22 February 2018

ANNUAL RESULTS FOR THE YEAR TO 31 DECEMBER 2017

Financial Highlights	2017	2016	Year on Year Change
Turnover	£196.0m	£179.8m	+9%
Profit before tax	£9.3m	£7.8m	+19%
Diluted earnings per share	5.22p	4.64p	+13%
Proposed full year dividend	2.10p	1.95p	+8%

Macfarlane Group PLC achieved another year of growth in 2017 with sales of £196.0m, (2016: £179.8m) 9% ahead of the previous year and profit before tax of £9.3m (2016: £7.8m), 19% ahead of 2016. The trading performance continued the positive trends of recent years and the results were in line with market expectations.

Trading

Packaging Distribution increased sales by 10% to £171.8m (2016: £155.9m) with 3% achieved from organic growth and the remainder from acquisitions, both those in 2017 and the full year benefit of those completed in 2016, all of which continue to perform well. Gross margin in Packaging Distribution grew to 29.4%, (2016: 29.0%) reflecting the effective management of input price increases as well as a strong contribution from the Greenwoods' business acquired in September 2017. This resulted in Packaging Distribution achieving a 20% increase in operating profit to £9.4m (2016: £7.8m).

Sales in our Manufacturing Operations at £24.2m (2016: £23.9m) were 1% up on the previous year. Gross margin reduced from 43.8% in 2016 to 40.7% in 2017, mainly due to operational pressures in Packaging Design and Manufacture and an adverse exchange rate impact in our Labels business. As a result, Manufacturing Division operating profit in 2017 was £0.7m, £0.2m below the 2016 result.

After charging interest of £0.8m (2016: £0.9m), Group profit before tax totalled £9.3m (2016: £7.8m) an increase of 19%. Following the share issue in September 2017 to support the Greenwoods' acquisition, diluted earnings per share for 2017 increased by 13% from 4.64p to 5.22p per share.

Dividend

The Board is proposing a final dividend of 1.50 pence per share, amounting to a full year dividend of 2.10 pence per share, an 8% increase on the prior year's dividend of 1.95 pence per share. Subject to the approval of shareholders at the Annual General Meeting on Tuesday 15 May 2018, this dividend will be paid on Thursday 7 June 2018 to those shareholders on the register at Friday 18 May 2018.

Net Bank Debt and Pension Scheme

The Group's net bank borrowing at 31 December 2017 decreased by £1.0m to £14.3m from £15.3m 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. As part of the Group's long-term financing strategy, it is anticipated that these facilities will be extended or replaced over the course of 2018.

The Group's pension deficit at 31 December 2017 reduced by £2.7m to £11.8m, (2016: £14.5m) primarily due to the Group making deficit recovery contributions in the year. Despite the continued reduction in the discount rate, which increased the value of the pension liabilities, this was largely offset by increases in the value of the scheme's holding in liability-driven investments, reflecting an appropriate prudent investment strategy for a mature pension scheme.

Board changes

Graeme Bissett stood down as Chairman at the end of September 2017 and the Board would like to thank Graeme for his contribution as Chairman and prior to that as a non-executive Director.

On 8 January 2018, James Baird was appointed to the Board as a non-executive Director and Chairman of the Audit Committee and brings with him considerable financial experience both in the UK and Europe.

Mike Arrowsmith has indicated his intention to step down from the Board later this year, having completed six years as a non-executive Director. A process to recruit a replacement for Mike is under way and an announcement will be made once the selection process is complete.

Outlook

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

Commenting on the 2017 results, Stuart Paterson, Chairman, said:

"The 19% increase in pre-tax profits in 2017 represents the eighth consecutive year of profit growth for Macfarlane Group. Group profitability in the year to date is ahead of the same period in 2017.

Our strategy continues to be the delivery of sustainable profit growth by focusing on added value products and services in our target market sectors, combined with efficiency improvements and the identification and completion of value-enhancing acquisitions. This strategy, which continues to be refined, has served all stakeholders well in recent years and we remain confident that it will continue to do so. Macfarlane Group's performance in 2017 reflects the successful implementation of this strategy and we are confident that the Group will demonstrate further progress in 2018."

