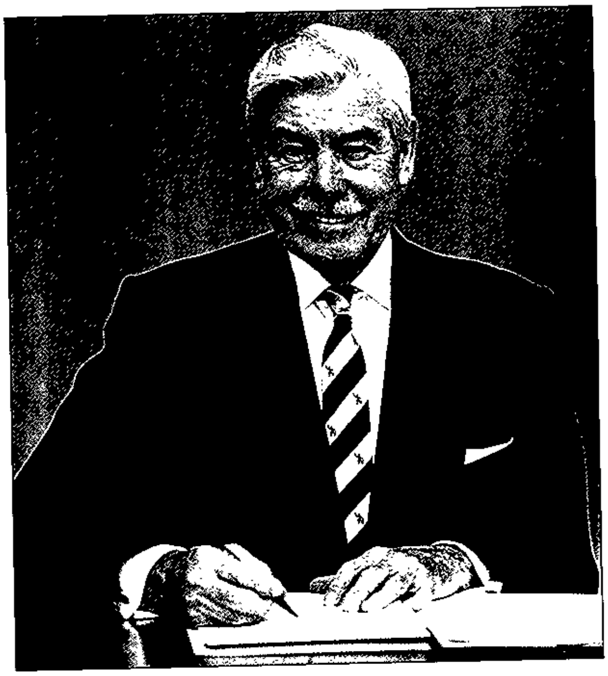
4221

Chairman's Statement

On 11 November last year, I reported to the Stock Exchange that because of de-stocking in the whisky sector, profits for the year to 31 December 1996 would be modestly below the results of the previous year. The final figures for the period confirm that view.

Profits before taxation were £20,416,000 a decrease of 3.8% on the previous year's figure of £21,223,000, while sales were down by 1.0% from £158,600,000 to £157,072,000. Earnings per share amounted to 11.38p, a fall of 5.4% over the 12.03p earned the previous year.

However, your directors are recommending a final dividend of 2.625p per share which, together with the interim dividend of 1.47p already paid, will bring the total for the year to 4.095p, an increase of 5% over the 3.90p paid last year. It is pleasing to record that we have increased our dividend, as we have done every year since we achieved a public quotation in 1973.



Confidence in the future

The modest set-back in profits was attributed mainly to one company in the Group and was the direct result of tactical changes in business practice by some of our customers in the Scotch Whisky industry. The reasons for this uncharacteristic result are well understood by your Board, which has acted quickly and pragmatically in addressing the short and medium-term challenges of de-stocking and has put measures in place to cope with this issue.

As I visit each company in the Group, I find great confidence in the future, supported by unprecedented levels of investment in manufacturing equipment, product development, sales, marketing and property. I see enthusiasm and commitment wherever I go and many exciting developments which make me confident about the future prospects of Macfarlane Group.

High quality management teams

The quality, experience and strength in depth of management across the Group has been fundamental in the progressive development and diversification of our companies and is a reassuring feature for the future. The majority of our management teams, even our younger managers, have served with the Group for many years and they are all shareholders. Over 25% of the Group's shares are held by directors and their families and most of our major institutional shareholders are long term investors. This provides a stability that is an important factor in the success of the Group.

I am certain that another element in our success is the autonomy given to individual businesses. Our philosophy is that good people must be allowed to run their businesses, though not in isolation. By working together our companies are often able to maximise their resources and benefit from the influence of the Group, whether through its purchasing power or the scale and diversity of its activities within the packaging sector.

Our Managing Directors are required to run their businesses in such a way as to achieve their forecasts and targets and are encouraged to be innovative and entrepreneurial in developing new products, expanding and improving customer service and seeking new markets to achieve consistent, sustainable growth.

Industrial Film division to be created

During 1996 we made a number of acquisitions in line with our strategic intent to become a substantial, self-sufficient participant in the industrial film sector which we believe holds long term potential for the Group.

In September, 1996 we acquired Alport Plastics, manufacturers of low density polythene film and in the next month we purchased Saranne Packaging, which converts and distributes film products. In February, 1997 we acquired Amalgamated Plastics which makes high quality bubble and industrial film for pallet and stretch-wrapping as well as for agricultural use. Other tactical acquisitions are planned for the near future with a view to increasing the synergy among Group companies.

We intend to recognise the achievement of becoming a major player in this sector by establishing an Industrial Film Division in 1997.

Chairman's Statement

Strategic re-organisation in Plastic Moulding

A substantial reorganisation is now in progress in the Plastic Moulding Division with the relocation of ACW to the Daniel Montgomery & Son site at Kirkintilloch. As I have reported in previous years, ACW has produced disappointing results and the Board has decided to transfer its operations and staff from Aberdeen to an expanded, refurbished and re-equipped factory in Kirkintilloch.

Your Board believes that the amalgamation of the two businesses on the Kirkintilloch site will create a cost-effective, efficient and competitive business capable of developing new markets. Not only will the amalgamation be good for the ACW business, it will also benefit Montgomery's development of new international markets for its closures and fitments for the drinks and other industries.

Increased investment in Packaging

During the year under review, the Packaging Division invested £11.8 million as part of a commitment to renewing and modernising factories, installing state-of-the-art equipment and developing new products. This investment will lower operating costs and help with entry to new markets as well as improving efficiency and competitiveness.

Abbott's Packaging has opened a northern distribution hub at Wigan, along with new branches at Milton Keynes and Winchester and Aston Packaging maintained full production while building a larger factory around its original premises.

Investments in machinery and equipment have been made at all of our packaging businesses, including A & W Fullarton where £3 million has been invested in the latest technology to maintain its leadership in the market place.

We have been particularly pleased with the performance of Clansman Cases and N.S. Macfarlane & Co. both of which had a record year in 1996, producing considerably increased contributions to Group profits.

Innovations showing results

Within each of the Group businesses a substantial amount of innovative work is being undertaken in developing customer service, stimulating product development and bringing new products to the market.

We have high expectations for a new heavy duty waxed case developed by Mitchell Packaging, the first of its kind on the market. We are continuing to negotiate international licences for building and operating specialist packaging machinery developed by Aston Packaging. Flo-pak (UK) has been granted the European licensing rights to CurlPak a wood-based loose-fill which acts as a healthier, more efficient bedding material for animals.

Daniel Montgomery has developed and launched M500 a unique bottle fitment which has been well received by the whisky sector and which shows considerable potential for domestic and international markets.

Employing best environmental practice

As a packaging group, environmental considerations are high on our agenda and I am pleased to report that we are working closely with our major customers and are constantly reviewing our business processes and practices in anticipating and applying legislation.

A senior corporate executive is responsible for researching and monitoring environmental legislation and our businesses continue to apply best practice in the use of materials in all of our manufacturing processes. One of our businesses, Flo-pak, totally sources its production on recycled polystyrene.

An enthusiastic, committed workforce

Each year in this statement I make a point of emphasising the importance of the contribution of our 1,700 employees to the vitality of our Group. The loyalty, enthusiasm and dedication of our workforce are major assets and once again I wish to thank them for their splendid contribution to the Group.

Outstanding support from Directors

May I once again thank my parent company colleagues and the directors in all our Group companies. I have greatly appreciated their outstanding contribution, loyalty and support during another interesting year.

A proven strategy

1996 has been a challenging year, but I am confident that we are pursuing a proven strategy in developing a Group which will continue to expand its business and its interests. We have the talent, skills, experience, ideas and the resources and at all levels we continue to be dedicated to the future success of the company.

Chairman

Operating Review

1996 was a year of investment and development across the whole of Macfarlane Group through building, modernising and extending factories, investing in new technology and state-of-the-art equipment, acquiring selected businesses to build product portfolios and sharpening our competitive edge.

The formation of an Industrial Film division in 1997 will mark the culmination of four years of tactical acquisitions which have created a range of complementary businesses covering most aspects of this expanding market within the packaging sector. Not only do the newly acquired manufacturing businesses bring new products and new skills, but they also bring scale and, in turn, synergy benefits to Group trading. In addition, they open direct access to large-scale customers as well as indirect market access through our own sales companies.

We are now close to achieving our aim of becoming the second largest player in the UK in this increasingly important sector.

The amalgamation of our two principal businesses in Plastic Moulding, A.C.W. and Daniel Montgomery & Son will bring a new competitive edge to both businesses, operating from a modern purpose-designed factory using industry-leading machinery and with reduced operating costs. In this business, as well as others across the Group, we are investing in sales and marketing, with a range of new appointments, different structures and fresh commercial horizons at home and overseas.

Packaging

1996 was a difficult year for the packaging sector. Although nearly all companies in the division produced substantial increases in volume, this was largely offset by falling raw material prices and consequently sales prices, in most areas throughout the year.

Abbott's Packaging, the largest company in the division, has doubled in size during the last five years. Under Managing Director, John Maxwell, the company has expanded from eleven to the current twenty distribution depots and this growth has been reflected in both turnover and profitability, which are at all-time highs. 1996 was another very successful year in which foundations have been laid for further business development.

The Company supplies a diverse range of packaging materials to more than 30,000 customers throughout the United Kingdom. To expand product ranges and to enhance round the clock delivery services, as well as to anticipate changing patterns of demand, a northern distribution hub has been opened at Wigan, along with new branches at Milton Keynes and Winchester. This is part of a strategic investment programme which will add two further branches during 1997.

Alport Plastics, which joined the group in September 1996, makes low density polythene film for converters and end users throughout Britain. Its materials are used in a variety of packaging applications and complement the Group's other film businesses where there is considerable potential to increase sales. Maximising this potential and developing new markets will be a priority for Managing Director Richard Stimson and his team in 1997.

Aston Packaging, one of the group's most innovative companies, has been transformed since it was acquired in 1987 and is now contributing well to group profits. During 1996, this was all the more notable for Managing Director, John Morris and his team because production continued uninterrupted while a purpose-designed factory was built around and replaced the original factory in Birmingham.

