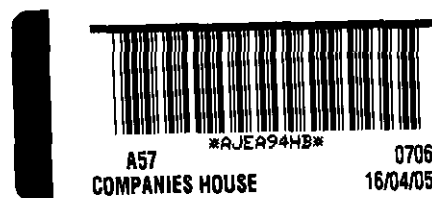


Company Registration No. 1630389
Registered in England

MACFARLANE GROUP UK LIMITED

Report and Financial Statements

31 December 2004



REPORT AND FINANCIAL STATEMENTS 2004

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MACFARLANE GROUP UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G.H. Casey
A. Cotton
I. Gray
G.H. Young

SECRETARY

G.H. Young

REGISTERED OFFICE

Siskin Parkway East
Middlemarch Business Park
Coventry CV3 4PE

BANKERS

Bank of Scotland
Level 8
123 St Vincent Street
Glasgow G2 5EA

SOLICITORS

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

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Glasgow

MACFARLANE GROUP UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The business of the company is the manufacture and distribution of packaging, specialist printing and the provision of storage, warehousing and haulage services. On 30 March 2004, the company sold its premises at Braehead near Glasgow for a consideration of £8,625,000, which gave rise to a gain on disposal of £3,845,000. On 1 July 2004, the trade, assets and liabilities of the specialist printing operation were transferred to Macfarlane Labels Limited, a fellow subsidiary company. The directors are pleased with the substantial improvement in trading results for the year and look forward to further improvements in 2005.

PARENT COMPANY

The company is a wholly owned subsidiary of Macfarlane Group PLC.

DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year are detailed in the profit and loss account on page 7. The directors recommend that the retained profit for the year of £4,516,000 (2003 – retained loss of £12,296,000) be transferred to reserves.

DIRECTORS AND DIRECTORS' INTERESTS IN SHARES OF PARENT COMPANY

The interests of the directors at the year end in the ordinary share capital of Macfarlane Group PLC are:

	2004			2003		
	Beneficial	Trustee	Option	Beneficial	Trustee	Option
G.H. Casey	67,444	-	367,408	49,399	-	375,617
A. Cotton	34,935	-	214,931	1,035	-	223,140
I. Gray	6,246	-	273,637	6,246	-	281,846
G.H. Young	80,393	-	267,792	80,393	-	274,359

None of the directors has any interest in either the share capital of the company or of other subsidiary undertakings in the group with the exception of holdings as a nominee of Macfarlane Group PLC. G.H. Casey, I. Gray and G.H. Young's beneficial holdings include 7,444, 5,211 and 2,172 shares respectively, which are held by nominees in The Macfarlane Group PLC Bonus Deferral Plan.

In accordance with the Articles of Association I. Gray and G.H. Young retire by rotation and being eligible offer themselves for re-election.

Directors' share options	G.H. Casey	A. Cotton	I. Gray	G.H. Young
Macfarlane Group (Clansman) PLC 1995 Executive Share Option Scheme				
26 January 1996	35,000	-	-	40,000
22 March 2000	95,339	42,373	50,847	55,932
The Macfarlane Group PLC Company Share Option Plan 2000				
15 March 2001	43,795	32,558	43,795	41,860
5 April 2002	-	7,698	-	1,326
The Macfarlane Group PLC Executive Share Option Scheme 2000				
15 March 2001	75,274	-	38,995	-
5 April 2002	118,000	52,302	60,000	48,674
16 April 2003	-	80,000	80,000	80,000
The Macfarlane Group PLC Savings Related Share Option Scheme 2000				
9 May 2001	8,209	8,209	8,209	6,567
At 31 December 2003	375,617	223,140	281,846	274,359
Lapsed during 2004	(8,209)	(8,209)	(8,209)	(6,567)
At 31 December 2004	367,408	214,931	273,637	267,792

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS IN SHARES OF PARENT COMPANY (continued)

On 26 January 1996, G.H. Casey and G.H. Young were granted options to acquire 35,000 and 40,000 ordinary shares respectively at a price of 220p per share under the terms of the Macfarlane Group (Clansman) PLC 1995 Executive Share Option Scheme. These options are exercisable until 25 January 2006, subject to the satisfactory completion of the scheme's conditions.

