

**Company Registration No. SC027016**  
**Registered in Scotland**

**MACFARLANE LABELS LIMITED**

**Report and Financial Statements**

**31 December 2015**

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# **MACFARLANE LABELS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2015**

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# **MACFARLANE LABELS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

P.D. Atkinson  
J. Love

### **COMPANY SECRETARY**

J. Love

### **REGISTERED OFFICE**

Bentinck Street  
Kilmarnock  
KA1 4AS

### **BANKERS**

Lloyds Banking Group PLC  
Level 6  
110 St Vincent Street  
Glasgow  
G2 5ER

### **SOLICITORS**

Wright Johnston & Mackenzie  
302 St Vincent Street  
Glasgow  
G2 5RZ

### **INDEPENDENT AUDITOR**

KPMG LLP  
191 West George Street  
Glasgow  
G2 2LJ

# **MACFARLANE LABELS LIMITED**

## **STRATEGIC REPORT**

The Directors present their strategic report for the year ended 31 December 2015.

### **REVIEW OF THE BUSINESS**

#### **Principal activity**

The principal activities of the Labels business are the production and supply of self-adhesive and resealable labels for major fast moving consumer goods customers based in the UK, Continental Europe and North America from our site in Kilmarnock. The company is part of the manufacturing segment of Macfarlane Group PLC (“the Group”) and further information is contained within the consolidated accounts for that company which can be accessed at [www.macfarlanegroup.com](http://www.macfarlanegroup.com).

#### **Performance Review**

The continuing challenging trading conditions in the UK labels market remained a significant feature in 2015. High levels of price competition and requirements for increased service levels led to a reduction in our turnover in the year. Turnover at £13.9 million (2014 - £14.4 million) was down 3% in the year.

During 2015, the business saw good growth in sales of resealable labels, a higher margin product, which helped increase our gross margin to 32.4% (2014 - 28.5%). Gross profit increased by £0.4m to £4.5 million, reflecting a rebalancing of the sales mix in favour of resealable labels.

Overhead costs at £4.4 million in 2015 (net of other operating income) were £0.1 million (2.3%) up on last year. This reflected the increased costs in the business to service the ever-increasing demands from the market. This resulted in a 2015 operating profit of £0.1 million (2014 – operating loss £0.2 million).

Both cash and working capital remain a key area of focus in the business and we continue to manage payment terms and stock holdings with key partners on a regular basis to provide mutual benefit. Our expectations are that cash flow and working capital will remain healthy during 2016.

Net assets of the business remain broadly unchanged at £0.7 million (2014 - £0.9 million).

#### **RISKS AND UNCERTAINTIES**

Looking ahead to 2016 and beyond, the main risks and uncertainties for the company broadly remain the same as has been reported in previous years. The pressures in all our geographic market sectors will continue, not only in terms of unit pricing, but also due to increasing demand for high service levels. The risk of unit raw material cost inflation remains a constant issue throughout our supply chain.

#### **FUTURE DEVELOPMENTS**

In recognising these risks, the Company is looking to maintain and grow operating profit for 2016 and beyond from:

- Continued sales growth of resealable labels in the UK, North America and Europe with our key partners;
- Capitalising on the opportunities for sales growth from new product development with investment programmes to support these areas;
- Continued focus on the self-adhesive label market in the UK in our identified sectors. The aims are to develop our existing customer base and to achieve our new business generation targets, all underpinned by our traditionally high customer service levels;
- Improvement in operational efficiency including initiatives on lean manufacturing processes and investment in latest technology; and
- Exercising cost control over the key areas of the business.

**STRATEGIC REPORT (continued)**

**FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**

The Company's principal financial assets are trade debtors and the Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Company has no significant concentration of credit risk, with its exposure spread over a large number of customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company's principal financial liabilities are bank borrowings, trade creditors and intercompany creditors, which are paid under standard terms.

The Directors, in their consideration of going concern, have reviewed the Company's future cash flow forecasts and revenue projections, which they believe are based on a prudent assessment of the market and past experience.

The Company's activities, together with the factors likely to affect its future development, performance and position are set out above.

The Company's principal financial risks in the medium term relate to liquidity and credit risk. Liquidity risk is managed by ensuring that the Company's day-to-day working capital requirements are met by having access to banking facilities with suitable terms and conditions to reflect the Company's operations. Credit risk, which is heightened as a result of the trading difficulties customers may face, is mitigated by applying considerable rigour in managing the Company's trade receivables. The Directors believe that the Company is adequately placed to manage its financial risks given the current economic outlook.

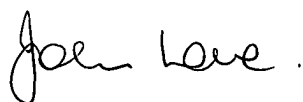
**GOING CONCERN**

The Company is a subsidiary of Macfarlane Group PLC and is funded by having access to the Group's borrowing facilities. The Group's principal banking facilities of up to £20.0 million were put in place in February 2014 until February 2017. These facilities have now been increased to £25.0 million with an additional option to increase them further to £30.0 million. The facilities are now available until June 2019.