The company manufactures protective corner and edge packaging under trade names such as Corrupad, Protech and Edgeguard. The company suffered from reduced demand and downward pressure on selling prices in most of these areas during the year. Most products, and in many cases the machines making them, have been developed within the company. Licence agreements to manufacture and operate these machines have been established with companies in Australia, France, Germany, Indonesia, Japan, Korea, Malaysia and North America and others are under negotiation.

Centurion Packaging makes stretchwrap, clingfilm and wide width polythene film, and sells a range of paper, polyethylene and polypropylene sacks, bale wraps and bulk containers. The company, which had a difficult year due to substantial reductions in raw material and therefore sales prices, was acquired in 1994 and rationalised from four sites to one new, purpose-built factory at Preston in Lancashire. During 1995 the company, whose Managing Director is Mike Clark, installed new production machinery to increase capacity and to improve efficiency.

Clansman Cases increased its profitability through higher sales, improved efficiency and cost control. Managing Director, Malcolm Pilcher is planning to double the size of the company, partly through a £3 million investment at its principal factory at Brackley in Northamptonshire. Work on rebuilding and re-equipping the factory is under way and it will be fully operational in mid-summer.

The company also operates from Stalybridge near Manchester and Bedwas in Gwent, South Wales. It manufactures heavy duty and conventional corrugated cases, incorporating timber, foam and corrugated fittings and is a supplier to Abbott's Packaging, as well as selling direct to a variety of high volume industrial customers.

Controlled Packaging Services had a reasonable year, despite a significant change in its customer base. CPS provides sophisticated, value-added packaging inclusive of timber, foam or corrugated fittings. Previously heavily reliant on a major international customer, Managing Director, John Matthews has broadened the company's customer base and successfully diversified into new European markets.

During 1996, the company completed a £1 million investment programme which modernised, expanded and introduced new production equipment to its factory at Westbury in Wiltshire. Further investment is planned during 1997, improving production facilities for heavy duty and conventional case manufacture.

Dalewood Packaging Products, the largest customer of Centurion Packaging, was brought into Macfarlane Group in 1995. The company, based in Peterborough, supplies self-adhesive tape and industrial stretchfilm to an increasingly wide range of customers. Synergy with Abbott's Packaging has brought substantial benefits in purchasing, particularly from international suppliers. A new young management team has been established under Neil Henshaw and the company made a good contribution to Group profits in 1996.

Innovation is driving the development of **Flo-pak (UK)** which had a difficult 1996 due to a reduction in demand for its main product. Flo-pak, located at Brackley in Northamptonshire, is the United Kingdom's largest manufacturer of loose-fill and its products are wholly based on reprocessed polystyrene waste. Not only is the company founded on sound environmental practice, it is also protected from volatile raw material prices, ensuring long-term sources of supply and price stability.

Managing Director, Peter Connor has obtained the European licensing rights for CurlPak, a wood-based loose-fill, healthier and more efficient than traditional bedding material for animals, such as horses, or for fowl like chickens. The company is already experiencing sales growth after testing trials. The material, developed in North America, also creates sales opportunities in other markets.

A & W Fullarton has embarked on a £3 million programme investing in new buildings and in high-technology machinery to continue to operate at the forefront of the industry. Managing Director, Donald Macleod, reported another successful year for the company.

Fullarton is the largest manufacturing company in the Group with facilities in Glasgow, Glenrothes, in Fife and Newcastle Upon Tyne. Its products include heavy duty and conventional corrugated cases, moulded polypropylene products and timber packs and pallets.

In addition, Fullarton is a highly successful warehousing and transport services business. For example, at Braehead, on the outskirts of Glasgow, the company has developed a 300,000 sq. ft. warehouse complex operating sophisticated stock distribution and logistics services on behalf of major companies.

Bill Mackie, Group Chief Executive

During 1996, **Mitchell Packaging** invested in new manufacturing equipment, including a specialised die-cutting machine at its principal factory at Grantham in Lincolnshire. The company, which makes heavy duty and conventional corrugated cases and supplies traditional packaging materials, had a good year.

Managing Director, Andre Finney and his staff are researching and developing a variety of new products. The company has introduced a heavy duty re-useable waxed box for cold storage, completing three years of development on a product unique to the market. This is attracting the attention of large-scale buyers.

Within the division, one of the most significant transitions has been achieved by **N.S. Macfarlane & Co.** which had a record year in 1996. A major restructuring of the business was started in 1991 when three plants were closed and all operations were concentrated at Kilmarnock in Ayrshire where production was focused on self-adhesive labels.

Substantial investment was made in new printing technology and equipment and in the early part of 1996 the factory was expanded to accommodate an additional multi-colour printing press which has significantly increased capacity. The transformation continued through a new sales perspective with international horizons that has created a wider expanding customer base. Managing Director, Graham Mitchell has set the company's sights on developing more new markets in 1997.

Saranne Packaging, acquired in October, 1996, converts and distributes film products, such as polythene bags, direct to a diverse range of customers. The company, located at Pyle in South Wales, has increased the product range available through other group companies. Saranne, managed jointly by Gareth Evans and Bill Greig, has achieved attractive results and further benefits are expected from an investment of over £1 million in buildings and machinery planned for 1997.

In February, 1997 **Amalgamated Plastics** of Potters Bar in Hertfordshire was acquired to expand the volume of the Group's business in polyethylene film, bringing benefits of scale through sales and increased purchasing leverage. In addition, Amalgamated has brought a new range of high quality bubble and industrial film products for pallet and stretch-wrapping and for agricultural use. The company's joint Managing Directors are brothers, Nick and Simon Englander.

Plastic Moulding

Profits of the Plastic Moulding Division were considerably lower during a year of changing trading conditions in some manufacturing sectors served by the Division. A number of measures are now in place to meet the challenges of market change and to ensure that our businesses develop and diversify their customer bases.

After an extensive appraisal of current and potential markets and a review of production capabilities within the Division, the operations of ACW are being merged into Daniel Montgomery under Managing Director Robert Martin.

This will produce a company of considerable scale, more efficient and powerful and able to compete more effectively in national and international markets. The combined talents of the workforce will provide unique solutions and services for customers and will provide a platform for substantial growth.

The Group is continuing to seek new investment opportunities in the United Kingdom and in Ireland and the outlook for the division is positive.

Andrew Reekie, Financial Director

The **ACW** plant in Aberdeen will be closed during 1997 with most of the employees transferring to Kirkintilloch where the Montgomery factory is being extended and modernised at a cost of £4 million. This will be an outstanding facility for moulding, assembly and decoration and will create more efficient production capability as well as economies of scale which should provide cost savings for the division.

ACW, located on a constrained site near the centre of Aberdeen, is a high volume manufacturer of plastic mouldings, mainly for the packaging, pharmaceutical toiletries and healthcare markets. Its results in 1996 were again disappointing, but its reputation for quality and customer service continued to attract customers. Its merger into Montgomery will provide an opportunity for profits recovery in future years.

Daniel Montgomery, which operates from Kirkintilloch is the largest company in the division, making highly decorative and technically-innovative closures and dispensers for premium spirits brands.

Tamper-evident and anti-counterfeiting systems are intrinsic to its designs and a highlight of 1996 was the launch of the M500 a market-leading product developed within the company. Sales operations have been reshaped and a special team has been established to address new markets.

During the year, sales were abnormally low, principally because of customer de-stocking in improving their supply chain management and because of a reduction in exports to South American countries where anti-counterfeiting fitments are an important element. It is expected that business will normalise at the end of customers' de-stocking processes and 1997 has started positively.

Wicklow Custom Packaging had a good year despite a quiet trading period for two of its largest customers. The sales team is being increased by Managing Director, George Balmer, and new business is being introduced to the Wicklow plant where a £1 million investment has been made in state-of-the-art machinery and in new warehousing.

Inward investments continue to be announced in Ireland, where the tax regime is advantageous to manufacturing business, and the company's prospects remain excellent.

Summary

The investment programme started in 1996 will bring lasting benefits through improving the efficiency and the competitiveness of individual companies and the Group as a whole. Each business is continuing to seek commercial advantage through the quality, range and value of products, through innovation and market leadership and through the quality of service to customers.

Financial Review

Group turnover for the year reduced by 1.0% to £157.1 million from the previous year's figure of £158.6 million. Profits before taxation amounted to £20.4 million, a reduction of 3.8% over the £21.2 million earned in the previous year. Operating margin was 12.6% as against 12.9% the previous year.

The Packaging Division increased its profits by £1,127,000 despite difficult trading conditions but Plastic Moulding Division's profits declined by £1,776,000, due to reduced demand, mainly as a result of de-stocking by some major customers.

Interest

Interest rates remained at a relatively low level throughout the year and interest received amounted to £610,000 as against £872,000 the previous year. This has been achieved despite an increase in capital expenditure and two significant acquisitions which included substantial borrowings and is a reflection on the continuing efforts made throughout the Group to ensure that profits are accompanied by very positive cash generation.

Dividends and taxation

An interim dividend of 1.47p per share was paid on 8 October 1996. Despite the modest reduction in profits, the directors have recommended that a final dividend of 2.625p be paid on 29 May 1997 to those shareholders on the register at close of business on 12 May 1997. The total dividend for the year excluding tax credits, will amount to 4.095p, an increase of 5% over the 3.90p paid the previous year, reflecting the confidence with which the directors view the future.

The overall rate of tax for the year was 31.6% compared with 31.3% the previous year.

Capital expenditure and acquisitions

During the year capital expenditure was £14.0 million, an increase of £1.0 million over the £13.0 million last year. In addition, two new companies, Alport Plastics Limited and Saranne Packaging Limited were acquired. The cash element of these acquisitions, together with inherited borrowings amounted to £8.9 million.

