22 August 2019

MACFARLANE GROUP'S INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2019

Financial Highlights	**2019**	**2018**	**Year on Year Change**
Group turnover £000	**107,542**	102,007	+5.4%
Profit before tax £000	**3,832**	3,526	+8.7%
Interim dividend	**0.69p**	0.65p	+6.2%
Diluted earnings per share	**1.99p**	1.81p	+9.9%

Stuart Paterson, Chairman of Macfarlane Group PLC ("Macfarlane Group" or "the Group"), today said: -

"Macfarlane Group grew sales by 5.4% to £107.5m in the first half of 2019 (2018: £102.0m). This was achieved against a background of well-publicised weaker demand. Profit before tax of £3.8m was 8.7% higher than in 2018 (2018: £3.5m). The performance in the first six months of 2019 and our actions in place to increase the margin in the second half of the year, together with the normal seasonal uplift from the e-commerce sector in the final quarter, gives the Board confidence that its full year expectations for 2019 will be achieved.

Packaging Distribution grew sales by 4.4% in the first half of 2019. Sales revenue from existing customers was impacted by weaker demand and sales price deflation but this was offset by good new business growth and the benefit of the 2018 acquisitions of Tyler Packaging (Leicester) Limited ("Tyler") and Harrisons Packaging Limited, ("Harrisons") as well as the recent acquisition of Ecopac (U.K.) Limited, ("Ecopac") concluded at the start of May 2019. First half operating profit in Packaging Distribution at £4.5m was ahead of the equivalent period in 2018.

Sales in our Manufacturing Operations were 16.0% above 2018, with strong demand for resealable labels mainly through new customer wins. First half operating profit in our Manufacturing Operations at £0.4m, was above that achieved in 2018.

IFRS 16 *'Leases'* requires the Group to recognise right-of-use assets and lease liabilities on the balance sheet and depreciation on these assets and interest on the lease liabilities in the income statement. Previously operating leases were off balance sheet with leasing costs were disclosed in administrative expenses. IFRS 16 has been applied from 1 January 2019, with no requirement to restate comparative figures. Whilst there has been no impact on Profit before tax, Net assets or Cash flows from applying the new standard, there are changes in classifications which are indicated throughout this statement.

Net bank debt at 30 June 2019 was £15.0m, £1.8m above the level of £13.2m at 31 December 2018, primarily due to the £2.8m cash outflow on the acquisition of Ecopac. The Group is operating well within its existing bank facility of £30.0m. We expect to finance an estimated £1.4m in deferred consideration payable in the second half of 2019, relating to the acquisitions of Tyler and Harrisons. Consistent with our normal pattern, we expect to be strongly cash generative from trading in the second half of the year.

The pension scheme deficit reduced to £9.0m at 30 June 2019 from £9.8m at 31 December 2018, mainly due to our continued payment of deficit reduction contributions during the six month period. The significant reduction in the discount rate in the first six months was largely offset by strong investment returns, justifying the focus on liability-driven investments to match the scheme's liability profile.

The Board is recommending a 6.2% increase in the interim dividend to 0.69p per share to be paid on 10 October 2019 to shareholders on the register as at 20 September 2019 (2018: 0.65p per share).

Our strategy is to deliver sustainable profit growth by focusing on added value products and services in our target market sectors, combined with the execution of value-enhancing acquisitions. Macfarlane Group's performance in the first half of 2019 reflects the successful implementation of this strategy and we are confident that the Group will continue to make further progress in the remainder of 2019."

Further enquiries:	**Macfarlane Group**		Tel: 0141 333 9666
	Stuart Paterson	Chairman	
	Peter Atkinson	Chief Executive	
	John Love	Finance Director	
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	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 70 years' experience in the UK packaging industry
- The Group's businesses are:
    - **Packaging Distribution**
      Macfarlane Packaging is the leading UK distributor of a comprehensive range of protective packaging products
    - **Manufacturing Operations**
      Macfarlane Packaging Design and Manufacture designs and produces protective packaging for high value, fragile products and Macfarlane Labels designs and prints high quality self-adhesive and resealable labels, principally for FMCG companies
- Macfarlane employs over 925 people at 30 sites, principally in the UK, but also in Ireland and Sweden
- The Group has 20,000+ customers in the UK, Europe and the USA and provides 600,000+ lines to a wide range of industry sectors including: industrial, consumer goods; food manufacturing; logistics; internet retail; mail order; electronics; defence and aerospace

Interim Results - Management Report

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

Macfarlane's **Packaging Distribution** business is the UK's leading specialist distributor of protective packaging materials. Macfarlane operates a stock and serve supply model from 24 Regional Distribution Centres ("RDCs") and three satellite sites, supplying industrial and retail 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 specialist companies as well as 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 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.

Packaging Distribution supports its customers by enabling them to ensure their products are cost-effectively protected in transit and storage through the supply of a comprehensive product range, single source stock and serve supply, just–in-time delivery, tailored stock management programmes, electronic trading and independent advice on both packaging materials and packing processes.