Further enquiries:	**Macfarlane Group**		Tel: 0141 333 9666
	Stuart Paterson	Chairman	
	Peter Atkinson	Chief Executive	
	John Love	Finance Director	
	Spreng Thomson		Tel: 0141 548 5191
	Callum Spreng		Mob: 07803 970103

Legal Entity Identifier (LEI): 213800LVRYDERSJAAZ73

Notes to Editors:

- Macfarlane Group PLC is listed on the London Stock Exchange (LSE: MACF) in the Industrials Sector
- The company is headquartered in Glasgow, Scotland and 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** designs and produces protective packaging for high value, fragile products
- Macfarlane Group employs over 850 people at 29 sites, principally in the UK, but also in Ireland and Sweden.
- 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	**Revenue 2017**	**Profit 2017**	Revenue 2016	Profit 2016
Group performance	**£000**	**£000**	£000	£000
Segment				
Packaging Distribution	**171,771**	**9,436**	155,900	7,836
Manufacturing Operations	**24,220**	**653**	23,872	876
Revenue from continuing operations	**195,991**		179,772	
Operating profit		**10,089**		8,712
Net finance costs		**(828)**		(901)
Profit before tax - continuing operations		**9,261**		7,811

Macfarlane Packaging Distribution is the UK's leading specialist distributor of protective packaging materials. Macfarlane operates a Stock and Serve supply model from 21 Regional Distribution Centres (RDCs) and 3 satellite sites, supplying customers with a comprehensive range of protective packaging materials on a local, regional and national basis.

Competition in the packaging 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. In a fragmented market, 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 high-quality staff with good local market knowledge. On a national basis Macfarlane 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 by offering a comprehensive product range, single source Stock and Serve 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	**2017 £000**	2016 £000	**2017 Growth**
Sales	160,236	11,535	**171,771**	155,900	**10%**
Cost of sales	(113,519)	(7,804)	**(121,323)**	(110,641)	
Gross margin	46,717	3,731	**50,448**	45,259	**11%**
Net operating expenses	(38,648)	(2,364)	**(41,012)**	(37,423)	**10%**
Operating profit	8,069	1,367	**9,436**	7,836	**20%**

Macfarlane Packaging Distribution grew sales by 10% in 2017 comprising 3% organic growth in the base business and 7% from the contribution of the 2017 acquisitions of Greenwoods Stock Boxes and Nottingham Recycling Limited as well as the incremental full year contribution from the 2016 acquisitions of Nelsons for Cartons & Packaging Limited, Colton Packaging Teesside and the packaging business of Edward McNeil 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 with over 22% of sales relating to internet retailers. During 2017 our Innovation Lab contributed to a number of new business wins and will continue to play a key role in our sales growth plans for 2018 and beyond.

Gross margin in Packaging Distribution was 29.4%, (2016: 29.0%) with effective management of input price increases as well as a strong contribution from the Greenwoods' acquisition.

Overheads increased as a result of the impact of acquisitions, but cost control remained strong with an improving overhead to sales ratio of 23.9% compared with 24.0% in 2016.

Operating profit in the Packaging Distribution business at £9.4 million grew by 20% versus 2016.

Business Review (continued)

Future Plans

2018 plans are focused on growing sales and improving profitability through the following actions:

Sales Growth

- 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 Innovation Lab;
- Demonstrating our ability to support customers to reduce "The Significant Six" packaging costs to optimise their Total Cost of Packaging solutions;
- Developing our web-based offerings through www.macfarlanepackaging.com and Customer Connect to enable customers to further improve access to our full range of products and services;
- Growing sales of new products brought to the Group through recent acquisitions; and
- Offering a service for UK based customers requiring European coverage.

Efficiency Improvements

- 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 extending our warehouse best practice programme;
- Reducing operating costs by evaluating opportunities to consolidate fragmented parts of the existing property footprint;
- Integrating recent acquisitions following the completion of the respective earn-out periods; and
- Maintaining our focus on working capital management to reduce borrowing levels.

Acquisition Growth

- Supplementing organic growth through the identification and completion of further suitable high quality acquisition opportunities.

Manufacturing Operations comprise our Packaging Design and Manufacture business and our Labels business.

	2017	2016
	£000	£000
Sales	**24,220**	23,872
Cost of sales	**(14,364)**	(13,418)
Gross margin	**9,856**	10,454
Overheads	**(9,203)**	(9,578)
Operating profit	**653**	876

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.

2017 sales for Packaging Design and Manufacture were 1% above those in 2016 despite volatile demand in certain market sectors. This volatility created operational pressures and as a result profitability in 2017 was below that in 2016. However actions implemented in the second half of 2017 showed improved profitability and the sales team has a strong pipeline of new customer relationships, which should benefit the business in 2018.