Cash flow

Despite this investment, funds at the end of the year were £4.8 million, compared with £14.5 million at the end of 1995. Cash flow from operating activities has again been very positive increasing from £21.3 million in 1995 to £23.0 million this year. Additional working capital was absorbed to fund the requirements of the two acquired companies.

Shareholders' funds

Shareholders funds' have increased to £64.6 million from £61.7 million. Although retained profits amounted to £8.8 million, this has been offset by a £11.5 million write-off of goodwill associated with the acquisitions in the year. At the year end the Company's market capitalisation was £220.0 million, compared with £262.9 million last year. The share price at 31 December 1996 was 176p, a decrease of 40p from the previous year end.

Accounting policies

There have been no changes in accounting policies during the year. The Group continues to comply with all Financial Reporting Standards currently in existence and has adopted the reporting requirements of the new Financial Reporting Standards issued during the year.

Going concern basis

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Five Year Record

	1992 £000	1993 £000	1994 £000	1995 £000	**1996** **£000**
Turnover	86,974	96,717	116,956	158,600	**157,072**
Operating profit	9,559	11,930	15,405	20,449	**19,856**
Exceptional item	–	–	–	95	**–**
Interest receivable	766	858	996	872	**610**
Interest payable	(173)	(56)	(95)	(193)	**(50)**
Profit on ordinary activities before taxation	10,152	12,732	16,306	21,223	**20,416**
Taxation	3,504	4,171	5,484	6,633	**6,455**
Profit for the financial year	6,648	8,561	10,822	14,590	**13,961**
Dividends	2,410	2,948	3,784	4,745	**5,125**
Retained profit for the year	4,238	5,613	7,038	9,845	**8,836**
Earnings per ordinary share	5.87p	7.50p	9.19p	12.03p	**11.38p**
Dividends per ordinary share	2.13p	2.56p	3.13p	3.90p	**4.09p**
Dividend cover	2.8	2.9	2.9	3.1	**2.7**

Directors

The Rt. Hon. The Lord Macfarlane of Bearsden KT
Chairman

Founder in 1949 of N.S. Macfarlane & Co. which became Macfarlane Group (Clansman) in 1973. Aged 71, he combines executive commitments to Macfarlane Group with appointments as Life President of United Distillers plc and Chairman of American Trust plc and the Fine Arts Society PLC. He is also a Non-Executive Director of Edinburgh Fund Managers Group plc. He was knighted in 1983 for service to industry and the arts, becoming a Life Peer in 1991. In November 1996 he was awarded the Order of the Thistle.

Godfrey Lane Deputy Chairman

Aged 65, was with Abbott's Packaging for 30 years, initially as Financial Director and then as Managing Director until he relinquished his management responsibilities in 1986. He joined the Group Board in 1980 and was appointed Deputy Chairman on 1 January 1996. He remains a Non-Executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee.

Rupert Barclay Non-Executive Director

Aged 40, he is a chartered accountant and a business consultant. He joined the Group Board in 1995 and is a member of both the Audit and Remuneration Committees.

Gordon Lane Chief Executive - Packaging

Aged 46, was with Abbott's Packaging for 21 years. He was appointed to the Group Board in 1987 and became Chief Executive of the Packaging Division on 1 January 1991. On 1 August 1993 he relinquished his position with Abbott's Packaging and assumed responsibility for identifying acquisition opportunities and new products for the Group.

The Hon. Hamish Macfarlane
Sales and Marketing Director - Plastic Moulding

Aged 35, has been with the Group for fourteen years mainly in the Plastic Moulding Division and has responsibility for sales and marketing in the Division. He joined the Group Board in 1995.

Bill Mackie Group Chief Executive

Was with A & W Fullarton, one of the Group's principal packaging subsidiaries for 29 years before becoming Group Chief Executive on 1 January 1991. Aged 62, he joined the Group Board in 1979 and has played a major part in the creation and development of the Group's national packaging network.

Robert Martin Chief Executive - Plastic Moulding

Aged 43, joined A.C.W. in 1976 becoming Managing Director in 1985. He joined the Group Board in July 1990 and from 1 January 1991 assumed responsibility for the Plastic Moulding Division. In 1995 he was appointed Managing Director of Daniel Montgomery & Son.

Andrew Reekie Financial Director

A member of the Institute of Chartered Accountants of Scotland and a Fellow of the Institute of Directors. Has been with the Group for 28 years becoming Group Accountant in 1973 and Group Financial Director in 1977. Aged 55, he is responsible for developing the financial reporting systems which have contributed greatly to the Group's overall success.

John Ward Non-Executive Director

Joined the Group Board on 1 January 1996. A chartered accountant, aged 56, he is the Chairman of Scottish Homes and is a director of Dunfermline Building Society, Investors in People Scotland, European Assets Trust and Scottish Business in the Community. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

Back Row (left to right): Gordon Lane, Bill Mackie, John Ward, Andrew Reekie

Front Row: Rupert Barclay, Hamish Macfarlane, Lord Macfarlane, Robert Martin, Godfrey Lane

Macfarlane Group (Clansman) PLC

Statutory Financial Statements

1996

Directors' Report

The directors present their annual report and the audited Group accounts for the year ended 31 December 1996.

Principal activities

There has been no significant change in the activities of the Company and its subsidiaries which are the manufacture and distribution of packaging, plastic mouldings and specialist printing and the provision of storage, warehousing and haulage services. Details of the principal subsidiary companies and their activities are set out on page 37.

Analysis by Division and geographical area is shown in note 1 on page 23.

Review of the business

A review of the business during and following the end of the financial year and comments on future developments within the Group are contained in the Chairman's Statement and the Operating and Financial Review on pages 1 to 6.

Results and dividends

The Group profit on ordinary activities before taxation was £20,416,000 (1995 - £21,223,000). The directors recommend payment of a final dividend of 2.625p to be paid on 29 May 1997 making a total of 4.095p for the year (compared with 3.90p for the year ended 31 December 1995). The retained profit for the year amounting to £8,836,000 (1995-£9,845,000) will be transferred to reserves.

Share capital

At the last Annual General Meeting the directors were given authority to allot further ordinary shares for cash beyond those committed to the share option schemes up to an aggregate amount of £1,522,233. That authority expires at the conclusion of the forthcoming Annual General Meeting.

A resolution will be put to shareholders to renew for a further year the authority over the existing unissued and uncommitted ordinary share capital. This authority is limited to a maximum nominal amount of £1,578,097.

Employee share schemes

During the year 25,312 ordinary shares were issued on the exercise of options under The Macfarlane Group 1987 Executive Share Option Scheme. A further 616,250 ordinary shares were issued on the exercise of options under The Macfarlane Group 1991 Share Option Scheme.

On 26 January 1996 options to acquire 2,485,000 ordinary shares were granted under the terms of The Macfarlane Group (Clansman) PLC 1995 Executive Share Option Scheme. These options are exercisable between 26 January 1999 and 25 January 2006 at 220p per share.

Details of all remaining options outstanding under the Company's share option schemes are set out in note 19 on page 31.

£140,000 was allocated from 1996 profits (1995 - £215,000) to the Trustees of the Macfarlane Group Share Appropriation Scheme which was established in 1990 for the appropriation of ordinary shares to eligible employees.

Substantial holdings of shares in the company

The Company has received notification that at 25 March 1997 the following members held more than 3 per cent of the ordinary share capital.

	Holding	Percentage
Funds managed by Edinburgh Fund Managers Group plc	6,074,711	4.81%
Funds managed or advised by M & G Investment Management Limited	5,626,400	4.46%
Funds managed by Baillie Gifford Investment Management Limited	5,152,875	4.08%
The Alliance Trust PLC and The Second Alliance Trust PLC	4,957,024	3.93%

Board of directors

The names of the directors holding office together with short biographical details are set out on page 8.

A. Reekie and G.S. Lane retire by rotation in accordance with the articles of association and, being eligible, offer themselves for re-election. They have service contracts with the Company which are subject to two years' notice by the Company and subject to six months' notice by the director.

Directors' Report

As Lord Macfarlane is 71, special notice has been given to the company of the intention to propose a resolution to re-elect him at the forthcoming Annual General Meeting.

No director, either during or at the end of the financial year, had an interest in any contract relating to the business of the Company or any of its subsidiaries. The statement of directors' interests in Macfarlane Group (Clansman) PLC is contained in note 4 on page 25.

Directors' and officers' liability insurance

The Company has maintained directors' and officers' liability insurance cover throughout the financial year.

Acquisitions

The Company acquired the whole of the issued share capital of Alport Plastics Limited on 16 September 1996 and Saranne Packaging Limited on 4 October 1996. Further information on both acquisitions is contained in note 21 on page 32.

Fixed assets

The movements in tangible assets are set out in note 12 on pages 27 and 28. Significant changes during the year arose from the investment in new buildings at Abbott's Packaging Limited and Controlled Packaging Services Limited and investment in plant at Abbott's Packaging Limited, A & W Fullarton Limited and Daniel Montgomery & Son Limited.

Post balance sheet event

The Company acquired the whole of the issued share capital of Amalgamated Plastics Limited on 13 February 1997 for an initial consideration of £5,000,000. In addition there is a performance related provision to pay further amounts up to £2,500,000 in 1998, subject to the satisfactory completion of certain conditions.

Employment of disabled persons

The Group policy is to encourage the employment of disabled persons where the disabilities do not handicap these persons in the performance of their duties. Where an employee becomes disabled every effort is made to resettle that employee in a suitable post. Registered disabled persons, once employed, receive equal opportunities for training, career development and promotion.