		2019	2018
		£000	£000
Sales		**93,053**	89,119
Cost of sales		**65,103**	62,976
Gross margin		**27,950**	26,143
Overheads	(£24,043k less £556k IFRS 16 interest)	**23,487**	22,430
Operating profit		**4,463**	3,713

The main features of our first half performance in 2019 were:

- Existing business was negatively impacted by weaker demand conditions and sales price deflation;
- Good new business growth at 8.2% ahead of 2018;
- Strong sales impact from the benefit of acquiring quality packaging distribution businesses – Tyler and Harrisons in the second half of 2018 and Ecopac in the first half of 2019;
- An improved gross margin at 30.0% compared to 29.3% in 2018 achieved through effective management of input price changes on paper-based products;
- Encouraging early momentum in our "Follow the Customer" programme in Europe; and
- Overhead increases, primarily due to the impact of acquisitions.

We expect sales to once again be weighted towards H2 reflecting the busiest trading period for internet retail customers. The key areas we will focus on in the second half are:

- Prioritise our sales activity on the growth potential for protective packaging in key markets – National Accounts in the industrial sector, the e-commerce sector in the retail space and Third Party Logistics ("3PL") operators;
- Demonstrate our ability to add value for customers through ongoing implementation of our "Significant Six" sales approach to optimise their "Total Cost of Packaging";
- Continue to effectively manage the impact of input price changes on paper-based products;
- Roll out our new web-based solutions to allow customers access to our full range of products and services;
- Accelerate our "Follow the Customer" programme in Europe;
- Reduce operating costs by consolidating our property footprint;
- Maintain the focus on working capital management to facilitate future growth; and
- Supplement organic growth through completion of further suitable quality acquisitions.

Interim Results - Management Report (continued)

Macfarlane's **Manufacturing Operations** comprises Packaging Design & Manufacture and Labels.

		2019	2018
		£000	£000
Sales		**17,390**	14,989
Cost of sales		**12,099**	10,037
Gross margin		**5,291**	4,952
Overheads	(£4,943k less £62k IFRS 16 interest)	**4,881**	4,751
Operating profit		**410**	201

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 business operates from sites in Grantham and Westbury, supplying both directly to customers and also through Packaging Distribution's RDC network.

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.

Packaging Design & Manufacture sales in H1 2019 decreased by 1.5% from the equivalent period in 2018. Growth in export markets were offset by weaker demand particularly in the UK automotive sector. Actions to reduce operating costs were implemented and as a result, profit in H1 2019 was ahead of the same period in 2018.

Our Labels business designs and prints self-adhesive labels for major Fast-moving Consumer Goods ("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 dependence on a small number of major customers. We work closely with these key customers to ensure high levels of service and to introduce product and service development initiatives to achieve competitive differentiation.

In H1 2019, sales at Macfarlane Labels were 21.0% higher than in 2018, mainly due to new business growth from our range of resealable labels in target FMCG sectors. Despite continued competitive pricing, profit in the first half of 2019 was still well above that achieved in 2018.

The priorities for the Manufacturing Operations in the second half of 2019 are to:

- Maintain Design & Manufacture sales growth in target sectors, Defence, Aerospace and Medical;
- Continue to improve operational efficiency at both Design & Manufacture sites;
- Prioritise new sales activity on our higher added value bespoke composite pack product range;
- Continue to strengthen the relationship between our Design & Manufacture operations and our Packaging Distribution business to create both sales and cost synergies;
- Accelerate the Reseal-it growth momentum through improved geographic penetration, extending the product range and introducing Reseal-it to new product sectors; and
- Achieve efficiency benefits from recent investments in additional printing capacity and digital printing capability to improve gross margins.

Summary and Future Prospects

Macfarlane Group's businesses all have strong market positions with differentiated product and service offerings. We have a flexible business model and a clear strategic plan, being effectively implemented, which is reflected in consistent, profitable growth and cash generation over a sustainable period.

Our future performance is largely dependent on our own efforts 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 track record of growth and acquisitions, we expect 2019 to be another successful year for Macfarlane Group.

Interim Results - Management Report (continued)

Risks and Uncertainties

The principal risks and uncertainties, which could impact on the performance of the Group, were outlined on pages 16 and 17 in our Annual Report and Accounts for 2018 (available on our website at www.macfarlanegroup.com) together with the mitigating actions. These remain substantially the same for the remaining six months of the current financial year and are summarised below:

- 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 Group works closely with its supplier and customer base to manage effectively the scale and timing of these price changes and any resultant impact on profit;
- Given the multi-site nature of its business the Group has an extensive property portfolio comprising 3 owned sites and 36 leased sites, 3 of which are sub-let. The portfolio can give rise to risks in relation to ongoing lease costs, dilapidations and fluctuations in value. The Group adopts a proactive approach to managing property costs and exposures;
- The Group has a significant investment in working capital in trade receivables and inventories. There is a risk that this investment is not fully recovered. Rigour is applied to the management of trade receivables and inventories throughout the Group to mitigate these risks;
- The Group needs continued 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 £30 million with Lloyds Bank PLC, available until June 2022, which finances our trading requirements and supports controlled expansion, providing a medium-term funding platform for growth;
- The Group's defined benefit pension scheme is sensitive to a number of key factors; investment returns, discount rates used to calculate the scheme's liabilities and mortality assumptions. Small changes in these assumptions could cause significant movements in the pension deficit. The Group has sought to manage the volatility of the pension scheme deficit caused by these factors by undertaking exercises to reduce liabilities, more effectively match the investment profile with the liability profile and making contributions to reduce the deficit;
- In Packaging Distribution, the business model reflects a decentralised approach with a high dependency on effective local decision-making. There is a risk that local decisions may not always meet overall corporate objectives. This is closely monitored using the Group's management information system, with regular reviews of performance for all locations; and
- The Group's growth strategy includes acquisitions as a key component. There are risks that the availability of acquisitions may reduce, or that acquisitions may not perform as expected either immediately after acquisition or on subsequent integration. Having made ten acquisitions since 2014, the Group has well-established due diligence and integration processes and procedures and seeks to acquire quality businesses which will perform well in the Group.