Business Review (continued)

Future Plans

Packaging Design and Manufacture (continued)

2018 plans for Packaging Design and Manufacture are:

- Accelerating sales growth, particularly in target market sectors e.g. Defence, Aerospace and Medical;
- Prioritising sales activity on the higher added-value bespoke composite pack product range;
- Improving operational performance; and
- Continuing 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 2017 were at similar levels to 2016, 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 general public focuses on the issues of food waste and easy to open packs increases, the demand for resealable packaging is creating growth opportunities for the Macfarlane Labels' Reseal-it range. Profit levels in 2017 were similar to those achieved in 2016 despite the unfavourable impact of exchange rates.

Future Plans

2018 plans for Labels are: -

- Maintaining of the strategic focus on higher added value products and services to rebalance sales between our resealable and self-adhesive label ranges;
- Continuing improvement in operational efficiency to mitigate sales price pressure; and
- Developing 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.

2018 Outlook

Our sales efforts will focus on those segments of the retail market, such as e-commerce, which are forecast to show continued above average growth rates and those industrial markets where customers recognise the added value of a specialist protective packaging distributor.

During 2018 we will continue to look to acquire good quality protective packaging businesses, improve our geographic coverage, expand across the Macfarlane network the new products introduced by recent acquisitions, improve our operational efficiency by leveraging our property footprint and working more closely with strategic suppliers.

Macfarlane businesses all have strong market positions with differentiated product and service offerings. We have a flexible business model and a clear strategic plan incorporating a range of actions, which are being effectively implemented and are reflected in our consistent, profitable growth in recent years.

Our future performance is largely dependent on the successful execution of actions to grow sales, increase efficiencies and bring high quality acquisitions into the Group. With a focus on the most attractive UK market sectors for our products and services, combined with our successful track record of growth and acquisitions, we expect 2018 to 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 2017 estimated the scheme deficit to be £11.8m, a decrease of £2.7m during 2017. 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. 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 continued matching of investments with 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 32 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 on vacant properties taking into consideration the likely period of vacancy and incentives to re-let.
Financial liquidity, debt covenants, 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 £25m. 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 facility, which is only partly utilised is in place until June 2019. As part of the Group's long-term financing strategy it is expected that this facility will be renewed or extended in 2018.
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 the decentralised management control is less effective and local decisions do not meet corporate objectives.	The Group ensures that our staff have the right working environment, information and sales tools to enable them to meet corporate objectives. A comprehensive management information system is also 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. 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 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. The use of earn-out mechanisms mitigates risk in the post-acquisition period. The Group has a comprehensive management information system in place to monitor post-acquisition performance. 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 including the uncertainty caused by Brexit, the competitive environment and risks associated with business continuity including cyber-security. These are mitigated in ways common to all businesses and not specific to Macfarlane Group.

Viability statement

The Board has considered the Group's viability as part of its 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 Group strategy, including assumptions regarding future growth rates for existing businesses and acceptable levels of performance in the period.

A robust financial model covering a three year period is maintained and regularly updated. The model is subject to sensitivity analysis which flexes a number of the main assumptions, namely: - future revenue growth, gross margins, operating costs, finance 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 existing facilities, due for renewal in June 2019 would be renewed on the current terms.

The Board has carried out a robust assessment of the principal risks facing the Group and how these risks affect the prospects of the Group and the strategic plan. The review and analysis also considers the principal risks facing the Group as described on the current and previous page, 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 Group's principal risks and how these are managed. Based on the assessment of these risks and the sensitivity analysis undertaken, the Board of 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 2020.

Going Concern

The Directors, in their consideration of going concern, have reviewed the Group's cash flow forecasts and profit projections, which are based on the Directors' past experience and their assessment of the current market outlook for the business. 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 2017. Certain parts of the full annual report are not included within this announcement. The Directors of Macfarlane Group PLC are

S.R. Paterson	Chairman
P.D. Atkinson	Chief Executive
J. Love	Finance Director
M. Arrowsmith	Non-Executive Director and Senior Independent Director
R. McLellan	Non-Executive Director
J. Baird	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
22 February 2018	22 February 2018