Employee involvement

The directors of all companies within the Group recognise the importance of meaningful communication and consultation in maintaining good employee relations. The Group policy of having efficient autonomous units facilitates the involvement of employees in the companies for which they work, either through joint committees or less formal but equally effective methods of communication and consultation.

Supplier payment policy

The Group's policy is to negotiate terms with suppliers and to settle liabilities in accordance with these terms. The policy is followed by all companies in the Group and the staff dealing with payments to suppliers are made aware of it. The policy is made known to suppliers on request.

Political and charitable contributions

During the year a contribution of £10,000 (1995 – £10,000) was paid to the N.S. Macfarlane Charitable Trust. There were no political donations during the year (1995 – £nil).

Close company status

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

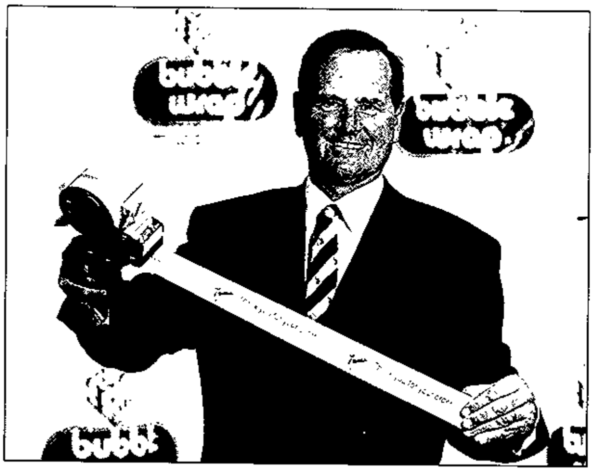
John Love.

J Love
Secretary

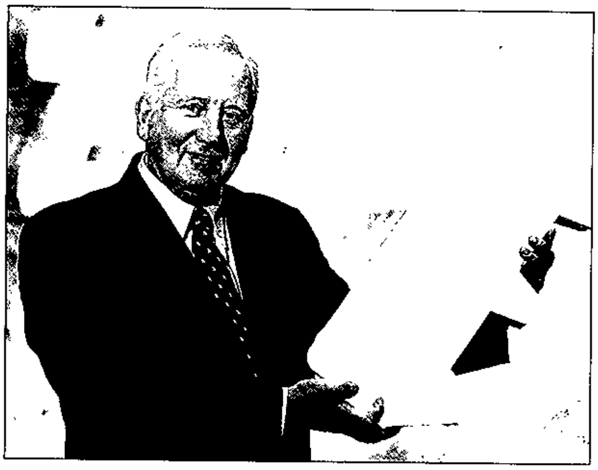
Clansman House
21 Newton Place
Glasgow G3 7PY

25 March 1997

Senior Management



John Maxwell, Managing Director, Abbott's Packaging



Donald Macleod, Managing Director, A & W Fullarton

Malcolm Pilcher, Managing Director, Clansman Cases

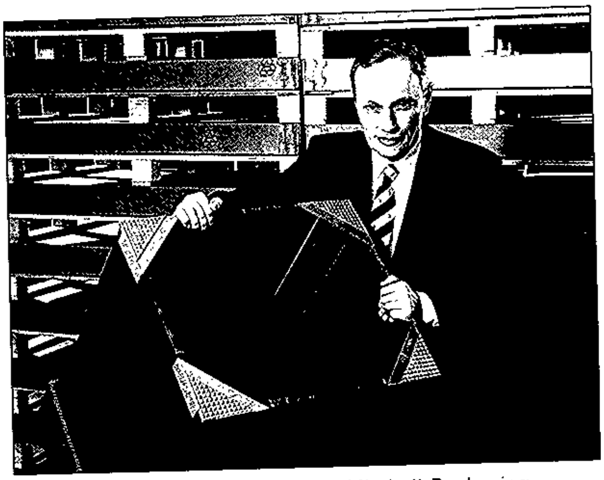
John Matthews, Managing Director, Controlled Packaging Services

John Morris, Managing Director, Aston Packaging

Senior Management

Robert Martin, Managing Director, Daniel Montgomery

George Balmer, Managing Director, Wicklow Custom Packaging



Andre Finney, Managing Director, Mitchell Packaging

Graham Mitchell, Managing Director, N.S. Macfarlane & Co.

Peter Connor, Managing Director, Flo-pak (UK)

Corporate Governance

The company has previously given details of various matters relating to its Corporate Governance practices and procedures and these remained in force during 1996. Throughout the current year the company complied with all the provisions and recommendations of The Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (The Cadbury Committee).

Board meetings and procedures

The board meets at least seven times a year and as necessary for any matters arising between regular board meetings. The board is responsible for overall group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. At each board meeting, the board considers reports from the chief executive and the divisional chief executives.

Duties of Directors

All directors have access to the company secretary who is responsible for ensuring that Board procedures are met. Directors are authorised to take, at the company's expense, independent professional advice on legal and financial matters in furtherance of their duties as directors, subject to certain limits and procedures.

Non-executive Directors

The non-executive directors monitor the performance of the Company and the executive management. They play a key role in the development of the Group policy and form the Audit and Remuneration Committees. The non-executive directors are appointed for a specific term and their re-appointment is not automatic.

Internal financial control

The directors acknowledge their ultimate responsibility for ensuring that the Group has in place a system of controls, financial and otherwise, that is appropriate to the various business environments in which it operates. The key procedures of the Group's internal financial control framework are set out below.

The Board reviews the strategic direction of individual trading subsidiaries, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. Financial results and key business statistics are reported monthly and variances from budgets are monitored and investigated.

The Board has reviewed the effectiveness of the system of internal financial control on the basis of the criteria set out in the Guidance for Directors "Internal Control and Financial Reporting". It has considered the major business and financial risks, the control environment, information on and arising from control procedures and the results of the internal audit department's work, on the basis that a system can only provide reasonable but not absolute assurance and that it relates only to the needs of the business at that time.

As might be expected of a Group of this size and complexity, weaknesses do occur from time to time. However these have not resulted in any material loss, contingency or uncertainty which requires disclosure in accordance with available guidance.

Audit Committee

The Audit Committee comprises:–

J.G. Lane (Chairman)
R.G.M.L. Barclay
J.M. Ward

The terms of reference which have been established for many years are similar to those recommended by the Cadbury Committee. The Audit Committee meets routinely four times a year, with other meetings as necessary and the minutes are circulated to all board members. The financial director, the internal auditors and the external auditors attend such meetings and provide reports as required by the committee.

The committee monitors the adequacy of the Group's internal controls, accounting policies and financial reporting to assist the Group Board in making the statement on internal controls referred to above. The committee also makes recommendations to the Board where it feels it is appropriate to do so. In addition the committee is responsible for considering the appointment and the fees of the external auditors.

Report of the Remuneration Committee

The Remuneration Committee comprises:–

J.M. Ward (Chairman appointed 1 January 1996)
R.G.M.L. Barclay
J.G. Lane

None of the Committee has any personal financial interests, conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee consults the chairman about its proposals and has access to professional advice from inside and outside the company. Throughout the year the company complied with Section A of the Best Practice Provisions on remuneration committees as annexed to the Listing Rules. The Committee has given full consideration to the provisions in Section B of the Best Practice Provisions in formulating the remuneration policy set out below.

The Remuneration Committee meets routinely once a year with other meetings as considered necessary. The Report of the Study Group on Directors' Remuneration chaired by Sir Richard Greenbury ("the Greenbury Report") is welcomed by the Board and the Code of Best Practice provides comprehensive guidance on best practice for remuneration policy and sets clear standards for disclosure. The chairman of the Remuneration Committee will be available to answer questions on any aspect of remuneration policy at the Annual General Meeting.

It is a Group objective that it should attract and retain executives of high calibre and that the executives should be rewarded in such a way which encourages the creation of wealth for shareholders. The Committee is consulted on board appointments and measures the performance of the executive directors, the key members of senior management. The three non-executive directors who comprise the Remuneration Committee, approve board remuneration and bonus scheme targets together with the performance conditions under which executive share option schemes operate.

The Company's policy is that for executive directors the three main elements in their remuneration packages are a basic annual salary, an annual performance related bonus and long term incentives in the form of share options. The committee takes a balanced view of remuneration policy considering each element relative to the market. The position was established by research and analysis of the market situation against a comparator group of selected companies in the packaging sector and Scottish based public companies of similar size and complexity to the company. After careful consideration, the committee is of the view that the remuneration policy for the company is appropriate.

The intention is to ensure that the remuneration package is set at a competitive rate for comparable posts and that the achievement of clearly defined objectives will provide the opportunity to achieve attractive remuneration levels albeit for that year only. Accordingly executive directors can earn incentive payments based on group target profits. The maximum payment is 25% of basic salary. The levels of basic salaries are reviewed each year or when an individual has a change of responsibility.

Messrs. G.S. Lane, W.P. Mackie, R.I.B. Martin and A. Reekie have service contracts for a period of two years. For executive directors appointed after 1 January 1995 contracts of service will be for a period of no more than one year. The Committee considers the length of the notice periods to be in the best interests of the company in maintaining the services of its key directors. Details of those directors retiring by rotation at the forthcoming Annual General Meeting are set out in the report of the directors on pages 10 and 11 and directors' contracts of service will be available for inspection at the Annual General Meeting.

Executive directors are entitled to accept appointments outside the company provided the Board's permission is obtained. The Board may allow the fees from one such appointment to be retained by the director. The remaining fees must be accounted for to the company. The remuneration for non-executive directors is determined by the Board of Directors having regard to the commitment of time required and the level of fees in similar companies. No director plays a part in any discussion about his own remuneration.