The Directors of Macfarlane Labels Limited are of the opinion that the Company's cash flow forecasts and revenue projections, taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the Company should be able to operate within its current facilities and that the Group will continue to comply with its banking covenants.

After making enquiries, the Directors have a reasonable expectation that the Company 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.

Approved by the Board of Directors  
and signed by order of the Board



J. Love  
Company Secretary  
25 February 2016

# **MACFARLANE LABELS LIMITED**

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015. The Directors during the year and to the date of this report were:-

P.D. Atkinson

J. Love

A. Cotton resigned as a director and from the service of the company on 8 May 2015.

G.M Williamson resigned as a director and from the service of the company on 31 December 2015.

## **PARENT COMPANY**

The Company is a wholly owned subsidiary of Macfarlane Group PLC, the immediate and ultimate parent company.

## **DIVIDENDS AND TRANSFERS TO RESERVES**

The results for the year are detailed in the profit and loss account on page 7 and the profit for the financial year of £49,000 (2014 – loss £239,000) has been transferred to reserves. No dividend was paid during the year. (2014 – Nil)

## **FINANCIAL INSTRUMENTS**

The Company does not use complex financial instruments. The Company's financial instruments comprise cash and other items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The Company has not entered into any derivative financial instruments. The Company does not believe it will be exposed to any significant risks due to the nature of the financial instruments in the operation.

## **EMPLOYMENT OF DISABLED PERSONS**

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

## **EMPLOYEE INVOLVEMENT**

The Directors recognise the importance of meaningful communication and consultation in maintaining good employee relations.

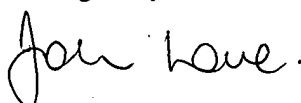
## **DISCLOSURE OF INFORMATION TO AUDITOR**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## **AUDITOR**

A resolution will be put forward to re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to determine their remuneration. This resolution will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board



J. Love

Company Secretary  
25 February 2016

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MACFARLANE LABELS LIMITED**

We have audited the financial statements of Macfarlane Labels Limited for the year ended 31 December 2015 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

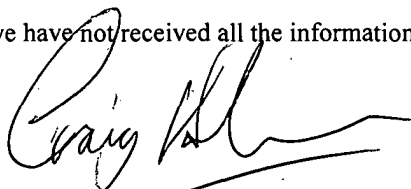
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Craig Anderson (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
191 West George Street  
GLASGOW  
G2 2LJ  
25 February 2016



# MACFARLANE LABELS LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2015

	Note	2015 £000	2014 £000
<b>TURNOVER - continuing operations</b>	2	13,942	14,393
Cost of sales		(9,420)	(10,291)
<b>GROSS PROFIT</b>		<u>4,522</u>	<u>4,102</u>
Distribution costs		(1,037)	(1,142)
Administrative expenses		(3,496)	(3,343)
Other operating income		158	168
		<u>(4,375)</u>	<u>(4,317)</u>
<b>OPERATING PROFIT/(LOSS) – continuing operations</b>	3	147	(215)
Income from shares in group undertakings		228	241
Net interest payable	4	(358)	(401)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX</b>		<u>17</u>	<u>(375)</u>
Tax on profit/(loss) on ordinary activities	6	32	136
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u><u>49</u></u>	<u><u>(239)</u></u>

## STATEMENT OF OTHER COMPREHENSIVE INCOME/(EXPENSE) Year ended 31 December 2015

<b>Other comprehensive income</b>		2015 £000	2014 £000
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of pension scheme liability	19	(258)	(781)
Tax recognised in other comprehensive income			
Tax on remeasurement of pension scheme liability	9	52	156
Long-term corporation tax rate change	9	(21)	-
<b>Total other comprehensive expense for the year</b>		<u>(227)</u>	<u>(625)</u>
<b>Profit/(loss) for the year</b>		<u>49</u>	<u>(239)</u>
<b>Total comprehensive expense for the year</b>		<u><u>(178)</u></u>	<u><u>(864)</u></u>

## STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2015

	Note	Share Capital £000	Share Premium £000	Profit and Loss Account £000	Total Equity £000
<b>At 1 January 2014</b>		1,000	2,455	(1,735)	1,720
Loss for the year		-	-	(239)	(239)
Remeasurement of pension scheme liability	19	-	-	(781)	(781)
Tax on remeasurement of pension scheme liability	9	-	-	156	156
<b>At 31 December 2014</b>		1,000	2,455	(2,599)	856
Profit for the year		-	-	49	49
Remeasurement of pension scheme liability	19	-	-	(258)	(258)
Tax on remeasurement of pension scheme liability	9	-	-	52	52
Long-term corporation tax rate change	9	-	-	(21)	(21)
<b>At 31 December 2015</b>		<u>1,000</u>	<u>2,455</u>	<u>(2,777)</u>	<u>678</u>