Macfarlane Group has carried out an impact analysis and evaluated the potential short to medium-term implications of a no-deal Brexit including reversion to World Trade Organisation tariffs. Where practical, we have put in place contingency measures to try to mitigate any immediate effects on our supply chain and these measures are being reviewed at regular intervals.

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

Interim Results - Management Report (continued)

Cautionary Statement

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

This 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. Nothing in this Interim Results Statement should be construed as a profit forecast or an invitation to deal in the securities of the Group.

Responsibility Statement

The Directors of Macfarlane Group PLC during the first six months of 2019 were

S.R. Paterson	Chairman
P.D. Atkinson	Chief Executive
J. Love	Finance Director
R. McLellan	Non-Executive Director/Senior Independent Director
J.W.F. Baird	Non-Executive Director
A.M. Dunstan	Non-Executive Director

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

(i) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*;

(ii) the interim management report includes a fair review of the information required by DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(iii) the interim management report includes a fair review of the information required by DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Approved by the Board of Directors on 22 August 2019 and signed on its behalf by

…………………………..	………………………
Peter D. Atkinson	**John Love**
Chief Executive	**Finance Director**

MACFARLANE GROUP PLC

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	**Six months to 30 June 2019 £000**	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Continuing operations				
Revenue	3	**107,542**	102,007	217,290
Cost of sales		**(74,301)**	(70,912)	(150,749)
Gross profit		**33,241**	31,095	66,541
Distribution costs		**(4,204)**	(4,324)	(8,604)
Administrative expenses		**(24,164)**	(22,857)	(46,242)
Operating profit	3	**4,873**	3,914	11,695
Finance costs	4	**(1,041)**	(388)	(809)
Profit before tax		**3,832**	3,526	10,886
Tax	5	**(693)**	(675)	(2,145)
Profit for the period	3	**3,139**	2,851	8,741
Earnings per share	7			
Basic and diluted		**1.99p**	1.81p	5.55p

The results for the six months ended 30 June 2019 include the application of IFRS 16 *'Leases'* with effect from 1 January 2019 as set out in note 1. There was no material impact on Profit before tax in the period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	**Six months to 30 June 2019 £000**	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Items that may be reclassified to profit or loss				
Foreign currency translation differences		**(17)**	(26)	(6)
Items that will not be reclassified to profit or loss				
Remeasurement of pension scheme liability	10	**(809)**	979	(32)
Tax recognised in other comprehensive income				
Tax on remeasurement of pension scheme liability	11	**138**	(166)	6
Other comprehensive (expense)/income for the period, net of tax		**(688)**	787	(32)
Profit for the period		**3,139**	2,851	8,741
Total comprehensive income for the period		**2,451**	3,638	8,709

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Share Capital £000	Share Premium £000	Revaluation Reserve £000	Translation Reserve £000	Retained Earnings £000	**Total £000**
At 1 January 2019		39,387	12,975	70	293	9,807	**62,532**
Comprehensive income							
Profit for the period		-	-	-	-	3,139	**3,139**
Foreign currency translation differences		-	-	-	(17)	-	**(17)**
Remeasurement of pension scheme liability	10	-	-	-	-	(809)	**(809)**
Tax on remeasurement of pension scheme liability	11	-	-	-	-	138	**138**
Total comprehensive income		**-**	**-**	**-**	**(17)**	**2,468**	**2,451**
Transactions with shareholders							
Dividends	6	-	-	-	-	(2,600)	**(2,600)**
Credit for share-based payments		-	-	-	-	10	**10**
Total transactions with shareholders		**-**	**-**	**-**	**-**	**(2,590)**	**(2,590)**
At 30 June 2019		**39,387**	**12,975**	**70**	**276**	**9,685**	**62,393**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Share Capital £000	Share Premium £000	Revaluation Reserve £000	Translation Reserve £000	Retained Earnings £000	**Total £000**
At 1 January 2018		39,387	12,975	70	299	4,479	**57,210**
Comprehensive income							
Profit for the period		-	-	-	-	2,851	**2,851**
Foreign currency translation differences		-	-	-	(26)	-	**(26)**
Remeasurement of pension scheme liability	10	-	-	-	-	979	**979**
Tax on remeasurement of pension scheme liability	11	-	-	-	-	(166)	**(166)**
Total comprehensive income		**-**	**-**	**-**	**(26)**	**3,664**	**3,638**
Transactions with shareholders							
Dividends	6	-	-	-	-	(2,363)	**(2,363)**
Total transactions with shareholders		**-**	**-**	**-**	**-**	**(2,363)**	**(2,363)**
At 30 June 2018		**39,387**	**12,975**	**70**	**273**	**5,780**	**58,485**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share Capital £000	Share Premium £000	Revaluation Reserve £000	Translation Reserve £000	Retained Earnings £000	**Total £000**
At 1 January 2018		39,387	12,975	70	299	4,479	**57,210**
Comprehensive income							
Profit for the year		-	-	-	-	8,741	**8,741**
Foreign currency translation differences		-	-	-	(6)	-	**(6)**
Remeasurement of pension scheme liability	10	-	-	-	-	(32)	**(32)**
Tax on remeasurement of pension scheme liability	11	-	-	-	-	6	**6**
Total comprehensive income		**-**	**-**	**-**	**(6)**	**8,715**	**8,709**
Transactions with shareholders							
Dividends	6	-	-	-	-	(3,387)	**(3,387)**
Total transactions with shareholders		**-**	**-**	**-**	**-**	**(3,387)**	**(3,387)**
At 31 December 2018		**39,387**	**12,975**	**70**	**293**	**9,807**	**62,532**