Shareholder approval was given on 5 January 1996 for the Macfarlane Group (Clansman) PLC 1995 Executive Share Option Scheme. The Remuneration Committee has responsibility for the two share option schemes in force and approved the grant of options on 26 January 1996. The performance criterion that must be met requires the group's earnings per share to exceed the Retail Price Index increase by not less than 10% for each of the three consecutive financial years over which the condition must be met. The objective is to ensure that the schemes are in line with best practice and promote the long term interests of shareholders.

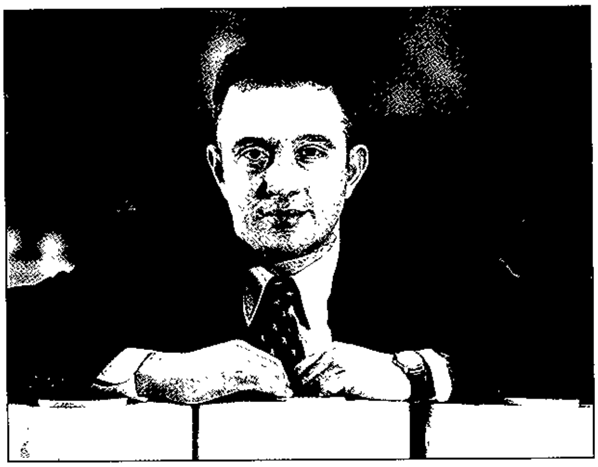
The Group operates two different types of pension scheme, one based on final pensionable salary, the others defined contribution schemes. Every employee of the Group is eligible to join one of these schemes after a suitable qualifying period. All executive directors under the age of 65 are members of the final salary scheme with retirement benefits based on pensionable earnings in the years prior to retirement. All members of the pension scheme, throughout the group, have their benefits calculated on this basis. There have been no changes to the directors' pension entitlements during the year. There are no unfunded pension promises or similar arrangements for directors.

The emoluments of the Directors, including details of share options, are disclosed in note 4 on pages 24 and 25.

Senior Management

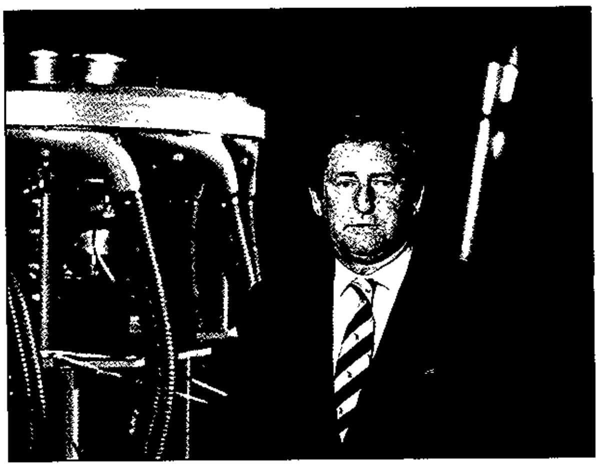
Mike Clark, Managing Director, Centurion Packaging

Nick and Simon Englander, Joint Managing Directors, Amalgamated Plastics



Neil Henshaw, Managing Director, Dalewood Packaging Products

Gareth Evans, Joint Managing Director, Saranne Packaging



Richard Stimson, Managing Director, Alport Plastics

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report to the members of Macfarlane Group (Clansman) PLC

We have audited the financial statements on pages 18 to 34 which have been prepared under the accounting policies set out on page 22.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche Deloitte & Touche

Chartered Accountants and Registered Auditors
39 St Vincent Place
Glasgow G1 2QQ

25 March 1997

Consolidated Profit and Loss Account

For the year ended 31 December 1996

	Note	Continuing operations £000	Acquisitions £000	1996 £000	1995 £000
Turnover	1	152,398	4,674	157,072	158,600
Cost of sales		95,455	3,513	98,968	101,278
Gross profit		56,943	1,161	58,104	57,322
Distribution costs		8,792	372	9,164	8,114
Administrative expenses		29,958	287	30,245	29,345
		18,193	502	18,695	19,863
Other operating income	3	1,161	-	1,161	586
Operating profit	5	19,354	502	19,856	20,449
Exceptional item					
Profit on sale of discontinued operations	6			-	95
				19,856	20,544
Interest receivable and similar income				610	872
Interest payable and similar charges	7			(50)	(193)
Profit on ordinary activities before taxation	1			20,416	21,223
Taxation on profit on ordinary activities	8			6,455	6,633
Profit for the financial year	9			13,961	14,590
Dividends on equity shares	10			5,125	4,745
Retained profit for the year	20			8,836	9,845
Retained by:					
Macfarlane Group (Clansman) P.L.C.				3,919	5,411
Subsidiaries				4,917	4,434
				8,836	9,845
Earnings per ordinary share of 25p	11			11.38p	12.03p

Balance Sheets

At 31 December 1996

	Note	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Fixed assets					
Tangible assets	12	54,382	44,331	1,033	572
Investments	13	–	–	39,250	26,663
		54,382	44,331	40,283	27,235
Current assets					
Stocks	14	10,171	8,280	–	–
Debtors	15	33,553	29,261	5,716	16,039
Deferred taxation asset	16	–	–	–	740
Cash at bank and in hand		4,820	14,480	12,906	11,054
		48,544	52,021	18,622	27,833
Creditors – amounts falling due within one year	17	36,552	34,009	3,700	9,496
Net current assets		11,992	18,012	14,922	18,337
Total assets less current liabilities		66,374	62,343	55,205	45,572
Creditors – amounts falling due after more than one year	18	139	69	1,862	1,862
Provisions for liabilities and charges	16	1,638	572	–	–
Total net assets		64,597	61,702	53,343	43,710
Capital and reserves					
Called up share capital	19	31,251	30,434	31,251	30,434
Share premium account	20	5,303	406	5,303	406
Revaluation reserve	20	4,051	4,136	–	–
Profit and loss account	20	23,992	26,726	16,789	12,870
Total equity shareholders' funds		64,597	61,702	53,343	43,710

These financial statements were approved by the board of directors on 25 March 1997 and signed on its behalf by

Macfarlane of Bearsden

A. Reekie

Consolidated Cash Flow Statement

For the year ended 31 December 1996

	1996 £000	1995 £000
Net cash inflow from operating activities	22,985	21,345
Returns on investments and servicing of finance		
Interest received	709	986
Interest paid	(42)	(192)
Interest element of finance lease rentals	(2)	(2)
Dividends paid	(4,854)	(4,121)
Net cash outflow from returns on investments and servicing of finance	(4,189)	(3,329)
Taxation		
UK Corporation tax paid	(6,642)	(5,760)
UK Corporation tax received	1	106
Overseas taxation paid	(97)	(103)
Tax paid	(6,738)	(5,757)
Investing activities		
Purchase of tangible fixed assets	(13,861)	(13,204)
Purchase of subsidiaries	(8,855)	(2,505)
Disposal of tangible fixed assets	1,155	827
Disposal of subsidiary	–	424
Purchase of liquid investments (other than cash equivalents)	–	(14,500)
Sale of liquid investments (other than cash equivalents)	3,500	19,004
Net cash outflow from investing activities	(18,061)	(9,954)
Net cash (outflow)/inflow before financing	(6,003)	2,305
Financing		
Issue of ordinary share capital	509	607
Capital element of finance lease rentals	(36)	(80)
Repayment of bank loans	(630)	(180)
Net cash (outflow)/inflow from financing	(157)	347
(Decrease)/increase in cash and cash equivalents	(6,160)	2,652

The notes to the cash flow statement are contained within note 21 to the accounts.

Statement of Recognised Gains and Losses

For the year ended 31 December 1996

	1996 £000	1995 £000
Profit attributable to members of the company	13,961	14,590
Exchange movement on retranslation of the net investment in foreign subsidiary	(160)	109
Total gains and losses recognised since the last annual report	13,801	14,699

Note of Historical Cost Profits and Losses

For the year ended 31 December 1996

	1996 £000	1995 £000
Reported profit on ordinary activities before taxation	20,416	21,223
Realisation of property revaluation gains of previous years	–	21
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	85	85
Historical cost profit on ordinary activities before taxation	20,501	21,329
Historical cost profit for the year retained after taxation and dividends	8,921	9,951

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 1996

	1996 £000	1995 £000
Profit for the financial year	13,961	14,590
Dividends on equity shares	(5,125)	(4,745)
	8,836	9,845
New share capital issued	5,714	1,418
Exchange (losses)/gains on retranslation of foreign subsidiary	(160)	109
Purchased goodwill written off	(11,495)	(1,980)
Net addition to shareholders' funds	2,895	9,392
Shareholders' funds at 1 January	61,702	52,310
Shareholders' funds at 31 December	64,597	61,702

Accounting Policies

Year ended 31 December 1996

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention modified to include the revaluation of the majority of the group's properties.

Consolidation

The consolidated profit and loss account and balance sheet include the accounts of the parent company and all its subsidiaries made up to the end of the financial year. Pre-acquisition profits are eliminated on consolidation and purchased goodwill representing the excess of the purchase consideration over the fair values of the assets acquired is written off reserves. The consolidated profit or loss on disposal of a subsidiary is the difference between the net proceeds of sale and the group's share of the subsidiary's net assets together with any attributable goodwill originally written off on acquisition.

Turnover

Turnover is the value of goods sold and services provided to third parties stated net of value added tax.

Depreciation

Tangible fixed assets are stated at cost to the group except in the case of certain properties which are stated at valuations by professional valuers. Depreciation is calculated at fixed rates on a straight line basis to write off the cost or valuation of the various assets over the period of their expected useful lives. The rates of depreciation vary between 1% and 5% per annum on buildings and 10% and 25% per annum on plant, vehicles and fittings.

Stocks

Stock and work in progress are consistently valued at the lower of cost and net realisable value. Such cost is determined by the first-in first-out method and is stated less any provisions required for obsolescence. In the case of work in progress and finished goods, cost comprises direct cost and attributable overheads.