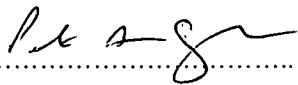
# MACFARLANE LABELS LIMITED

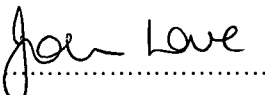
## BALANCE SHEET

31 December 2015

	Note	2015 £000	2014 £000
<b>NON-CURRENT ASSETS</b>			
Tangible assets	7	2,269	2,463
Investments	8	3,577	3,577
Deferred tax asset	9	187	250
		<u>6,033</u>	<u>6,290</u>
<b>CURRENT ASSETS</b>			
Stocks	10	710	775
Debtors - due within one year	11	3,298	3,769
Cash at bank and in hand		369	512
		<u>4,377</u>	<u>5,056</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(3,047)</u>	<u>(2,191)</u>
<b>NET CURRENT ASSETS</b>		<u>1,330</u>	<u>2,865</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,363</u>	<u>9,155</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(5,648)	(7,050)
Pension liability	19	<u>(1,037)</u>	<u>(1,249)</u>
<b>NET ASSETS</b>		<u><u>678</u></u>	<u><u>856</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,000	1,000
Share premium account	15	2,455	2,455
Profit and loss account	16	<u>(2,777)</u>	<u>(2,599)</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<u><u>678</u></u>	<u><u>856</u></u>

These financial statements of Macfarlane Labels Limited, company number SC027016, were approved by the Board of Directors on 25 February 2016 and signed on behalf of the Board of Directors by

  
..... Director  
Peter D. Atkinson

  
..... Director  
John Love

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES

Macfarlane Labels Limited is a company incorporated and domiciled in the UK.

These accounts are the first set of accounts prepared by the company in compliance with FRS 101. In the transition from UK GAAP to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and the financial performance of the Company is provided in note 20.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemption has been taken in these financial statements:

- (i) Fair value or revaluation as deemed cost – At 1 January 2014, fair value has been used as deemed cost for properties previously measured at fair value.

The Company's ultimate parent undertaking, Macfarlane Group PLC includes the Company in its consolidated financial statements. By virtue of Section 401 of the Companies Act 2006, the Company is exempt from the requirement to prepare group financial statements therefore these financial statements present information about the Company as an individual undertaking and not about its Group.

The consolidated financial statements of Macfarlane Group PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 21 Newton Place, Glasgow, G3 7PY.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (i) Cash flow statement and related notes;
- (ii) Comparative period reconciliations for share capital and, tangible fixed assets;
- (iii) Disclosures in respect of transactions with wholly owned subsidiaries;
- (iv) Disclosures in respect of capital management;
- (v) The effects of new but not yet effective IFRSs; and
- (vi) Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Macfarlane Group PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- (i) Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

#### Judgements, assumptions and estimation uncertainties

In preparing these 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from the amounts estimated.

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

Subject	Note	Area of assumptions and estimation uncertainties
Debtors	11	The provision for doubtful debtors is based on judgmental estimates over the recoverable amounts
Retirement Benefit Obligations	19	The valuation of the pension deficit is affected by key actuarial assumptions

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Application of accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the preparation of these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of transition to FRS 101.

The financial statements are prepared on the historical cost basis except that certain of the following assets and liabilities are stated at their fair value as explained below:-

#### **Tangible assets**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. No depreciation is provided on land. Depreciation is calculated at fixed rates on a straight-line basis to write off the cost or valuation of the assets to their estimated residual values over the period of their expected useful lives. The rates of depreciation vary between 2% - 5% per annum on property and 7% - 25% per annum on plant and equipment. Rates of depreciation are reviewed annually to ensure they remain relevant and residual values are reviewed once in each calendar year.

#### **Investments**

Investments held as fixed assets are stated at cost less any provision for any impairment.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

#### **Trade and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### **Trade and other creditors**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### **Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Average cost is used and is stated less any provisions required for obsolescence. In the case of work in progress and finished goods, cost comprises material and labour costs plus attributable manufacturing overheads, based on normal operating capacity.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as tangible assets of the Company at their fair value as determined at the inception of the lease. Depreciation is provided in accordance with the Company's accounting policy for the class of tangible asset concerned. Interest costs are charged over the lease term and future obligations, comprising the corresponding liability to the lessor, are included in the balance sheet as finance lease liabilities.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease. Incentives to enter into an operating lease are initially recorded as a liability and then treated as a reduction in the rental expense on a straight-line basis over the lease term.

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided to third parties in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue from the sale of goods and services is recognised when the Company has transferred the significant risks and rewards of ownership of the goods and services to the customer, the amount of revenue and the costs related thereto can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Company.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

#### **Financial assets**

Financial assets, categorised as investments, are recognised and derecognised on the effective date where the purchase or sale of an investment is under a contract whose terms require the delivery of the investment within the timeframe established. They are initially measured at fair value, net of transactions costs except for those financial assets classified at fair value through the income statement, which are initially measured at fair value.

Other financial assets comprise trade and other debtors that have fixed or determinable recoveries and are classified as trade and other debtors. The classification takes account of the nature and purpose of the financial assets and is determined on initial recognition. These are measured at amortised cost less impairment.

Indicators are assessed for the *impairment of financial assets* at each balance sheet date. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted. For trade debtors the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors where the carrying amount is reduced through the use of an allowance account. When a trade debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying value of the allowance account are recognised in the profit and loss account.