Macfarlane Group PLC

Consolidated income statement

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
Continuing operations			
Revenue	3	**195,991**	179,772
Cost of sales		**(135,687)**	(124,059)
Gross profit		**60,304**	55,713
Distribution costs		**(8,208)**	(7,622)
Administrative expenses		**(42,007)**	(39,379)
Operating profit	3	**10,089**	8,712
Finance costs	4	**(828)**	(901)
Profit before tax		**9,261**	7,811
Tax	5	**(1,837)**	(1,761)
Profit for the year	7	**7,424**	6,050
Earnings per share			
Basic	7	**5.22p**	4.67p
Diluted	7	**5.22p**	4.64p

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
Items that may be reclassified to profit or loss			
Foreign currency translation differences - foreign operations		**45**	195
Items that will not be reclassified to profit or loss			
Remeasurement of pension scheme liability	10	**(223)**	(5,552)
Tax recognised in other comprehensive income			
Tax on remeasurement of pension scheme liability	11	**38**	1,000
Long-term corporation tax rate change	11	**-**	(146)
Other comprehensive expense for the year, net of tax		**(140)**	(4,503)
Profit for the year		**7,424**	6,050
Total comprehensive income for the year		**7,284**	1,547

Macfarlane Group PLC

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Note	Share Capital £000	Share Premium £000	Revaluation Reserve £000	Translation Reserve £000	Retained Earnings £000	Total £000
At 1 January 2016		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
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	1,352	1,547
Transactions with shareholders							
Dividends	6	-	-	-	-	(2,358)	(2,358)
Credit for share-based payments		-	-	-	-	108	108
Issue of share capital	12	2,931	3,623	-	-	-	6,554
Total transactions with shareholders		2,931	3,623	-	-	(2,250)	4,304
At 31 December 2016		**34,084**	**4,641**	**70**	**254**	**274**	**39,323**
Other comprehensive income							
Profit for the year		**-**	**-**	**-**	**-**	**7,424**	**7,424**
Foreign currency translation differences		**-**	**-**	**-**	**45**	**-**	**45**
Remeasurement of pension liability	10	**-**	**-**	**-**	**-**	**(223)**	**(223)**
Tax on remeasurement of pension liability	11	**-**	**-**	**-**	**-**	**38**	**38**
Total other comprehensive income		**-**	**-**	**-**	**45**	**7,239**	**7,284**
Transactions with shareholders							
Dividends	6	**-**	**-**	**-**	**-**	**(2,854)**	**(2,854)**
Charge for share-based payments		-	-	-	-	**(180)**	**(180)**
Issue of share capital	12	**5,303**	**8,334**	**-**	**-**	**-**	**13,637**
Total transactions with shareholders		**5,303**	**8,334**	**-**	**-**	**(3,034)**	**10,603**
At 31 December 2017		**39,387**	**12,975**	**70**	**299**	**4,479**	**57,210**

Macfarlane Group PLC
Consolidated balance sheet at 31 December 2017

	Note	2017 £000	2016 £000
Non-current assets			
Goodwill and other intangible assets		**57,234**	44,002
Property, plant and equipment		**8,630**	7,770
Other receivables		**296**	425
Deferred tax assets	11	**2,407**	2,878
Total non-current assets		**68,567**	55,075
Current assets			
Inventories		**15,465**	12,986
Trade and other receivables		**52,578**	48,572
Cash and cash equivalents	9	**2,013**	1,930
Total current assets		**70,056**	63,488
Total assets	3	**138,623**	118,563
Current liabilities			
Trade and other payables		**49,100**	43,202
Current tax payable		**741**	1,020
Finance lease liabilities	9	**245**	395
Bank borrowings	9	**16,346**	17,206
Total current liabilities		**66,432**	61,823
Net current assets		**3,624**	1,665
Non-current liabilities			
Retirement benefit obligations	10	**11,823**	14,537
Deferred tax liabilities	11	**3,048**	1,697
Trade and other payables		**13**	781
Finance lease liabilities	9	**97**	402
Total non-current liabilities		**14,981**	17,417
Total liabilities	3	**81,413**	79,240
Net assets		**57,210**	39,323
Equity			
Share capital	12	**39,387**	34,084
Share premium	12	**12,975**	4,641
Revaluation reserve		**70**	70
Translation reserve		**299**	254
Retained earnings		**4,479**	274
Total equity	3	**57,210**	39,323