Government grants

Government grants of a revenue nature are credited to profit and loss account in the same period as the related expenditure.

Taxation

Provision is made for corporation tax on all profits and realised gains up to the balance sheet date at the latest known corporation tax rates.

Deferred taxation

Provision is made for deferred tax on timing differences to the extent that it is probable that a liability will crystallise in the future. The provision is based on the rates of tax expected to be in force when the liability is likely to occur.

Leases

The cost of assets held under finance leases is included in tangible assets and depreciation is provided in accordance with the group's accounting policy for the class of asset concerned. The interest cost is charged over the term of the lease and future obligations are included in creditors. Rental costs under operating leases are charged to profit and loss account as incurred.

Foreign currency translation

Assets and liabilities denominated in foreign currencies and financial statements of foreign subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising in the consolidated accounts on the retranslation at closing rates of the group's net investments in foreign subsidiary companies are recorded as movements on reserves. All other exchange differences are dealt with in the profit and loss account.

Pension costs

The expected cost of providing pensions is charged to profit and loss account in order to spread the cost over the service lives of the employees in the schemes in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Notes on the Accounts

For the year ended 31 December 1996

1. ANALYSIS OF TURNOVER

Segmental information by division:

	1996 Turnover £000	1996 Profit before tax £000	1996 Net assets £000	1995 Turnover £000	1995 Profit before tax £000	1995 Net assets £000
Continuing activities	129,044	15,187	48,263	129,138	14,522	48,721
Acquisitions in 1996	4,674	462	1,403	–	–	–
Packaging	133,718	15,649	49,666	129,138	14,522	48,721
Plastic moulding	23,354	4,767	14,931	25,486	6,543	12,981
	157,072	20,416	64,597	154,624	21,065	61,702
Discontinued activities	–	–	–	3,976	158	–
	157,072	20,416	64,597	158,600	21,223	61,702

Turnover by geographical area:

	1996 £000	1995 £000
United Kingdom	145,992	148,518
Europe	9,982	8,878
Other continents	1,098	1,204
	157,072	158,600

1995 analysis of continuing and discontinued operations:

	Continuing operations £000	Discontinued operations £000	1995 £000
Turnover	154,624	3,976	158,600
Cost of sales	98,112	3,166	101,278
Gross profit	56,512	810	57,322
Distribution costs	7,972	142	8,114
Administrative expenses	28,706	639	29,345
	19,834	29	19,863
Other operating income	467	119	586
Operating profit	20,301	148	20,449

2. EMPLOYEES

Average number of persons employed by the group during the year was as follows:	1996 No	1995 No
Production	1,070	1,231
Sales and distribution	416	336
Administration	190	218
	1,676	1,785

The costs incurred in respect of these employees were:	1996 £000	1995 £000
Wages and salaries	26,792	27,338
Social security costs	2,313	2,352
Other pension costs	1,462	1,276
	30,567	30,966

Notes on the Accounts

For the year ended 31 December 1996

3. OTHER OPERATING INCOME

	1996 £000	1995 £000
Gain on disposal of tangible assets	510	369
Net rental income	87	58
Grants receivable	164	–
Royalties receivable	400	159
	1,161	586

4. DIRECTORS

(i) Emoluments

	Fees £000	Salaries £000	Bonuses £000	Benefits in kind £000	Pension £000	1996 £000	1995 £000
Executive Directors							
Lord Macfarlane	–	180	–	8	–	188	188
W.P. Mackie	–	150	25	6	23	204	200
G.S. Lane	–	108	17	6	15	146	144
H.S. Macfarlane*	–	75	6	7	11	99	75
R.I.B. Martin	–	108	17	7	15	147	157
A. Reekie	–	108	17	10	26	161	159
Non-executive Directors							
N.V.L. Barclay	–	–	–	–	–	–	8
R.G.M.L. Barclay	20	–	–	–	–	20	12
C.B. Cruickshank	–	–	–	–	–	–	36
J.G. Lane	25	–	–	–	6	31	25
J.M. Ward	20	–	–	–	–	20	–
	65	729	82	44	96	1,016	1,004

*The comparative figure in 1995 represents the director's emoluments for nine months.

Emoluments of chairman

	1996 £000	1995 £000
Remuneration – salary and taxable benefits	188	188
– performance related incentive payment	–	–
	188	188
Pension scheme contributions	–	–
	188	188

Emoluments of the highest paid director

	1996 £000	1995 £000
Remuneration – salary and taxable benefits	156	146
– performance related incentive payment	25	35
	181	181
Pension scheme contributions	23	19
	204	200

4. DIRECTORS (continued)

(i) Emoluments (continued)

The following table shows in bands, the emoluments of all directors excluding pension contributions.

Scale of directors' remuneration

	1996 No	1995 No		1996 No	1995 No
£ 5,001 – £10,000	–	1	£ 85,001 – £ 90,000	1	–
£10,001 – £15,000	–	1	£130,001 – £135,000	2	2
£15,001 – £20,000	2	1	£135,001 – £140,000	1	–
£20,001 – £25,000	1	–	£140,001 – £145,000	–	1
£35,001 – £40,000	–	1	£180,001 – £185,000	1	1
£65,001 – £70,000	–	1	£185,001 – £190,000	1	1

(ii) Shareholdings

The interests of the directors in office at 31 December 1996 in Macfarlane Group (Clansman) PLC ordinary shares of 25p each were as follows:

	31.12.96			1.1.96		
	Beneficial	Non Beneficial	Option	Beneficial	Non Beneficial	Option
Lord Macfarlane of Bearsden	5,127,873	337,500	100,000	5,227,777	337,500	–
J.G. Lane	4,250,000	279,992	–	4,250,000	508,352	–
G.S. Lane	1,006,112	–	282,500	1,031,016	–	202,500
H.S. Macfarlane	286,337	337,500	70,000	286,241	337,500	–
W.P. Mackie	367,867	–	403,750	374,771	–	303,750
R.I.B. Martin	57,381	–	282,500	60,585	–	202,500
A. Reekie	170,487	337,500	282,500	187,391	845,852	202,500
R.G.M.L. Barclay	187,500	–	–	187,500	–	–
J.M. Ward	15,000	279,992	–	–	–	–

No changes have occurred in these holdings between 1 January 1997 and 25 March 1997.

Lord Macfarlane of Bearsden, H.S. Macfarlane and A. Reekie have a joint non-beneficial interest as trustees of the N.S. Macfarlane Charitable Trust. J.G. Lane and J.M. Ward have a joint non-beneficial interest as trustees of the Macfarlane Group Share Appropriation Scheme.

(iii) Options

	1.1.96	Granted	Exercised	31.12.96	Exercise price
Lord Macfarlane of Bearsden	–	100,000	–	100,000	220p
J.G. Lane	–	–	–	–	–
G.S. Lane	202,500	–	–	202,500	80p
	–	80,000	–	80,000	220p
H.S. Macfarlane	–	70,000	–	70,000	220p
W.P. Mackie	303,750	–	–	303,750	80p
	–	100,000	–	100,000	220p
R.I.B. Martin	202,500	–	–	202,500	80p
	–	80,000	–	80,000	220p
A. Reekie	202,500	–	–	202,500	80p
	–	80,000	–	80,000	220p
R.G.M.L. Barclay	–	–	–	–	–
J.M. Ward	–	–	–	–	–

The options outstanding at 1 January 1996 were granted under the Macfarlane Group 1991 Share Option Scheme and are exercisable until 14 January 2002 at 80p per share. The remaining options at 31 December 1996 were granted on 26 January 1996 under the Macfarlane Group (Clansman) PLC 1995 Executive Share Option Scheme and are exercisable between 26 January 1999 and 25 January 2006 at 220p per share.

The market value of Macfarlane Group (Clansman) PLC ordinary shares at 31 December 1996 was 176p per share (1995 – 216p). The range of share prices during 1996 was 166p to 263p for each ordinary share of 25p.

Notes on the Accounts

For the year ended 31 December 1996

5. OPERATING PROFIT

	1996 £000	1995 £000
Operating profit is arrived at after charging:		
Depreciation	5,741	4,873
Auditors' remuneration – Audit services	184	179
– Non-audit services	106	88
Hire of plant and equipment	419	405
Operating lease rentals for land and buildings	379	245
Operating lease rentals for plant and machinery	238	233

6. EXCEPTIONAL ITEM

	1996 £000	1995 £000
Gain on disposal of N.S. Macfarlane (Interiors) Limited (see note 21 vii)	–	95

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £000	1995 £000
Bank loan and overdrafts repayable within five years	48	191
Finance lease charges	2	2
	50	193

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1996 £000	1995 £000
United Kingdom taxation at 33% (1995 – 33%) based on the profit for the year	6,150	6,381
Deferred taxation	240	440
Prior period adjustments	(40)	(285)
	6,350	6,536
Overseas taxation	105	97
	6,455	6,633

9. PROFIT FOR THE FINANCIAL YEAR

	1996 £000	1995 £000
Parent company	9,044	10,156
Subsidiaries	4,917	4,434
	13,961	14,590

The company has taken advantage of Section 230 of the Companies Act 1985 and consequently a separate profit and loss account for the parent company is not presented as part of these accounts.

Notes on the Accounts

For the year ended 31 December 1996

10. DIVIDENDS ON EQUITY SHARES

The cost of the dividends paid or proposed on the ordinary shares is:

	1996 Per share	1995 Per share	1996 £000	1995 £000
Interim paid 8 October 1996 1.47p net			1,811	1,702
equivalent to gross	1.84p	1.75p		
Proposed final 2.625p net			3,314	3,043
equivalent to gross	3.28p	3.13p		
	5.12p	4.88p	5,125	4,745

11. EARNINGS PER ORDINARY SHARE

The earnings per ordinary share are calculated on the basis of the weighted average of 122,638,415 ordinary shares in issue, (1995–weighted average 121,301,615) and on earnings after taxation of £13,961,000 (1995–£14,590,000). No material dilution of earnings per share would arise if all outstanding options were exercised.