*Cash and cash equivalents* comprise cash on hand and on demand deposits, readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

*Financial liabilities and equity instruments* are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

*Financial liabilities* comprise solely other financial liabilities under the terms of IFRS 7. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost, with interest expense measured on an effective yield basis.

*Equity instruments* are any contracts evidencing a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Derivative financial instruments* were not used in the current or preceding financial year.

#### **Government grants**

Government grants relating to plant and machinery are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Taxation**

The tax expense or credit represents the sum of the current tax payable or recoverable and deferred tax.

The tax currently payable or recoverable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Any current tax liability or tax recoverable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances represent the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recorded in the statement of other comprehensive income.

Deferred tax assets and liabilities are not discounted.

#### **Retirement benefit costs**

The Company is a member of the Group's defined contribution pension plans, which are available to all staff. It also has a defined benefit scheme, which has been closed to new members since 2002.

#### ***Defined contribution plan***

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed rate contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The amount recognised as an expense in the profit and loss account represents the contributions payable to the plans in respect of the accounting period. The assets of the plans are held separately from those of the Group in an independently administered fund.

#### ***Defined benefit scheme***

The Company is a member of the Group's defined benefit scheme which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out triennially and updated at each balance sheet date. Gains and losses on remeasurement are recognised in full in the period in which they occur in the statement of comprehensive income.

Past service cost is recognised immediately to the extent that benefits are already vested and otherwise is amortised on a straight-line basis over the estimated average period until the benefits become vested.

IAS19 "Retirement Benefits" has been adopted in full in these financial statements. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets. The obligations are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.

#### **Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are recorded in the profit and loss account.

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax. The turnover and profit on ordinary activities before taxation is attributable to the design and manufacture of self-adhesive and resealable labels. An analysis of turnover by geographical market is given below:

	2015 £000	2014 £000
United Kingdom	8,600	8,464
Europe	1,679	3,156
Other	3,663	2,773
	<u>13,942</u>	<u>14,393</u>

### 3. OPERATING PROFIT/(LOSS)

	2015 £000	2014 £000
<b>Operating profit/(loss) is arrived at after charging/(crediting):</b>		
Depreciation	251	248
Release of government grants	(16)	(16)
Rentals under operating leases		
Plant and machinery	129	93
Auditor's remuneration		
For audit services	13	13
All other non-audit services	-	-
	<u>-</u>	<u>-</u>

### 4. NET INTEREST PAYABLE

	2015 £000	2014 £000
Interest on intercompany loan balances	(315)	(344)
Interest on finance leases	(10)	(4)
Net interest expense on retirement benefit obligation (note 19)	(39)	(53)
	<u>(364)</u>	<u>(401)</u>
Total interest payable	(364)	(401)
Interest on bank deposits	6	-
	<u>(358)</u>	<u>(401)</u>

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2015 £000	2014 £000
<b>Total emoluments of all directors are as follows:</b>		
Salary and benefits in kind	102	102
Contribution to defined contribution pension plan	15	13
	<u>117</u>	<u>115</u>

Retirement benefits accrue to two directors (2014: three) under the parent company's pension schemes. Two (2014: three) of the Company's directors are remunerated by Macfarlane Group PLC, the ultimate parent company and are not therefore included in the analysis of costs set out above.

	2015 No.	2014 No.
<b>Average number of persons employed</b>		
Production	76	76
Sales and distribution	10	15
Administration	8	8
	<u>94</u>	<u>99</u>

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Staff costs during the year (including directors)	2015 £000	2014 £000
Wages and salaries	2,921	2,964
Social security costs	251	226
Pension costs		
Contributions to defined contribution plans	252	322
Contributions to defined benefit scheme	30	25
	<u>3,454</u>	<u>3,537</u>

### 6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2015 £000	2014 £000
<b>United Kingdom corporation tax :</b>		
Current tax	101	315
Adjustments in respect of prior years	32	31
Total current tax credit	<u>133</u>	<u>346</u>
Movement in deferred tax asset on pension deficit (see note 9)	(94)	(192)
Deferred tax charge on surrender of corporation tax losses	(7)	(18)
Total deferred tax charge	<u>(101)</u>	<u>(210)</u>
<b>Tax credit on profit/(loss) on ordinary activities</b>	<u>32</u>	<u>136</u>

The average rate of current tax for the year, based on the UK standard rate of corporation tax, is 20.25% (2014 – 21.50%). The actual tax credit for the current and prior years varies from 20.25% (2014 – 21.50%) for the reasons set out in the following reconciliation:

	2015 £000	2014 £000
<b>Profit/(loss) on ordinary activities before tax</b>	<u>17</u>	<u>(375)</u>
Tax (charge)/credit on profit/(loss) before tax at an average rate of 20.25% (2014 – 21.50%)	(4)	81
<b>Factors affecting (charge)/credit:</b>		
Capital allowances in excess of depreciation	-	8
Income from shares in Group undertakings – non-taxable	46	52
Pension scheme contributions	94	192
Other timing differences	(3)	13
Current tax credit for the year	<u>133</u>	<u>346</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge or credit accordingly. The deferred tax asset at 31 December 2015 has been calculated based on these rates.



# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

### 7. TANGIBLE ASSETS

	Freehold Land and buildings £000	Plant, machinery & vehicles £000	Fixtures & fittings £000	Total £000
<b>Cost</b>				
At 1 January 2015	1,176	7,758	376	9,310
Additions	-	17	40	57
At 31 December 2015	1,176	7,775	416	9,367
<b>Accumulated depreciation</b>				
At 1 January 2015	697	5,822	328	6,847
Charge for the year	14	211	26	251
At 31 December 2015	711	6,033	354	7,098
<b>Net book value</b>				
At 31 December 2015	465	1,742	62	2,269
At 31 December 2014	479	1,936	48	2,463

The carrying value of £2,269,000 (2014 - £2,463,000) includes £542,000 (2014 - £585,000) of assets held under finance leases. Depreciation charged in respect of these assets is £43,000 (2014 - £29,000).

### 8. INVESTMENTS

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At 1 January 2015 and 31 December 2015	4,913
<b>Provision for impairment</b>	
At 1 January 2015 and 31 December 2015	1,336
<b>Net book value</b>	
At 31 December 2014 and 31 December 2015	3,577

The Company owns the whole of the issued ordinary share capital of the following companies:

- (i) Macfarlane Group Ireland (Labels & Packaging) Limited, a company registered in Ireland whose principal activities are the manufacture of high quality printed self-adhesive labels and resealable labelling solutions.
- (ii) Macfarlane Group Sweden AB (formerly Reseal-It AB), a company registered in Sweden whose principal activities are the design and development of resealable labelling solutions.

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 9. DEFERRED TAX

	Tax losses (see note 11) £000	Retirement Benefit obligations £000	Total £000
At 1 January 2014	118	286	404
Charged in income statement	(18)	(192)	(210)
Credit/(charge) to the statement of other comprehensive income			
On remeasurement of pension liability	-	156	156
At 1 January 2015	100	250	350
Charged in income statement	(7)	(94)	(101)
Credit/(charge) to the statement of other comprehensive income			
On remeasurement of pension liability	-	52	52
Long-term corporation tax rate change	-	(21)	(21)
At 31 December 2015	93	187	280

The deferred tax asset relates to the pension scheme deficit. Recovery of the deferred tax asset is anticipated against future taxable profits.

### 10. STOCKS

	2015 £000	2014 £000
Raw materials and consumables	207	344
Work in progress	167	237
Finished goods and goods for resale	336	194
	710	775
<b>Movement in the provisions for slow-moving and obsolete stocks</b>		
At 1 January	205	126
Additional provisions established and charged in the profit and loss account	37	79
Stocks written off during the year	(25)	-
At 31 December	217	205

### 11. DEBTORS

	2015 £000	2014 £000
<b>Due within one year</b>		
Trade debtors	2,549	2,659
Amounts owed by group undertakings	194	282
Other debtors	10	25
Deferred tax asset (see note 9)	93	100
Corporation tax receivable	101	305
Prepayments and accrued income	351	398
	3,298	3,769

#### Movement in the provisions for doubtful trade debtors

	2015 £000	2014 £000
At 1 January	59	47
Provision for doubtful debts charged in the profit and loss account	24	12
At 31 December	83	59

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

<b>12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2015 £000</b>	<b>2014 £000</b>
Trade creditors	859	1,163
Amount owed to parent undertaking	1,000	-
Amounts owed to group undertakings	586	553
Other taxation and social security	168	93
Other creditors	74	78
Obligations under finance leases (see note 13)	109	109
Government grants	16	16
Accruals and deferred income	235	179
	<u>3,047</u>	<u>2,191</u>

In February 2014, the Company became a party to the Group bank borrowing arrangement with Lloyds Banking Group PLC, which comprises a three-year committed borrowing facility of up to £20 million, in place until February 2017. These facilities have now been increased to £25.0 million with an additional option to increase them further to £30.0 million. The facilities are now available until June 2019. The facility bears interest at normal commercial rates and carries standard financial covenants in relation to interest cover and levels of headroom over the trade debtors of the Company.

<b>13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>2015 £000</b>	<b>2014 £000</b>
Amounts owed to parent company	5,328	6,605
Obligations under finance leases (see note 13)	280	389
Government grants	40	56
	<u>5,648</u>	<u>7,050</u>

The Company continues to receive support from its parent company, Macfarlane Group PLC. The Directors have received confirmation that of the amount due to the parent company of £6,328,000 (2014 - £6,605,000) that amounts totalling £5,328,000 (2014 - £6,605,000) do not fall due for repayment for more than one year. Any loan repayments will take into account the company's cash generation in 2016.

	<b>2015 £000</b>	<b>2014 £000</b>
Obligations under finance lease are payable as follows		
Within one year	109	109
Between one and five years	280	389
After more than five years	-	-
	<u>389</u>	<u>498</u>

The finance leases are secured over the assets to which the leases relate as referred to in note 7.