MACFARLANE GROUP PLC

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) AT 30 JUNE 2019

	Note	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000
Non-current assets				
Goodwill and other intangible assets		**60,795**	56,160	58,648
Property, plant and equipment		**39,514**	8,647	8,533
Other receivables		**56**	189	162
Deferred tax assets	11	**1,726**	1,998	1,851
Total non-current assets		**102,091**	66,994	69,194
Current assets				
Inventories		**16,171**	15,384	16,940
Trade and other receivables		**48,867**	48,555	51,360
Cash and cash equivalents	9	**3,863**	2,576	4,611
Total current assets		**68,901**	66,515	72,911
Total assets	3	**170,992**	133,509	142,105
Current liabilities				
Trade and other payables		**46,946**	48,444	47,891
Current tax liabilities		**860**	604	1,029
Finance lease liabilities		**6,249**	151	101
Bank borrowings	9	**18,811**	13,478	17,769
Total current liabilities		**72,866**	62,677	66,790
Net current (liabilities)/assets		**(3,965)**	3,838	6,121
Non-current liabilities				
Retirement benefit obligations	10	**9,029**	9,418	9,765
Deferred tax liabilities	11	**3,119**	2,882	2,993
Trade and other payables		**24**	27	25
Finance lease liabilities		**23,561**	20	-
Total non-current liabilities		**35,733**	12,347	12,783
Total liabilities		**108,599**	75,024	79,573
Net assets	3	**62,393**	58,485	62,532
Equity				
Share capital		**39,387**	39,387	39,387
Share premium		**12,975**	12,975	12,975
Revaluation reserve		**70**	70	70
Translation reserve		**276**	273	293
Retained earnings		**9,685**	5,780	9,807
Total equity		**62,393**	58,485	62,532

The balance sheet at 30 June 2019 includes the application of IFRS 16 *'Leases'* with effect from 1 January 2019 as set out in note 1. There was no material impact on Net assets/Total equity in the period.

MACFARLANE GROUP PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	**Six months to 30 June 2019 £000**	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Net cash inflow from operating activities	9	**8,233**	6,730	11,832
Investing activities				
Acquisitions	8	**(2,840)**	-	(5,638)
Proceeds on disposal of property, plant and equipment		**12**	24	73
Purchases of property, plant and equipment		**(1,295)**	(789)	(1,452)
Net cash used in investing activities		**(4,123)**	(765)	(7,017)
Financing activities				
Dividends paid	6	**(2,600)**	(2,363)	(3,387)
Drawdown/(repayment) of bank borrowings		**1,042**	(2,868)	1,423
Repayment of finance lease liabilities		**(3,300)**	(171)	(253)
Net cash used in financing activities		**(4,858)**	(5,402)	(2,217)
Net (decrease)/increase in cash and cash equivalents		**(748)**	563	2,598
Cash and cash equivalents at beginning of period		**4,611**	2,013	2,013
Cash and cash equivalents at end of period	9	**3,863**	2,576	4,611

The cash flow statement for the six months ended 30 June 2019 includes the application of IFRS 16 *'Leases'* with effect from 1 January 2019 as set out in note 1. There was no impact on the movement in cash and cash equivalents in the period.

1. Basis of preparation

Macfarlane Group PLC is a public company listed on the London Stock Exchange, incorporated and domiciled in the United Kingdom. The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Other than the adoption of IFRS 16 '*Leases'* disclosed below, this condensed set of financial statements has been prepared applying the accounting policies that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2018. The only major change from the adoption of new IFRS's in 2019 is in respect of the adoption of IFRS 16 'Leases'.

IFRS 16 *'Leases'*

This is the first set of Group financial statements where IFRS 16 *'Leases'* has been applied, with an initial application date of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, requirements for lessor accounting are largely unchanged.

The Group has a large number of property and equipment leases. Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Accounting policies under IFRS 16 'Leases'

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these short-term or low value leases, the Group recognises the lease payments as an operating expense disclosed in administrative expenses on a straight-line basis over the term of the lease.