Macfarlane Group PLC

Consolidated cash flow statement

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
Net cash inflow from operating activities	9	**6,482**	3,294
Investing activities			
Acquisitions	8	**(8,337)**	(8,718)
Proceeds on disposal of property, plant and equipment		**210**	57
Purchases of property, plant and equipment		**(1,740)**	(1,144)
Net cash used in investing activities		**(9,867)**	(9,805)
Financing activities			
Dividends paid	6	**(2,854)**	(2,358)
Proceeds from issue of share capital (net of issue expenses)	12	**7,637**	5,554
(Repayment)/drawdown on bank borrowing facility		**(860)**	4,167
Repayments of obligations under finance leases	9	**(455)**	(329)
Net cash generated by financing activities		**3,468**	7,034
Net increase in cash and cash equivalents	9	**83**	523
Cash and cash equivalents at beginning of year		**1,930**	1,407
Cash and cash equivalents at end of year	9	**2,013**	1,930

Macfarlane Group PLC

Notes to the financial information

For the year ended 31 December 2017

1. General information

The financial information set out in this preliminary announcement does not constitute the Company'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 2017 and 31 December 2016 respectively.

The financial statements for 2017 were approved by the Board of Directors on 22 February 2018. The auditor's report on the statutory financial statements for the year ended 31 December 2017 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 2016 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.

Details regarding the impact assessments for forthcoming IFRSs in financial years 2018 and 2019 will be set out in the Annual Report.

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 million available until June 2019 with an additional option to increase it further to £30 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 2017.

2. Basis of preparation (continued)

Judgements, assumptions and estimation uncertainties

In preparing the 2017 financial statements from which this financial information has been extracted, 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.

The 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 adjustment 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 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 85% 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.

	2017	2016
	£000	£000
Packaging Distribution		
Revenue	**171,771**	156,187
Cost of sales	**(121,323)**	(110,928)
Gross profit	**50,448**	45,259
Net operating expenses	**(41,012)**	(37,423)
Operating profit	**9,436**	7,836
Manufacturing Operations		
Revenue	**28,191**	28,031
Cost of sales	**(18,335)**	(17,577)
Gross profit	**9,856**	10,454
Net operating expenses	**(9,203)**	(9,578)
Operating profit	**653**	876

3. Segmental information (continued)

	2017	2016
	£000	£000
Group segment – total revenue		
Packaging Distribution	**171,771**	156,187
Manufacturing Operations	**28,191**	28,031
Inter-segment revenue	**(3,971)**	(4,446)
External revenue - continuing operations	**195,991**	179,772
Operating profit - continuing operations		
Packaging Distribution	**9,436**	7,836
Manufacturing Operations	**653**	876
Operating profit – continuing operations	**10,089**	8,712
Finance costs	**(828)**	(901)
Profit before tax	**9,261**	7,811
Tax	**(1,837)**	(1,761)
Profit for the year	**7,424**	6,050

	Assets	**Liabilities**	**Net assets**
	£000	**£000**	**£000**
Group segments			
Packaging Distribution	**124,069**	**74,324**	**49,745**
Manufacturing Operations	**14,554**	**7,089**	**7,465**
Net assets 2017	**138,623**	**81,413**	**57,210**

	Assets	Liabilities	Net assets
	£000	£000	£000
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

4. Finance costs

	2017	2016
	£000	£000
Interest on bank borrowings	**(462)**	(480)
Interest on obligations under finance leases	**(18)**	(48)
Net interest expense on retirement benefit obligation (see note 10)	**(348)**	(373)
Total finance costs	**(828)**	(901)

5. Tax

	2017	2016
	£000	£000
Current tax		
United Kingdom corporation tax at 19.25% (2016: 20.00%)	**(1,551)**	(1,409)
Foreign tax	**(62)**	(79)
Prior period adjustments	**49**	83
Total current tax	**(1,564)**	(1,405)
Deferred tax		
Current year	**(273)**	(196)
Prior period adjustments	**-**	(160)
Total deferred tax (see note 11)	**(273)**	(356)
Total	**(1,837)**	(1,761)

The standard rate of tax based on the UK average rate of corporation tax, is 19.25% (2016 – 20.00%). 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 19.25% (2016 – 20.00%) of the results as set out in the consolidated income statement for the reasons set out in the following reconciliation:-