<b>Government grants</b>	<b>2015 £000</b>	<b>2014 £000</b>
Within one year (note 12)	16	16
Between one and five years	16	16
After more than five years	24	40
	<u>56</u>	<u>72</u>

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

		2015	2014		
		£000	£000		
14.	<b>CALLED UP SHARE CAPITAL</b>				
	Called up, allotted and fully paid 1,000,000 ordinary shares of £1 each	1,000	1,000		
		2015	2014		
		£000	£000		
15.	<b>SHARE PREMIUM ACCOUNT</b>				
	At 31 December 2014 and 31 December 2015	2,455	2,455		
16.	<b>PROFIT AND LOSS ACCOUNT</b>	2015	2014		
		£000	£000		
	At 1 January	(2,599)	(1,735)		
	Profit/(loss) for the financial year	49	(239)		
	Remeasurement of pension scheme liability (see note 19)	(258)	(781)		
	Tax on remeasurement of pension scheme liability (see note 9)	52	156		
	Long-term tax rate change on deferred tax on pension liability (see note 9)	(21)	-		
	At 31 December	(2,777)	(2,599)		
17.	<b>CONTINGENT LIABILITIES</b>				
	The company has given an intercompany guarantee to secure the bank borrowings of the parent company and certain fellow subsidiaries. The contingent liability at 31 December 2015 under these obligations totalled £12,474,000 (2014 - £11,324,000).				
18.	<b>FINANCIAL COMMITMENTS</b>				
	At the balance sheet date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due for payment as follows:				
		Land & buildings	Other	Land & buildings	Other
		2015	2015	2014	2014
		£000	£000	£000	£000
	Within one year	-	54	-	69
	Between one and five years	-	85	-	85
	After more than five years	-	-	-	9
		-	139	-	163

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

### 19. PENSION LIABILITY

#### Introduction

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

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

The scheme was closed to new entrants during 2002.

The scheme provides qualifying employees with an annual pension of 1/60 of pensionable salary for each completed year’s service on attainment of a normal retirement age of 65. Pensionable salaries were frozen for the remaining active members at the levels current at 30 April 2009 with the change taking effect from 30 April 2010. As a result no further salary inflation applies for active members who elected to remain in the scheme.

Active members’ benefits also include life assurance cover, with the payment of these benefits at the discretion of the Trustees of the scheme.

On withdrawing from active service a deferred member’s pension is revalued from the time of withdrawal until the pension is drawn. Revaluation in deferment is statutory and since 2010 has been revalued on the Consumer Price Index (“CPI”) measure of inflation.

During 2012, Macfarlane Group PLC agree with the Board of Trustees to amend benefits for pensioner, deferred and active members in the defined benefit pension scheme by making a Pension Increase Exchange (“PIE”) offer to pensioner members at 1 May 2012 and providing a PIE option for deferred and active members at retirement after 1 May 2012.

Once a scheme member has drawn their pension, revaluation of pensions in payment is a blend of fixed increases and inflationary increases depending on the relevant periods of accrual of benefit. For pensions in payment, the inflationary increase is currently based on the Retail Prices Index (“RPI”) measure of inflation.

#### Balance sheet disclosures at 31 December 2015

The pension scheme’s qualified actuary from Aon Hewitt carries out triennial valuations using the Projected Unit Credit Method to determine the level of deficit. For the most recent triennial valuation at 1 May 2014, the principal assumptions adopted were that investment returns would average 0.7% per annum above the gilt yield and that no further salary increases would apply for active members. The valuation showed that the market value of the relevant investments of the scheme was £58,676,000 and the actuarial value of these investments represented 71% of the value of benefits that had accrued to members.

The investments held by the scheme and the net pension liability position for the scheme have been based on the results of the actuarial valuation as at 1 May 2014, updated to the year-end for the amounts attributable to Macfarlane Labels Limited, are as shown below:-

Investment class	Valuation	Valuation
	2015	2014
	£000	£000
Equities	1,510	1,430
Multi-asset diversified funds	2,293	1,669
Liability-driven investment funds	1,270	1,998
Bonds	1,001	1,014
Cash	27	9
	<hr/>	<hr/>
Fair value of scheme assets	6,101	6,120
Present value of scheme liabilities	(7,138)	(7,369)
	<hr/>	<hr/>
Deficit in the scheme	(1,037)	(1,249)

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 19. PENSION LIABILITY (continued)

The scheme's liabilities at 31 December 2015 were calculated on the following bases required under IAS19:

Assumptions	2015	2014	2013
Discount rate	3.70%	3.50%	4.50%
Rate of increase in salaries	0.00%	0.00%	0.00%
Rate of increase in pensions in payment	3% or 5% for fixed increases or 3.00% for LPI. 2.10% post 5 April 2006	3% or 5% for fixed increases or 2.90% for LPI. 2.05% post 5 April 2006	3% or 5% for fixed increases or 3.30% for LPI. 2.20% post 5 April 2006
Inflation assumption	3.10%	3.00%	3.40%
Life expectancy at normal retirement date of 65			
Males	22.7	22.7	22.6
Females	25.3	25.1	25.1