For all other leases, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Finance lease liabilities are presented on two separate lines in the consolidated balance sheet for liabilities due within one year and liabilities due outwith one year. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the liability by payments made. The Group remeasures the lease liability (and adjusts the related right-of-use asset) whenever the lease term has changed or a lease contract is modified and the lease modification is not accounted for as a separate lease. The Group did not make any such adjustments during the period presented.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at, or before, the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

1. Basis of preparation (continued)

The right-of-use assets are presented within the same category as that within which the corresponding underlying assets would be presented if they were owned – for the Group this category is property, plant and equipment.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient and has separated out the non-lease components for its leases. These non-lease components, typically servicing and maintenance costs, have been recognised as an expense on a straight-line basis and disclosed in administrative expenses in the consolidated income statement.

Approach to transition

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. For leases previously treated as operating leases, the Group has elected to follow the approach in IFRS 16.C8(b)(ii), whereby right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives.

The Group's incremental borrowing rate applied to lease liabilities as at 1 January 2019 is 4.0%.

Practical expedients adopted on transition

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group elected to use the following practical expedients:

- a single discount rate has been applied to assets with reasonably similar characteristics; and
- hindsight has been used in determining the lease term.

Impact on disclosures

Former operating leases

IFRS 16 changes accounting for leases previously classified as operating leases under IAS 17, which were off-balance sheet. Applying IFRS 16, for all leases, the Group now recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured as described above. Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight line basis.

Right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets.

Under IFRS 16 the Group recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement, whereas operating leases previously gave rise to leasing costs in administrative expenses.

The Group now separates the total cash paid for on balance sheet leases into a principal portion (part of financing activities) and interest (part of operating activities) in the consolidated cash flow statement. Under IAS 17 operating lease payments were presented as operating cash outflows.

Former finance leases

This change has not had a material effect on the Group's consolidated financial statements.

1. Basis of preparation (continued)

Financial impact of IFRS 16 'Leases'

The table below sets out the adjustments recognised at 1 January 2019, the date of initial application.

£000	As previously reported 31 December 2018 £000	**Impact of IFRS 16 £000**	At 1 January 2019 £000
Non-current assets			
Tangible assets	8,533	30,466	38,999
Current assets			
Trade and other receivables	51,360	(765)	50,595
Impact on total assets		29,701	
Current liabilities			
Finance lease liabilities	101	5,962	6,063
Non-current liabilities			
Finance lease liabilities	-	23,739	23,739
Impact on total liabilities		29,701	
Retained earnings	9,807	-	9,807
Net current assets/(liabilities)	6,121	(6,727)	(606)

Of the total right-of-use assets of £30,466,000 recognised at 1 January 2019, £25,839,000 related to property and £4,627,000 to plant and equipment.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	£000
Operating lease commitments disclosed at 31 December 2018 under IAS 17	35,575
Non-lease components expensed under IFRS 16	(3,397)
Effect of discounting	(2,477)
Finance lease liabilities recognised at 31 December 2018	101
Total finance lease liabilities recognised at 1 January 2019	**29,802**

Movements in finance lease liabilities in the first six months of 2019 are set out in note 9.

The application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17. During the six months ended 30 June 2019, for all leases, the Group recognised the following amounts in the consolidated income statement.

	£000
Depreciation	3,472
Interest expense	618
Variable lease payments	613

1. Basis of preparation (continued)

Judgements, assumptions and estimation uncertainties

In preparing the condensed financial statements, management has made judgements, estimates and assumptions, 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, with revisions to estimates recognised prospectively.

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

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

Business activities, risks and financing

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Interim Management Report on pages 1 to 6.

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 in the current economic climate.

The Group's banking arrangement with Lloyds Bank PLC comprises a committed facility of £30 million, expiring in June 2022, secured over part of Macfarlane Group's trade receivables and bearing interest at commercial rates. The facility has financial covenants for interest cover and trade receivables headroom.

The Directors are of the opinion that the Group's cash 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.

In assessing the going concern basis, the Directors have considered the Group's business activities, the financial position of the Group and the Group's risks and uncertainties. The Directors have a reasonable expectation that, despite the current uncertain economic environment, the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason this condensed set of financial statements has been prepared on the going concern basis.

Approval and review of condensed financial statements

These condensed financial statements were approved by the Board of Directors on 22 August 2019.

Following a tender process, Deloitte LLP was appointed as the Company's auditor, replacing KPMG LLP. As in previous years, the condensed set of financial statements for the half-year is unaudited.

2. General information

Comparative figures for the year ended 31 December 2018 are extracted from Macfarlane Group's statutory accounts for 2018. The information for the year ended 31 December 2018 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been reported on by the Company's previous auditor and delivered to the Registrar of Companies. The report of the auditor on 22 February 2019 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.

3. Segmental information

The Group's principal business segment is **Packaging Distribution,** comprising the distribution of packaging materials and supply of storage services in the UK. The remaining operations for the manufacture and supply of self-adhesive and resealable labels to a variety of FMCG customers in the UK, Europe and USA and the design, manufacture and assembly of timber, corrugated and foam-based packaging materials in the UK comprise one segment headed **Manufacturing Operations**. No individual business segment within Manufacturing Operations represents more than 10% of Group revenue or profit in each period presented.