	2017	2016
	£000	£000
Profit before taxation	**9,261**	7,811
Tax on profit at 19.25% (2016 – 20.00%)	**(1,783)**	(1,562)
Factors affecting tax charge for the year:-		
Non-deductible expenses	**(95)**	(122)
Difference on overseas tax rates	**(8)**	-
Changes in estimates related to prior years	**49**	(77)
Tax charge for the year	**(1,837)**	(1,761)
Effective rate of tax for the year	**19.8%**	22.5%

6. Dividends

	2017	2016
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2016 of 1.40p per share (2015 – 1.29p per share)	**1,909**	1,608
Interim dividend for the year ended 31 December 2017 of 0.60p per share (2016 – 0.55p per share)	**945**	750
	2,854	2,358

In addition to the amounts shown above, a proposed dividend of 1.50p per share will be paid on 7 June 2018 to those shareholders on the register at 18 May 2018. This is subject to approval by shareholders at the Annual General Meeting on 15 May 2018 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:

	2017	2016
	£000	£000
Earnings for the purposes of earnings per share		
Profit for the year from continuing operations	**7,424**	6,050

Number of shares in issue for the purposes of calculating basic and diluted earnings per share	**2017 No. of shares '000**	2016 No. of shares '000
Weighted average number of shares in issue for the purposes of basic earnings per share	**142,228**	129,496
Effect of dilutive potential ordinary shares due to share options	**-**	859
Weighted average number of shares in issue for the purposes of diluted earnings per share	**142,228**	130,355
Basic Earnings per share	**5.22p**	4.67p
Diluted Earnings per share	**5.22p**	4.64p

8. Acquisitions

On 21 September 2017, the Group's subsidiary, Macfarlane Group UK Limited acquired the packaging business and selected assets of Greenwoods Stock Boxes Limited and 100% of the issued share capital of company Nottingham Recycling Limited, for a consideration of approximately £17.2 million. £7.97 million was paid in cash on acquisition, and £6.0 million was settled by the issue of shares. The deferred consideration of £3.25 million is payable in the final quarter of 2018, subject to certain trading targets being met in the twelve month period ending on 20 September 2018.

In 2016, Macfarlane Group UK Limited acquired the business of Colton Packaging Teesside and the packaging business of Edward McNeil Limited for a combined consideration of approximately £3.0 million. £2.7 million was paid in cash on acquisition, with the deferred consideration of £0.3 million payable in 2017, provided certain targets were achieved. £0.25 million was paid in 2017.

8. Acquisition of subsidiary companies

In 2016 the Group acquired 100% of Nelsons for Cartons & Packaging Limited for a consideration of £7.2 million. £4.7 million was paid in cash on acquisition, £1.0 million was settled by the issue of shares, with the deferred consideration of £1.5 million 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. £0.75 million of this was paid in 2017 with the remainder payable in 2018.

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:-

	Greenwoods £000	**Nelsons £000**	**Colton & McNeil £000**	**2017 £000**	2016 £000
Net assets acquired					
Other intangible assets	**9,185**	**-**	**-**	**9,185**	4,552
Property, plant and equipment	**712**	**-**	**-**	**712**	195
Inventories	**1,109**	**-**	**-**	**1,109**	1,542
Trade and other receivables	**2,736**	**-**	**-**	**2,736**	1,728
Cash and bank balances	**625**	**-**	**-**	**625**	696
Trade and other payables	**(1,179)**	**-**	**-**	**(1,179)**	(1,837)
Current tax liabilities	**(12)**	**-**	**-**	**(12)**	(256)
Finance lease liabilities	**-**	**-**	**-**	**-**	(7)
Deferred tax liabilities	**(1,587)**	**-**	**-**	**(1,587)**	(828)
Net assets acquired	**11,589**	**-**	**-**	**11,589**	5,785
Goodwill arising on acquisition	**5,627**	**-**	**-**	**5,627**	4,386
Total consideration	**17,216**	**-**	**-**	**17,216**	10,171
Contingent consideration on acquisitions					
Current year	**(3,250)**	**-**	**-**	**(3,250)**	(1,820)
Prior years	**-**	**750**	**246**	**996**	2,063
Shares	**(6,000)**	**-**	**-**	**(6,000)**	(1,000)
Total consideration	**7,966**	**750**	**246**	**8,962**	9,414
Net cash outflow arising on acquisition					
Cash consideration	**(7,966)**	**(750)**	**(246)**	**(8,962)**	(9,414)
Cash and bank balances acquired	**625**	**-**	**-**	**625**	696
Net cash outflow	**(7,341)**	**(750)**	**(246)**	**(8,337)**	(8,718)