12. TANGIBLE FIXED ASSETS

Group	Land and buildings £000	Plant, vehicles and fittings £000	Total £000
Cost or valuation			
At 1 January 1996	29,018	47,882	76,900
Assets of subsidiaries acquired	1,315	3,481	4,796
Additions	5,320	8,633	13,953
Disposals	(299)	(1,623)	(1,922)
At 31 December 1996	35,354	58,373	93,727
Depreciation			
At 1 January 1996	3,011	29,558	32,569
Assets of subsidiaries acquired	39	2,393	2,432
Charge for year	622	5,119	5,741
Disposals	(76)	(1,321)	(1,397)
At 31 December 1996	3,596	35,749	39,345
Net book value			
At 31 December 1996	31,758	22,624	54,382
At 31 December 1995	26,007	18,324	44,331

The net book value of tangible assets of £54,382,000 (1995–£44,331,000) includes an amount of £296,000 (1995–£12,000) in respect of assets held under finance leases. The depreciation charge in respect of these assets is £34,000 (1995–£6,000).

Land and buildings at cost or valuation are stated	1996 £000	1995 £000
At cost to the group	20,655	14,319
At valuation 1987	8,449	8,449
At valuation 1990	6,250	6,250
	35,354	29,018

12. TANGIBLE FIXED ASSETS (continued)

Company	Land and buildings £000	Plant, vehicles and fittings £000	Total £000
Cost			
At 1 January 1996	297	395	692
Additions	439	123	562
Disposals	–	(92)	(92)
At 31 December 1996	736	426	1,162
Depreciation			
At 1 January 1996	4	116	120
Charge for year	15	59	74
Disposals	–	(65)	(65)
At 31 December 1996	19	110	129
Net book value			
At 31 December 1996	717	316	1,033
At 31 December 1995	293	279	572

Land and buildings at net book value comprise	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Freeholds	29,218	24,771	704	279
Long leaseholds	2,468	1,187	–	–
Short leaseholds	72	49	13	14
	31,758	26,007	717	293

On an historical cost basis, land and buildings would have been included at:

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Cost	31,537	25,201	736	297
Aggregate depreciation	3,881	3,381	19	4
Net historical cost value at 31 December	27,656	21,820	717	293

13. INVESTMENTS

Company	1996 £000	1995 £000
Investment in subsidiaries		
Cost		
At 1 January	26,663	24,469
Acquired during the year	12,587	2,314
Transferred to subsidiaries	–	(2)
Dormant subsidiaries struck off	–	(118)
At 31 December	39,250	26,663

Details of the principal subsidiaries are set out on page 37.

14. STOCKS

Group	1996 £000	1995 £000
Raw materials and consumables	3,759	3,418
Work in progress	982	775
Finished goods and goods for resale	5,430	4,087
	10,171	8,280

15. DEBTORS

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Trade debtors	31,323	27,344	–	–
Amounts owed by subsidiaries	–	–	5,603	14,900
Other debtors	380	504	45	955
Prepayments and accrued income	1,850	1,413	68	184
	33,553	29,261	5,716	16,039

Included in amounts owed by subsidiaries are loans due after more than one year of £400,000 (1995–£400,000).

Related party transactions
Included in other debtors are loans made to two officers and executives of the group under the group house purchase scheme. The total balance outstanding at 31 December 1996 amounted to £28,000 (1995–£32,000) of which £nil (1995–£1,000) relates to A. Reekie who is a director of the parent company. The amounts outstanding at 1 January 1996 represented the maximum balance during the year.

The Directors have considered the implications of Financial Reporting Standard 8 "Related Party Disclosures" and are satisfied that there are no other related party transactions occurring during the year which require disclosure.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Deferred taxation				
Provided in accounts:				
Capital allowances and other timing differences	1,638	1,333	–	21
Advance corporation tax	–	(761)	–	(761)
Deferred liability/(asset)	1,638	572	–	(740)
Full potential liability:				
Capital allowances and other timing differences	2,917	2,518	–	21
Capital gains rolled over	536	428	–	–
Surplus on revaluation	773	720	–	–
Advance corporation tax	–	(761)	–	(761)
	4,226	2,905	–	(740)

The movement in deferred taxation during the year is as follows:

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
At 1 January	1,333	875	21	40
Acquired on acquisition of subsidiaries	65	18	–	–
Charge/(credit) for the year	240	440	(21)	(19)
	1,638	1,333	–	21
Advance corporation tax	–	(761)	–	(761)
At 31 December	1,638	572	–	(740)

Notes on the Accounts

For the year ended 31 December 1996

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Bank loans and overdrafts	22	22	–	4,818
Trade creditors	20,241	17,530	82	44
Other creditors	633	639	3	3
Obligations under finance leases	103	5	–	–
Corporation tax	5,810	6,586	–	761
Other taxation and social security	2,786	2,913	3	13
Accruals and deferred income	3,643	3,271	298	814
Proposed final dividend	3,314	3,043	3,314	3,043
	36,552	34,009	3,700	9,496

The company has given inter company guarantees to secure the overdrafts of all subsidiaries. The overall credit lines for these borrowing facilities total £13,000,000.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Bank loans and overdrafts	46	68	–	–
Loans from subsidiaries	–	–	1,862	1,862
Obligations under finance leases	93	1	–	–
	139	69	1,862	1,862

Bank loans repayments		
Due within one year	22	22
Due between one and two years	23	22
Due between two and five years	23	46
	68	90

A bank loan totalling £90,000 was drawn down by Centurion Packaging Limited in August 1991 and is repayable over eight years, of which the first four years were interest repayments only. Repayments commenced in 1996. Interest is charged at a fixed rate of 11% per annum.

	Group	
	1996 £000	1995 £000
Obligations under finance leases		
Due within one year	103	5
Due between one and two years	53	1
Due between two and five years	40	–
	196	6

19. SHARE CAPITAL

Ordinary shares of 25p each

	Number of shares	1996 £000	1995 £000
Authorised	200,000,000	50,000	50,000
Allotted, issued and fully paid:			
At 1 January	121,735,328	30,434	20,077
Shares issued in respect of acquisition agreements	2,627,756	657	79
Shares issued by way of bonus issue	–	–	10,079
Shares issued under Executive Share Option Schemes	641,562	160	199
At 31 December	125,004,646	31,251	30,434

At 31 December 1996 there were outstanding options to acquire:

(a) 1,154,250 ordinary shares under The Macfarlane Group 1991 Share Option Scheme. These options are exercisable until 14 January 2002 at 80p per share.

(b) 2,375,000 ordinary shares under The Macfarlane Group (Clansman) PLC 1995 Executive Share Option Scheme. These options are exercisable between 26 January 1999 and 25 January 2006 at 220p per share.

20. RESERVES

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
Group			
At 1 January 1996	406	4,136	26,726
Premium on shares issued during the year	4,897	–	–
Amortisation of revaluation surplus	–	(85)	85
Foreign exchange translation differences	–	–	(160)
Purchased goodwill written off	–	–	(11,495)
Retained profit for the year	–	–	8,836
At 31 December 1996	5,303	4,051	23,992
Company			
At 1 January 1996	406		12,870
Premium on shares issued during the year	4,897		–
Retained profit for the year	–		3,919
At 31 December 1996	5,303		16,789

The cumulative goodwill written off in these consolidated accounts is £28,657,000 as at 31 December 1996 (1995–£17,162,000).

21. CASH FLOW STATEMENT

(i) Reconciliation of operating profit to net cash inflow from operating activities

	1996 £000	1995 £000
Operating profit	19,856	20,449
Depreciation	5,741	4,873
Gain on disposal of assets	(510)	(369)
Increase in stocks	(924)	(915)
Increase in debtors	(267)	(3,058)
(Decrease)/increase in creditors	(911)	365
Net cash inflow from operating activities	22,985	21.345

21. CASH FLOW STATEMENT (continued)

(ii) Analysis of changes in cash and cash equivalents during the year

	1996 £000	1995 £000
At 1 January	10,980	8,328
Net cash (outflow)/inflow	(6,160)	2,652
At 31 December	4,820	10,980

(iii) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1996 £000	Change in year £000	1995 £000	Change in year £000	1994 £000
Cash at bank and in hand	4,820	(6,160)	10,980	2,652	8,328

(iv) Analysis of changes in financing during the year

	Share capital (including premium) 1996 £000	Loans and finance lease obligations 1996 £000	Share capital (including premium) 1995 £000	Loans and finance lease obligations 1995 £000
Balance at 1 January	30,840	96	27,248	176
On acquisition of subsidiaries	–	834	–	180
Shares issued for non-cash consideration	5,205	–	811	–
Capitalisation issue	–	–	2,174	–
Cash inflow/(outflow) from financing	509	(666)	607	(260)
Balance at 31 December	36,554	264	30,840	96

(v) Purchase of subsidiaries

Net assets acquired:	Alport Holdings Limited £000	Saranne Packaging Limited £000	1996 £000	1995 £000
Tangible assets	1,863	501	2,364	447
Stocks	791	176	967	716
Debtors	3,419	825	4,244	1,922
Cash at bank and in hand	1	662	663	–
Bank overdraft	(2,136)	–	(2,136)	(1,003)
Creditors	(3,221)	(890)	(4,111)	(1,551)
Loans and finance lease obligations	(447)	(387)	(834)	(180)
Deferred taxation	(42)	(23)	(65)	(18)
	228	864	1,092	333
Goodwill	9,029	2,466	11,495	1,980
	9,257	3,330	12,587	2,313
Satisfied by:				
Cash (see note vi below)	6,527	855	7,382	1,502
Shares allotted	2,730	2,475	5,205	811
	9,257	3,330	12,587	2,313

There were no fair value adjustments required in respect of the subsidiaries acquired during the year. Alport Holdings Limited and its subsidiary, Alport Plastics Limited disclosed turnover of £11,961,000 and profits before taxation of £1,141,000 in the year prior to acquisition. Saranne Packaging Limited disclosed turnover of £3,926,000 and profits before taxation of £531,000 in the year prior to acquisition.

