of members of the Company after 6.00 p.m. on 29 September 2014 shall be disregarded in determining the rights of any person to attend or vote at the meeting to which this Notice relates.
- (8) The persons named in the enclosed Form of Proxy will vote the Ordinary Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of a contrary instruction, the chairman of the General Meeting intends to vote in favour of the passing of all of the Resolutions in respect of the Ordinary Shares in respect of which he is appointed as proxy.** The enclosed Form of Proxy confers discretionary authority upon the person named therein with respect to amendments or variations to matters identified in the Notice of General Meeting and with respect to other matters which may properly come before the General Meeting or any adjournment thereof. At the time of the printing of this Circular, the Board knows of no such amendments, variations or other matters to come before the General Meeting, other than the matters referred to in this Notice of General Meeting. However, if any other matters which are not known to the Board should properly come before the General Meeting, the proxies will be voted on such matters in accordance with the best judgment of the named proxies.

- (9) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (10) If the appointer is a corporation, the proxy must be completed under its common seal (if any) or under the hand of its duly authorised agent or officer.
- (11) On the date of the Notice of General Meeting there were 115,019,000 Ordinary Shares in issue and outstanding. Each Ordinary Share entitles the holder thereof to vote on matters to be acted upon at the General Meeting.
- (12) Any member who has a general query about the General Meeting should contact the Company Secretary by post at the Company's Registered Office. No other method of communication will be accepted. You may not use any electronic address provided in this Notice of General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
- (13) If you are a person who has been nominated under section 146 of the Act to enjoy information rights, you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