9. Notes to the cash flow statement

		2017	2016
		£000	£000
Operating profit		**10,089**	8,712
Adjustments for:			
Amortisation of intangible assets		**1,580**	1,117
Depreciation of property, plant and equipment		**1,391**	1,267
Loss/(gain) on disposal of property, plant and equipment		**5**	(18)
Operating cash flows before movements in working capital		**13,065**	11,078
Increase in inventories		**(1,370)**	(885)
Increase in receivables		**(1,163)**	(3,450)
Increase in payables		**1,570**	1,280
Adjustment for pension scheme funding		**(3,285)**	(2,906)
Cash generated by operations		**8,817**	5,117
Income taxes paid		**(1,855)**	(1,295)
Interest paid		**(480)**	(528)
Net cash inflow from operating activities		**6,482**	3,294
Movement in net debt			
Increase in cash and cash equivalents		**83**	523
Decrease/(increase) in bank borrowings		**860**	(4,167)
Repayment of obligations under finance leases		**455**	329
Movement in net debt in the year		**1,398**	(3,315)
Opening net debt		**(16,073)**	(12,758)
Closing net debt		**(14,675)**	(16,073)
Net debt comprises:			
Cash and cash equivalents in statement of cash flows		**2,013**	1,930
Bank borrowings		**(16,346)**	(17,206)
Net bank debt		**(14,333)**	(15,276)
Obligations under finance leases	Due within one year	**(245)**	(395)
	Due outwith one year	**(97)**	(402)
Closing net debt		**(14,675)**	(16,073)

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.

Macfarlane Group PLC

Notes to the financial information

For the year ended 31 December 2017

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 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, the inflationary increase is currently based on the Retail Price Index ("RPI") measure of inflation or based on Limited Price Indexation ("LPI") for certain defined periods of service.

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 continued actions to manage and control the deficit in 2018.

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 provisional results of the actuarial valuation as at 1 May 2017, updated to the year-end.

	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Investment class					
Equities	**17,694**	17,112	16,788	15,893	15,079
Multi-asset diversified funds	**21,533**	21,509	25,476	18,541	16,414
Liability-driven investment funds	**28,534**	26,532	14,107	22,195	-
Bonds	**-**	-	11,119	11,263	22,534
Secured property income fund	**6,606**	-	-	-	-
European loan fund	**6,562**	6,334	-	-	-
Other (cash and similar assets)	**31**	6,321	303	98	211
Fair value of scheme assets	**80,960**	77,808	67,793	67,990	54,238
Present value of scheme liabilities	**(92,783)**	(92,345)	(79,311)	(81,863)	(70,134)
Deficit in the scheme	**(11,823)**	(14,537)	(11,518)	(13,873)	(15,896)
Related deferred tax asset (see note 11)	**2,010**	2,471	2,073	2,775	3,179
Net pension scheme liability	**(9,813)**	(12,066)	(9,445)	(11,098)	(12,717)

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 2017, the short-term cash holding at 31 December 2016 was invested in a Secured property income fund.

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 cash flow 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	**2017**	2016	2015	2014	2013
Discount rate	**2.50%**	2.70%	3.70%	3.50%	4.50%
Rate of increase in salaries	**0.00%**	0.00%	0.00%	0.00%	0.00%
Inflation assumption (RPI)	**3.30%**	3.30%	3.10%	3.00%	3.40%
Inflation assumption (CPI)	**2.30%**	2.30%	2.10%	2.10%	2.50%
Life expectancy beyond normal retirement date of 65					
Male	**23.7 years**	22.8 years	22.7 years	22.7 years	22.6 years
Female	**25.7 years**	25.3 years	25.3 years	25.1 years	25.1 years

Movement in scheme deficit	**2017 £000**	2016 £000	2015 £000	2014 £000	2013 £000
At 1 January	**(14,537)**	(11,518)	(13,873)	(15,896)	(18,898)
Current service cost	**(105)**	(95)	(152)	(126)	(148)
Employer contributions	**3,390**	3,001	2,834	5,480	2,748
Net finance cost	**(348)**	(373)	(438)	(594)	(775)
Remeasurement of pension scheme liability	**(223)**	(5,552)	111	(2,737)	1,177
At 31 December	**(11,823)**	(14,537)	(11,518)	(13,873)	(15,896)

Funding

UK pension legislation requires that pension schemes are funded prudently. Following the triennial actuarial valuation of the scheme at 1 May 2014, the Company agreed a new schedule of contributions with the Pension Scheme Trustees, which assumed a recovery plan period of 10 years. The next triennial actuarial valuation being carried out at 1 May 2017 is in progress and likely to be concluded in the first half of 2018.