21. CASH FLOW STATEMENT (continued)

(vi) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	1996 £000	1995 £000
Cash consideration	7,382	1,502
Cash and bank balances acquired	(663)	–
Bank overdraft acquired	2,136	1,003
Net outflow of cash and cash equivalents	8,855	2,505

(vii) Disposal of subsidiary
N.S. Macfarlane (Interiors) Limited

	1996 £000	1995 £000
Net assets disposed:		
Tangible assets	–	68
Stocks	–	98
Debtors	–	1,082
Cash at bank and in hand	–	62
Creditors	–	(919)
	–	391
Gain on disposal	–	95
Proceeds of sale (net of expenses)	–	486
Satisfied by:		
Cash (see note viii below)	–	486

(viii) Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiary:

	1996 £000	1995 £000
Cash consideration	–	486
Cash at bank and in hand disposed of	–	(62)
Net inflow of cash and cash equivalents	–	424

22. FINANCIAL COMMITMENTS

(i) Lease commitments
Annual commitments under non-cancellable operating leases comprise:

	Land and buildings 1996 £000	Other 1996 £000	Land and buildings 1995 £000	Other 1995 £000
Leases which expire:				
Within one year	–	149	–	4
Within two to five years	44	283	36	399
After five years	258	–	191	1
	302	432	227	404

The majority of leases of land and buildings are subject to rent reviews.

(ii) Contracts for capital expenditure
Contracts for capital expenditure for which no provision has been made in the accounts amounted to £2,486,000 (1995–£3,025,000). Capital expenditure authorised by the directors but not contracted for amounted to £2,224,000 (1995–£1,431,000).

Notes on the Accounts

For the year ended 31 December 1996

23. SHARE APPROPRIATION SCHEME

A sum of £140,000 has been paid out of 1996 profits (1995–£215,000) to the Trustees of the Macfarlane Group Share Appropriation Scheme which was established in 1990 in order that it may buy and hold shares for specified employees for a tax efficient period. This Scheme bears its own administration expenses. The shares vest unconditionally in the employees once purchased by the Scheme and dividends on the shares are paid to the employees. At 31 December 1996 the Scheme held 279,992 ordinary shares of 25p each, which had a market value of £492,786, on behalf of the employees. Transfers of ordinary shares to eligible employees out of the Scheme take place each year following the completion of the three year tax efficient period.

24. PENSIONS

The group operates a pension scheme based on final pensionable salary. The assets of the scheme are held separately from those of the group in managed funds under the overall supervision of the scheme trustees. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 1 May 1994. The principal assumptions adopted were that investment returns would average 9% per annum and that salary increases would average 7% per annum. The valuation showed that the market value of the relevant assets of the scheme was £16,270,000 and the actuarial value of these assets represented 91% of the value of benefits that had accrued to members. The trustees of the scheme have increased the contribution rate, following actuarial advice, and the new contribution levels should reverse the deficit over the estimated remaining service lives of the employees.

The pension charge for the year represents contributions payable by the group to the funds and amounted to £1,187,000 (1995–£1,150,000). The contributions outstanding at the year end amounted to £35,000 (1995–£60,000).

The group also operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions paid by the group to the funds and amounted to £275,000 (1995–£126,000).

25. POST BALANCE SHEET EVENT

On 13 February 1997, the Company acquired the whole of the issued share capital of Amalgamated Plastics Limited for an initial consideration of £5,000,000. In addition there is a performance related provision to pay further amounts up to £2,500,000 in 1998, subject to the satisfactory completion of certain conditions. The last audited accounts of Amalgamated Plastics Limited for the year to 31 October 1996 showed net assets of £2,610,000 at that date.

Notice of Annual General Meeting

Notice is hereby given that the ninety-eighth annual general meeting of the members of Macfarlane Group (Clansman) PLC will be held at The Merchants House, 7 West George Street, Glasgow G2 1BA on Tuesday, 27 May 1997 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the directors' report and the accounts for the year ended 31 December 1996.
2. To declare a final dividend.
3. To re-elect A. Reekie as a director of the company.
4. To re-elect G. S. Lane as a director of the company.
5. To re-elect Lord Macfarlane of Bearsden as a director of the company. Lord Macfarlane is 71 and accordingly special notice has been given to the company of the intention to propose a resolution to re-elect him.
6. To re-appoint the auditors and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolution:

7. Special Resolution:

(a) that the directors be and they are hereby empowered for the period from the passing of this resolution until the conclusion of the annual general meeting to be held in 1998 to allot equity securities of the company in accordance with the provisions of Section 95 of the Companies Act 1985 up to a maximum nominal amount of £1,578,097 as if Section 89(1) of the Companies Act 1985 did not apply to such an allotment; and

(b) that, the directors on behalf of the company shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after its expiry.

By Order of the Board

John Love.

J Love
Secretary

Clansman House
21 Newton Place
Glasgow G3 7PY

28 April 1997

Voting by proxy

A member entitled to be present and vote at the above meeting may appoint one or more proxies to attend and on a poll to vote instead of him. A proxy need not also be a member of the company. Members wishing to vote by proxy at the meeting may use the form of proxy enclosed with these accounts. The return of a proxy card does not preclude a member from attending the meeting and voting in person should he wish.

The following documents will be available for inspection at the registered office of the company during the usual hours of business on every week day from the date of this notice until the date of the meeting and thereafter at The Merchants House, 7 West George Street, Glasgow G2 1BA from 11.30 am until the conclusion of the meeting.

(a) The register of directors' share interests and those of their families together with a statement of transactions.

(b) Copies of all contracts of service under which the directors are employed by the company or any of its subsidiaries.

Advisers

Macfarlane Group (Clansman) PLC is registered in Scotland (No. 4221). The Company's Registered Office is at: Clansman House, 21 Newton Place, Glasgow G3 7PY. Telephone: 0141 333 9666 Fax: 0141 333 1988.

Secretary

John Love

Stockbrokers

HSBC James Capel
Speirs & Jeffrey Limited

Principal Bankers

The Royal Bank of Scotland plc
98 Buchanan Street
Glasgow G1 3BA

Auditors

Deloitte & Touche
Chartered Accountants
39 St Vincent Place
Glasgow G1 2QQ

Solicitors

Wright Johnston & Mackenzie
12 St Vincent Place
Glasgow G1 2EQ

Registrars

Bank of Scotland
Apex House
9 Haddington Place
Edinburgh EH7 4AL

Financial Diary

Results		
Half year	Announced	– August
Full year	Announced	– March
Report and accounts	Posted to shareholders	– April
Annual General Meeting	Held in Glasgow	– May
Dividend Payments		
Interim	Announced	– August
	Paid	– October
Final	Announced	– March
	Paid	– May

Principal Subsidiaries

Company	Telephone	Activity	Country of registration
ABBOTT'S PACKAGING LIMITED London	0181 368 1266	Supply and distribution of all forms of packaging material.	England
ACW LIMITED Aberdeen	01224 636357	Manufacture of precision mouldings for packaging and industrial use.	Scotland
ALPORT PLASTICS LIMITED Brighouse	01484 714313	Manufacture of polythene film and related products.	England
AMALGAMATED PLASTICS LIMITED Potters Bar	01707 650771	Manufacture and distribution of flexible packaging products.	England
ASTON PACKAGING LIMITED Birmingham	0121 327 0411	Manufacture of corrugated fibreboard products.	England
CENTURION PACKAGING LIMITED Preston	01772 322229	Manufacture of stretchwrap and pallet film.	England
CLANSMAN CASES LIMITED Manchester	0161 304 8400	Manufacture of corrugated cases and specialised packaging.	England
CONTROLLED PACKAGING SERVICES LIMITED Westbury	01373 858555	Manufacture and distribution of specialist packaging.	England
DALEWOOD PACKAGING PRODUCTS LIMITED Peterborough	01733 234614	Distribution of film and self-adhesive tape.	England
DANIEL MONTGOMERY & SON LIMITED Kirkintilloch	0141 776 5276	Design, manufacture and decoration of bottle-closures, pourers and non-refillable fitments.	Scotland
FLO-PAK (U.K.) LIMITED Brackley	01280 703161	Manufacture of expanded polystyrene cushioning material.	England
A & W FULLARTON LIMITED Glasgow	0141 427 4044	Storage, warehousing, manufacture of packaging goods and road haulage.	Scotland
N.S. MACFARLANE & CO. LIMITED Kilmarnock	01563 525151	Manufacture of printed self-adhesive labels.	Scotland
MITCHELL PACKAGING LIMITED Grantham	01476 574747	Manufacture of heavy duty and conventional corrugated cases and distribution of all types of packaging.	England
SARANNE PACKAGING LIMITED Pyle	01656 746688	Manufacture and distribution of polythene film based products.	England
WICKLOW CUSTOM PACKAGING LIMITED Newtownmountkennedy	00 353 12810234	Manufacture of mouldings for the pharmaceutical, electronic, food, drink and toy industries.	Ireland

All of the above subsidiaries are wholly owned by Macfarlane Group (Clansman) PLC and they operate within the United Kingdom, with the exception of Wicklow Custom Packaging Limited which operates in Ireland. A full list of trading and non-trading subsidiaries is available from the registered office, Clansman House, 21 Newton Place, Glasgow G3 7PY.

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