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year ended 31 December 2018 £000
Group segment – total revenue			
Packaging Distribution	**93,053**	89,119	190,227
Manufacturing Operations	**17,390**	14,989	32,189
Inter-segment revenue	**(2,901)**	(2,101)	(5,126)
Revenue	**107,542**	102,007	217,290
Trading results - continuing operations			
Packaging Distribution			
Revenue	**93,053**	89,119	190,227
Cost of sales	**(65,103)**	(62,976)	(134,235)
Gross profit	**27,950**	26,143	55,992
Net operating expenses	**(23,487)**	(22,430)	(44,820)
Operating profit before exceptional item	**4,463**	3,713	11,172
Exceptional item	**-**	-	(270)
Operating profit	**4,463**	3,713	10,902
Manufacturing Operations			
Revenue	**17,390**	14,989	32,189
Cost of sales	**(12,099)**	(10,037)	(21,640)
Gross profit	**5,291**	4,952	10,549
Net operating expenses	**(4,881)**	(4,751)	(9,696)
Operating profit before exceptional item	**410**	201	853
Exceptional item	**-**	-	(60)
Operating profit	**410**	201	793

3. Segmental information (continued)

Exceptional item – December 2018

As reported in the Group's 2018 Annual Report, following the High Court judgement involving Lloyds Banking Group in October 2018, the Directors made the judgement that the estimated effect of GMP equalisation on the Group's pension liabilities was a past service cost for pensionable service between 1990 and 1997 that should be reflected as an exceptional item. Any subsequent change in the estimate will be recognised in other comprehensive income. Accordingly, an exceptional cost of £330,000 was recognised in the 2018 financial statements. This judgement was based on the fact that pension liabilities for the Group's pension scheme at 31 December 2017 did not include any amounts for GMP equalisation.

		Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Operating profit - continuing operations				
Packaging Distribution		**4,463**	3,713	10,902
Manufacturing Operations		**410**	201	793
Operating profit		**4,873**	3,914	11,695
Finance costs	(see note 4)	**(1,041)**	(388)	(809)
Profit before tax		**3,832**	3,526	10,886
Tax	(see note 5)	**(693)**	(675)	(2,145)
Profit for the period		**3,139**	2,851	8,741

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

	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000
Total assets *			
Packaging Distribution	**150,838**	117,732	125,060
Manufacturing Operations	**20,154**	15,777	17,045
Total assets	**170,992**	133,509	142,105

* Figures for 2019 include ROU assets following the adoption of IFRS 16 'Leases'.

Net assets			
Packaging Distribution	**54,276**	50,858	53,887
Manufacturing Operations	**8,117**	7,627	8,645
Net assets	**62,393**	58,485	62,532

4. Finance costs

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Interest on bank borrowings	**(293)**	(239)	(530)
Interest on obligations under finance leases	**(623)**	(11)	(17)
Net interest expense on retirement benefit obligation (see note 10)	**(125)**	(138)	(262)
Total finance costs	**(1,041)**	(388)	(809)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

5. Tax

		Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Current tax				
UK corporation tax		**(611)**	(611)	(1,953)
Overseas tax		**(68)**	(29)	(98)
Prior year adjustments		**64**	42	42
Total current tax		**(615)**	(598)	(2,009)
Total deferred tax	(See note 11)	**(78)**	(77)	(136)
Total		**(693)**	(675)	(2,145)

Tax for the six months ended 30 June 2019 has been charged at 19.00% (2018 – 19.00%) representing the best estimate of the effective tax charge for the full year.

6. Dividends

			Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Amounts recognised as distributions to equity holders in the period					
Final Dividend	(1.65p per share)	(2018 1.50p per share)	**2,600**	2,363	2,363
Interim Dividend		(2018 0.65p per share)	**-**	-	1,024
Distributions in the period			**2,600**	2,363	3,387

An interim dividend of 0.69p per share, payable on 10 October 2019 was declared on 22 August 2019 and has therefore not been included as a liability in these condensed financial statements.

7. Earnings per share

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Earnings			
Earnings for the purposes of earnings per share			
Profit for the year from continuing operations	**3,139**	2,851	8,741

Number of shares ’000	**30 June 2019**	30 June 2018	31 December 2018
Weighted average number of shares in issue for the purposes of basic earnings per share	**157,548**	157,548	157,548
Effect of dilutive potential ordinary shares - share options	**114**	-	-
Weighted average number of shares in issue for the purposes of diluted earnings per share	**157,662**	157,548	157,548
Basic earnings per share	**1.99p**	1.81p	5.55p
Diluted earnings per share	**1.99p**	1.81p	5.55p

8. Acquisitions

On 2 May 2019, the Group's subsidiary, Macfarlane Group UK Limited acquired 100% of the issued share capital of Carnweather Limited, the parent company of the trading company Ecopac, for a maximum consideration of approximately £3.9 million. £3.1 million was paid in cash on acquisition. The deferred consideration of £0.8 million is payable in the second quarter of 2020, subject to certain trading targets being met in the twelve month period ending on 30 April 2020.