10. Pension scheme (continued)

Movement in fair value of scheme assets	**2017 £000**	2016 £000
Scheme assets at start of period	**77,808**	67,793
Interest income	**2,065**	2,470
Return on scheme assets (excluding interest income)	**3,730**	9,610
Contributions from sponsoring companies	**3,390**	3,001
Contribution from scheme members	**72**	72
Benefits paid	**(6,105)**	(5,138)
Scheme assets at end of period	**80,960**	77,808

Movement in present value of defined benefit obligations	**2017 £000**	2016 £000
Defined benefit obligations at start of period	**(92,345)**	(79,311)
Current service cost	**(105)**	(95)
Interest cost	**(2,413)**	(2,843)
Contribution from scheme members	**(72)**	(72)
Changes in assumptions underlying the defined benefit obligations	**(3,953)**	(15,162)
Benefits paid	**6,105**	5,138
Defined benefit obligations at end of period	**(92,783)**	(92,345)

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	**2017 £000**	2016 £000	2015 £000
Discount rate movement of +0.1%	**1,485**	1,478	1,142
Inflation rate movement of +0.1%	**(473)**	(471)	(404)
Mortality movement of +0.1 year in age rating	**278**	277	214

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

		2017 £000	2016 £000
At 1 January		**1,181**	1,511
Acquisitions		**(1,587)**	(828)
Charged in income statement	Current year	**(273)**	(196)
	Change in estimates for prior years	**-**	(160)
Credited/(charged) in other comprehensive income			
Remeasurement of pension scheme liability		**38**	1,000
Long-term corporation tax rate change		**-**	(146)
At 31 December		**(641)**	1,181
Deferred tax assets			
On retirement benefit obligations (see note 10)		**2,010**	2,471
Corporation tax losses		**397**	407
Disclosed as deferred tax assets		**2,407**	2,878
Deferred tax liabilities			
On accelerated capital allowances		**(231)**	(160)
On other intangible assets		**(2,817)**	(1,537)
Disclosed as deferred tax liabilities		**(3,048)**	(1,697)
At 31 December		**(641)**	1,181

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 assets at 2016 and 2017 have been calculated based on this rate.

12. Share capital

	2017 £000	2016 £000
Allotted, issued and fully paid:		
At 1 January	**34,084**	31,153
Issued during the year	**5,303**	2,931
At 31 December	**39,387**	34,084
Share premium		
At 1 January	**4,641**	1,018
Issue of new shares during the year	**8,697**	3,869
Expenses of share issue	**(363)**	(246)
At 31 December	**12,975**	4,641

The Company has one class of ordinary shares of 25p each, which carry no right to fixed income. Each ordinary share carries one vote in any General Meeting of the Company.

12. Share capital (continued)

On 18 September 2017, the Company announced a placing of 12,121,212 ordinary shares at a price of 66p per share for a total value of £8,000,000. These shares were admitted to the official List of the London Stock Exchange on 21 September 2017. On 21 September 2017, the Company's subsidiary, Macfarlane Group UK Limited acquired the trade, goodwill and selected assets of the packaging business of Greenwoods Stock Boxes Limited and the whole of the issued share capital of Nottingham Recycling Limited. As part of the initial consideration, the Company issued 9,090,909 ordinary shares at a value of 66p per share as non-cash consideration to the Vendors, an effective value of £6,000,000. These shares were also admitted to the official List of the London Stock Exchange on 21 September 2017.

On 26 July 2016, the Company announced a placing of 10,000,000 ordinary shares 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 at a value of 58p per share as non-cash consideration 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 2017 will be disclosed in the Group's Annual Report for the year ending 31 December 2017.

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 lapsed on 22 February 2018.

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 Wednesday 4 April 2018 and will be available to members of the public at the Company's Registered Office, 21 Newton Place, Glasgow G3 7PY from Friday 6 April 2018.

The Annual General Meeting will take place at the Double Tree by Hilton Hotel, Cambridge Street Glasgow G2 3HN at 12 noon on Tuesday 15 May 2018.