	2015 £000	2014 £000
<b>Movement in the scheme deficit in the year</b>		
At 1 January	(1,249)	(1,431)
Current service cost	(30)	(25)
Contributions	539	1,041
Other financial charges	(39)	(53)
Remeasurement of pension scheme liability in the year	(258)	(781)

<b>At 31 December</b>	<b>(1,037)</b>	<b>(1,249)</b>
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<b>Movement in the fair value of scheme assets</b>		
At 1 January	6,120	4,881
Expected return on scheme assets	213	224
Actual return less expected return on scheme assets	(443)	271
Contributions paid by Company	539	1,041
Contribution from scheme members	16	15
Benefits paid	(344)	(312)
<b>At 31 December</b>	<b>6,101</b>	<b>6,120</b>

<b>Movement in the present value of defined benefit obligations</b>		
At 1 January	(7,369)	(6,312)
Service costs	(30)	(25)
Interest costs	(252)	(277)
Contribution from scheme members	(16)	(15)
Actuarial gain/(loss) in the year	185	(1,052)
Benefits paid	344	312
<b>At 31 December</b>	<b>(7,138)</b>	<b>(7,369)</b>

The cumulative remeasurement of the pension liability applied against reserves since the transition to IAS 19 on 1 January 2004 is £5,389,000 (2014 - £5,131,000).

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 19. PENSION LIABILITY (continued)

	2015 £000	2014 £000			
<b>Analysis of amounts charged to operating profit</b>					
Current service costs	(30)	(25)			
<b>Analysis of amounts charged to net finance costs</b>					
Expected return on pension scheme assets	213	224			
Interest cost of pension scheme liabilities	(252)	(277)			
Other financial charges	(39)	(53)			
<b>Analysis of the remeasurement of the pension scheme liability included in the statement of other comprehensive income</b>					
Actual return less expected return on scheme assets	(443)	271			
Changes in assumptions underlying the present value of the scheme's liabilities	185	(1,052)			
<b>Remeasurement of pension scheme liability</b>	(258)	(781)			
	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of defined benefit obligations	(7,138)	(7,369)	(6,312)	(6,322)	(6,072)
Fair value of scheme assets	6,101	6,120	4,881	4,621	4,228
<b>Deficit in the scheme</b>	(1,037)	(1,249)	(1,431)	(1,701)	(1,844)
<b>Experience adjustment on scheme assets</b>					
Difference between expected and actual return on scheme assets £000	(443)	271	(232)	(491)	(19)
Percentage of scheme assets	(7.3%)	4.4%	(4.8%)	(10.6%)	(0.5%)
<b>Actual return on scheme assets £000</b>	(230)	495	24	(249)	244
Percentage of scheme assets	(3.8%)	8.1%	(0.5%)	(5.4%)	5.8%

#### Defined contribution schemes

The company also participated in a number of defined contribution schemes, including two Macfarlane Group Personal Pension Schemes. Contributions charged to the profit and loss account in respect of these schemes for the year were £252,000 (2014 - £322,000).

Contributions from the company amounting to £9,000 (2014 - £11,000) were payable to the schemes and are included in creditors at 31 December.

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

### 20. EXPLANATION OF TRANSITION TO FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2014 and the date of transition was therefore 1 January 2014. The only major impact on the reported results is described below.

The application of IAS19 (R) impacts the measurement of the various components of the movements in the pension liability and associated disclosures, but not the Company's total pension liability. Following the replacement of expected returns on pension scheme assets with a net finance cost in the profit and loss account, the profit for the year ended 31 December 2014 reduces and accordingly other comprehensive income increases.

The effect is to increase the interest expense on retirement benefit obligations recognised in the profit and loss account by £64,000 in 2014 and to reduce the remeasurement of the pension scheme liability recognised in the reconciliation of changes in equity by the same amount. The related deferred tax movement is £13,000 and this gives a net of tax movement of £51,000 as set out tables (ii) and (iii) below.

The only impact on the balance sheet was to separately disclose the pension liability and the related deferred tax asset on the face of the balance sheet rather than show a net position by offsetting the deferred tax asset against the pension liability. Accordingly the retirement benefit obligations and the deferred tax asset both increase by £250,000 (1 January 2014 - £286,000).

There is no change to the net asset position in the balance sheet at 31 December 2013 or 31 December 2014.

#### (i) Reconciliation of Shareholder's Funds at 1 January 2014 (date of transition to FRS 101)

	UK GAAP £000	IAS 19 Employee benefits £000	FRS 101 £000
<b>FIXED ASSETS</b>			
Tangible assets	2,132		2,132
Investments	3,577		3,577
Deferred tax asset	-	286	286
<b>TOTAL FIXED ASSETS</b>	<b>5,709</b>	<b>286</b>	<b>5,995</b>
<b>CURRENT ASSETS</b>			
Stocks	791		791
Debtors – due within one year	3,504		3,504
Cash at bank and in hand	62		62
	<b>4,357</b>		<b>4,357</b>
<b>CREDITORS: amounts falling due within one year</b>	<b>(1,915)</b>		<b>(1,915)</b>
<b>NET CURRENT ASSETS</b>	<b>2,442</b>		<b>2,442</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>8,151</b>	<b>286</b>	<b>8,437</b>
<b>CREDITORS: amounts falling due within one year</b>	<b>(5,286)</b>		<b>(5,286)</b>
Pension liability	(1,145)	(286)	(1,431)
<b>NET ASSETS</b>	<b>1,720</b>	<b>-</b>	<b>1,720</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	1,000		1,000
Share premium account	2,455		2,455
Profit and loss account	(1,735)		(1,735)
<b>SHAREHOLDER'S FUNDS</b>	<b>1,720</b>	<b>-</b>	<b>1,720</b>



# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 20. EXPLANATION OF TRANSITION TO FRS 101 (continued)

#### (ii) Reconciliation of Profit and Loss Account for the year to 31 December 2014

	UK GAAP £000	IAS 19 Employee benefits £000	FRS 101 £000
<b>TURNOVER – continuing operations</b>	14,393		14,393
Cost of sales	(10,291)		(10,291)
<b>GROSS PROFIT</b>	<u>4,102</u>		<u>4,102</u>
Administrative expenses	(3,343)		(3,343)
Distribution costs	(1,142)		(1,142)
Other operating income	168		168
	<u>(4,317)</u>		<u>(4,317)</u>
<b>OPERATING LOSS – continuing operations</b>	(215)		(215)
Income from shares in group undertakings	241		241
Net interest payable	(337)	(64)	(401)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(311)	(64)	(375)
Tax on loss on ordinary activities	123	13	136
<b>LOSS FOR THE FINANCIAL YEAR</b>	<u>(188)</u>	<u>(51)</u>	<u>(239)</u>

#### (iii) Reconciliation of Changes in Equity for the year to 31 December 2014

	UK GAAP £000	IAS 19 Employee benefits £000	FRS 101 £000
Loss for the financial year	(188)	(51)	(239)
Remeasurement of pension scheme liability	(845)	64	(781)
Tax on remeasurement of pension scheme liability	169	(13)	156
<b>Net movement in shareholder's funds</b>	<u>(864)</u>	<u>-</u>	<u>(864)</u>
Opening shareholder's funds	1,720		1,720
<b>Closing shareholder's funds</b>	<u>856</u>	<u>-</u>	<u>856</u>

# MACFARLANE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 20. EXPLANATION OF TRANSITION TO FRS 101 (continued)

#### (iv) Reconciliation of Shareholder's Funds at 31 December 2014

	UK GAAP £000	IAS 19 Employee benefits £000	FRS 101 £000
<b>FIXED ASSETS</b>			
Tangible assets	2,463		2,463
Investments	3,577		3,577
Deferred tax asset	-	250	250
<b>TOTAL FIXED ASSETS</b>	<b>6,040</b>	<b>250</b>	<b>6,290</b>
<b>CURRENT ASSETS</b>			
Stocks	775		775
Debtors – due within one year	3,769		3,769
Cash at bank and in hand	512		512
	5,056		5,056
<b>CREDITORS: amounts falling due within one year</b>	<b>(2,191)</b>		<b>(2,191)</b>
<b>NET CURRENT ASSETS</b>	<b>2,865</b>		<b>2,865</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>8,905</b>	<b>250</b>	<b>9,155</b>
<b>CREDITORS: amounts falling due within one year</b>	<b>(7,050)</b>		<b>(7,050)</b>
Pension liability	(999)	(250)	(1,249)
<b>NET ASSETS</b>	<b>856</b>	<b>-</b>	<b>856</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	1,000		1,000
Share premium account	2,455		2,455
Profit and loss account	(2,599)		(2,599)
<b>SHAREHOLDER'S FUNDS</b>	<b>856</b>	<b>-</b>	<b>856</b>

### 21. RELATED PARTY TRANSACTIONS AND RELATED UNDERTAKINGS

The Group has related party relationships with

- (i) its parent company, Macfarlane Group PLC;
- (ii) its subsidiary companies,
- (iii) its Directors; and
- (iv) the Macfarlane Group PLC sponsored pension schemes.

Transactions with Macfarlane Group PLC and fellow subsidiaries, are eliminated in the consolidated accounts of Macfarlane Group PLC and are not disclosed in these financial statements.

The company's related undertakings are the parent company disclosed in note 22 and its subsidiary undertakings. Details of all subsidiary undertakings are set out in note 8.

Directors' remuneration is set out in note 5. P.D. Atkinson and J. Love are also directors of the parent company and their remuneration is disclosed in the accounts of Macfarlane Group PLC.

Disclosures in relation to the pension schemes are set out in note 19.

The Directors have considered the implications of IAS24 "Related Party Disclosures" and are satisfied that there are no other related party transactions occurring during the year, which require disclosure other than those already disclosed in these financial statements.

### 22. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company is Macfarlane Group PLC, a company registered in Scotland. Macfarlane Group PLC is the parent undertaking of the smallest and largest group, which includes the company and for which group financial statements are prepared. Group financial statements may be obtained from its registered office at 21 Newton Place, Glasgow G3 7PY.