In 2018, Macfarlane Group UK Limited acquired 100% of Tyler for a consideration of approximately £2.1 million. £1.5 million was paid in cash on acquisition, with the deferred consideration of £0.6 million payable in Q3 2019, as trading targets have been met in full. In 2018 Macfarlane Group UK Limited also acquired 100% of Harrisons for a maximum consideration of approximately £2.8 million. £1.8 million was paid in cash on acquisition. The deferred consideration, now estimated at £0.8 million, is payable in Q4 2019, subject to certain trading targets being met.

Contingent considerations are recognised as a liability in trade and other payables and have been remeasured to a fair value of £2.2 million at 30 June 2019 based on a range of outcomes from £0.6 million to £2.4 million. Trading in the post-acquisition periods supports these remeasured values.

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

Net assets acquired		**Six months to 30 June 2019 £000**	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Other intangible assets		**1,701**	-	2,112
Property, plant and equipment	(inc. IFRS 16 assets)	**701**	-	85
Inventories		**395**	-	283
Trade and other receivables		**1,170**	-	831
Cash and bank balances		**211**	-	1,733
Trade and other payables		**(974)**	-	(1,075)
Current tax liabilities		**(91)**	-	(161)
Finance lease liabilities	(inc. IFRS 16 lease liabilities)	**(539)**	-	(12)
Deferred tax liabilities		**(311)**	-	(371)
Net assets acquired		**2,263**	-	3,425
Goodwill		**1,588**	-	1,546
Total consideration		**3,851**	-	4,971
Contingent consideration on acquisitions				
Current year		**(800)**	-	(1,600)
Prior years		**-**	-	4,000
Total cash consideration		**3,051**	-	7,371
Net cash outflow arising on acquisition				
Cash consideration		**(3,051)**	-	(7,371)
Cash and bank balances acquired		**211**	-	1,733
Net cash outflow		**(2,840)**	-	(5,638)

9. Notes to the cash flow statement

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Profit before tax	**3,832**	3,526	10,886
Adjustments for:			
Amortisation of intangible assets	**1,142**	1,074	2,244
Depreciation of property, plant and equipment	**4,242**	762	1,593
Gain on disposal of property, plant and equipment	**(4)**	(14)	(32)
Finance costs	**1,041**	388	809
Operating cash flows before movements in working capital	**10,253**	5,736	15,500
Decrease/(increase) in inventories	**1,164**	81	(1,192)
Decrease in receivables	**3,003**	4,130	2,183
(Decrease)/increase in payables	**(2,726)**	(668)	122
Pension contributions less current service costs recognised in the income statement	**(1,670)**	(1,564)	(2,352)
Cash generated from operations	**10,024**	7,715	14,261
Income taxes paid	**(875)**	(735)	(1,882)
Interest paid	**(916)**	(250)	(547)
Net cash inflow from operating activities	**8,233**	6,730	11,832
Movement in net bank debt			
(Decrease)/increase in cash and cash equivalents	**(748)**	563	2,598
(Increase)/decrease in bank borrowings	**(1,042)**	2,868	(1,423)
Movement in net bank debt in the period	**(1,790)**	3,431	1,175
Opening net bank debt	**(13,158)**	(14,333)	(14,333)
Closing net bank debt	**(14,948)**	(10,902)	(13,158)
Cash and cash equivalents	**3,863**	2,576	4,611
Bank borrowings	**(18,811)**	(13,478)	(17,769)
Net bank debt	**(14,948)**	(10,902)	(13,158)

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

Movement in finance leases	**Six months to 30 June 2019 £000**	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Opening finance leases	**101**	342	342
Finance leases on adoption of IFRS 16 *'Leases'* on 1 January 2019	**29,701**	-	-
Finance leases inherited on acquisitions	**539**	-	12
New finance leases commencing in the period	**2,769**	-	-
Repayment of finance lease liabilities	**(3,300)**	(171)	(253)
Closing finance leases	**29,810**	171	101

10. Retirement benefit obligations

The figures below have been prepared by Aon Hewitt based on the results of the triennial actuarial valuation as at 1 May 2017, updated to 30 June 2019, 31 December 2018 and 30 June 2018. The scheme investments and the scheme's net liability position as calculated under IAS 19 are as follows:

Investment class	**30 June 2019 £000**	30 June 2018 £000	31 December 2018 £000
Equities			
UK equity funds	**7,330**	7,182	6,244
Overseas equity funds	**11,288**	10,704	9,781
Multi-asset diversified funds	**19,220**	19,865	17,512
Bonds			
Liability-driven Investment funds	**33,601**	28,742	28,379
Other investments			
European loan fund	**6,264**	6,603	6,645
Secured property income fund	**6,020**	6,859	7,112
Cash	**1,686**	288	154
Fair value of Scheme investments	**85,409**	80,243	75,827
Present value of Scheme liabilities	**(94,438)**	(89,661)	(85,592)
Pension scheme deficit	**(9,029)**	(9,418)	(9,765)

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

Assumptions	**30 June 2019**	30 June 2018	31 December 2018
Discount rate	**2.20%**	2.60%	2.80%
Rate of increase in pensionable salaries	**0.00%**	0.00%	0.00%
Rate of increase in pensions in payment	**3% or 5% for fixed increases or 3.10% for LPI**	3% or 5% for fixed increases or 3.10% for LPI	3% or 5% for fixed increases or 3.20% for LPI
Inflation assumption (RPI)	**3.20%**	3.20%	3.30%
Inflation assumption (CPI)	**2.20%**	2.20%	2.30%
Life expectancy beyond normal retirement age of 65			
Male	**23.6 years**	23.8 years	23.5 years
Female	**25.7 years**	25.8 years	25.7 years

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Movement in scheme deficit in the period			
At start of period	**(9,765)**	(11,823)	(11,823)
Current service cost	**(62)**	(65)	(120)
Past service costs for GMP equalisation (see note 3)	**-**	-	(330)
Employer contributions	**1,732**	1,629	2,802
Net finance cost	**(125)**	(138)	(262)
Remeasurement of pension scheme liability in the period	**(809)**	979	(32)
At end of period	**(9,029)**	(9,418)	(9,765)

10. Retirement benefit obligations (continued)

Sensitivity to key assumptions

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 deficit. 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	**30 June 2019 £000**	30 June 2018 £000	31 December 2018 £000
Discount rate movement of +0.1%	**1,511**	1,435	1,369
Inflation rate movement of +0.1%	**(378)**	(359)	(436)
Mortality movement of +0.1 year in age rating	**283**	267	257

Positive figures reflect a reduction in 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 previous years.

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Movement in fair value of Scheme investments			
Scheme investments at start of period	**75,827**	80,960	80,960
Interest income	**1,062**	1,007	1,987
Return on scheme assets (exc. amounts shown in interest income)	**8,525**	(877)	(4,143)
Contributions from sponsoring companies	**1,732**	1,629	2,802
Contribution from scheme members	**36**	36	72
Benefits paid	**(1,773)**	(2,512)	(5,851)
Scheme investments at end of period	**85,409**	80,243	75,827
Movement in present value of Scheme liabilities			
Scheme liabilities at start of period	**(85,592)**	(92,783)	(92,783)
Normal service costs	**(62)**	(65)	(120)
Past service costs for GMP equalisation	**-**	-	(330)
Interest cost	**(1,187)**	(1,145)	(2,249)
Contribution from scheme members	**(36)**	(36)	(72)
Changes in assumptions underlying defined benefit obligations	**(9,334)**	1,856	4,111
Benefits paid	**1,773**	2,512	5,851
Scheme liabilities at end of period	**(94,438)**	(89,661)	(85,592)

Investments

The Trustees review the scheme investments regularly and consult with the Company regarding any changes. In the first half of 2019, the holding in one of the diversified growth funds was increased and the holding in another diversified growth fund exited. In June 2019, £1.3m was divested from the Secured property income fund and the funds held in cash for re-investment at 30 June 2019 into one of the diversified growth funds. The re-investment was concluded in July 2019.

Funding

Following the completion of the triennial actuarial valuation at 1 May 2017, Macfarlane Group PLC is paying deficit reduction contributions with a deficit recovery period of 7 years. Contributions in 2019, inclusive of interest of £0.4 million, are expected to be £3.0 million.

The next triennial actuarial valuation is due at 1 May 2020.

11. Deferred tax

	Tax losses less accelerated capital allowances £000	Other intangible assets £000	Retirement Benefit Obligations £000	**Total £000**
At 1 January 2018	166	(2,817)	2,010	**(641)**
(Charged)/credited in income statement				
Current period	(17)	183	(243)	**(77)**
Credited in other comprehensive income	-	-	(166)	**(166)**
At 30 June 2018	149	(2,634)	1,601	**(884)**
Acquisitions	(13)	(358)	-	**(371)**
(Charged)/credited in income statement				
Current period	(144)	198	(113)	**(59)**
Credited in other comprehensive income	-	-	172	**172**
At 1 January 2019	**(8)**	**(2,794)**	**1,660**	**(1,142)**
Acquisitions	(22)	(289)	-	**(311)**
(Charged)/credited in income statement				
Current period	(10)	193	(261)	**(78)**
Credited in other comprehensive income	-	-	138	**138**
At 30 June 2019	**(40)**	**(2,890)**	**1,537**	**(1,393)**
Deferred tax assets	189	-	1,537	**1,726**
Deferred tax liabilities	(229)	(2,890)	-	**(3,119)**
At 30 June 2019	**(40)**	**(2,890)**	**1,537**	**(1,393)**

12. Related party transactions

Related party transactions for 2018 are disclosed in note 26 of the 2018 Annual Report. The directors are satisfied that other than the changes in the Retirement Benefit Obligations disclosed in note 10 above, there have been no changes which could have a material effect on the financial position of the Group in the first six months of the financial year.

Transactions between the Company and its subsidiaries 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 2019 will be disclosed in the Group's 2019 Annual Report. On 17 May 2019, Peter Atkinson and John Love were granted options over 330,123 and 163,525 ordinary shares respectively under the Macfarlane Group PLC Long Term Incentive Plan. These awards are based on targets around Earnings per share for the three years ending 31 December 2021.

There are no other related party transactions during the six month period which require disclosure.

13. Post balance sheet events

There are no post balance sheet events requiring disclosure.

14. Interim Report

The interim report will be posted to shareholders on 9 September 2019. Copies will be available from the registered office, 3 Park Gardens, Glasgow G3 7YE and available on the Company's website, www.macfarlanegroup.com, from that date.