On 22 March 2000, G.H. Casey, A. Cotton, I. Gray and G.H. Young were granted options to acquire 95,339, 42,373, 50,847 and 55,932 ordinary shares respectively at a price of 59p per share under the Macfarlane Group (Clansman) P.L.C. 1995 Executive Share Option Scheme. These options are exercisable between 22 March 2003 and 22 March 2010, subject to the satisfactory completion of the scheme's conditions.

On 15 March 2001, G.H. Casey, A. Cotton, I. Gray and G.H. Young were granted options to acquire 43,795, 32,558, 43,795 and 41,860 ordinary shares respectively at a price of 68½p per share under The Macfarlane Group PLC Company Share Option Plan 2000. On the same date G.H. Casey and I. Gray were granted options to acquire 75,274 and 38,995 ordinary shares respectively at a price of 68½p per share under The Macfarlane Group PLC Executive Share Option Scheme 2000. These options are exercisable between 15 March 2004 and 15 March 2011, subject to the satisfactory completion of the scheme's conditions.

On 9 May 2001, G.H. Casey, A. Cotton and I. Gray were each granted options to acquire 8,209 ordinary shares, and G.H. Young was granted options to acquire 6,567 ordinary shares at a price of 59p per share under The Macfarlane Group PLC Savings Related Share Option Scheme 2000. These options lapsed during 2004.

On 5 April 2002 G.H. Casey, A. Cotton, I. Gray and G.H. Young were granted options to acquire 118,000, 52,302, 60,000 and 48,674 ordinary shares respectively at a price of 88p per share under the Macfarlane Group PLC Executive Share Option Scheme 2000. On the same date A. Cotton and G.H. Young were granted options to acquire 7,698 and 1,326 ordinary shares respectively at a price of 88p per share under the Macfarlane Group PLC Company Share Option Plan 2000. These options are exercisable between 5 April 2005 and 5 April 2012, subject to the satisfactory completion of the scheme and the plan's conditions.

On 16 April 2003, A. Cotton, I. Gray and G.H. Young were each granted options to acquire 80,000 ordinary shares at a price of 28½p per share under the Macfarlane Group PLC Executive Share Option Scheme 2000. These options are exercisable between 16 April 2006 and 15 April 2013, subject to the satisfactory completion of the scheme and the plan's conditions.

No other share options were granted and no share options were exercised during the year.

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.

DIRECTORS' REPORT (continued)

SUPPLIER PAYMENT POLICY

Company policy is to negotiate terms with suppliers and to settle liabilities in accordance with those terms. Staff dealing with payments to suppliers are made aware of the policy. The policy is made known to suppliers on request. At the year-end the company had an average of 69 days purchases outstanding in trade creditors (2003 - 68 days).

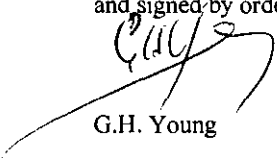
POST BALANCE SHEET EVENTS

Two properties have been sold since 31 December 2004 for a combined consideration of £4.6m, which will give rise to a gain of £1.3 million before tax in the 2005 financial statements. Further details are set out in note 23 to the financial statements

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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



G.H. Young

Company Secretary

22 March 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. 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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACFARLANE GROUP UK LIMITED

We have audited the financial statements of Macfarlane Group UK Limited for the year ended 31 December 2004, which comprise the profit and loss account, the reconciliation of movements in shareholders' deficit, balance sheet and the related notes numbered 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, and if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

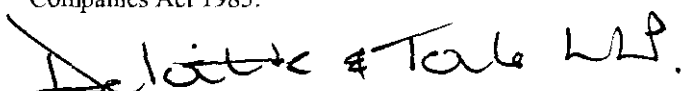
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the Company, 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 the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow

22 March 2005

MACFARLANE GROUP UK LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2004

	Note	2004 £000	2003 £000
TURNOVER			
Continuing		91,651	95,264
Discontinued operations		-	7,871
Total turnover	2	91,651	103,135
Cost of sales		(62,593)	(72,285)
Gross profit		29,058	30,850
Administrative expenses - recurring		(23,466)	(31,396)
Administrative expenses - exceptional	4	-	(3,770)
Total administrative expenses		(23,466)	(35,166)
Distribution costs		(5,243)	(6,385)
Other operating income		332	930
		(28,377)	(40,621)
OPERATING PROFIT/(LOSS)	4	681	(9,771)
Continuing		681	(8,581)
Discontinued operations		-	(1,190)
OPERATING PROFIT/(LOSS)		681	(9,771)
Gain/(loss) on disposal of fixed assets		3,845	(239)
Loss on disposal of business - discontinued	19	-	(3,235)
		4,526	(13,245)
Income from shares in group undertakings	5	-	1,350
Interest receivable and similar income		78	28
Interest payable and similar charges	6	(88)	(394)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,516	(12,261)
Tax on profit/(loss) on ordinary activities	7	-	(35)
RETAINED PROFIT/(LOSS) FOR THE YEAR	17	4,516	(12,296)

There are no recognised gains or losses other than the profit/(loss) for the current or preceding financial year. Accordingly, no statement of Total Recognised Gains and Losses is presented.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT Year ended 31 December 2004

	2004 £000	2003 £000
Retained profit/(loss) for the financial year	4,516	(12,296)
Net addition to/(reduction in) shareholders' funds	4,516	(12,296)
Opening shareholders' (deficit)/funds	(4,768)	7,528
Closing shareholders' deficit	(252)	(4,768)

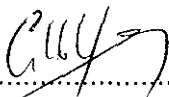
MACFARLANE GROUP UK LIMITED

BALANCE SHEET 31 December 2004

	Note	2004 £000	2003 £000
FIXED ASSETS			
Intangible assets	8	2,321	2,447
Tangible assets	9	13,691	20,644
Investments	10	3,382	7,054
		<u>19,394</u>	<u>30,145</u>
CURRENT ASSETS			
Stocks	11	5,954	7,914
Debtors	12	28,306	23,140
Cash at bank and in hand		2,242	2,764
		<u>36,502</u>	<u>33,818</u>
CREDITORS: amounts falling due within one year	13	(19,500)	(32,295)
NET CURRENT ASSETS		<u>17,002</u>	<u>1,523</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		36,396	31,668
CREDITORS: amounts falling due after more than one year	14	(36,555)	(36,343)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(93)	(93)
NET LIABILITIES		<u>(252)</u>	<u>(4,768)</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,361	1,361
Share premium	17	1,442	1,442
Profit and loss account	17	(3,055)	(7,571)
TOTAL EQUITY SHAREHOLDERS' DEFICIT		<u>(252)</u>	<u>(4,768)</u>

These financial statements were approved by the Board of Directors on 22 March 2005 and signed on behalf of the Board of Directors by

.....  Director
G.H. Casey

.....  Director
G. H. Young

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain land and buildings.

Cash flow statement

The company has not presented a cash flow statement. It has taken advantage of the exemption contained in FRS1 (revised 1996) "Cash Flow Statements" as the ultimate parent company Macfarlane Group PLC has included a consolidated cash flow statement within its group accounts.

Investments

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

Tangible fixed assets

Tangible fixed assets are stated at cost to the company except in the case of certain properties, which are stated at valuations by professional valuers. The Company adopted the transitional provisions of FRS 15 in 2002 and has frozen the valuations at modified historic cost. 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 over the period of their expected useful lives. The rates of depreciation vary between 2% - 5% per annum on buildings and 7% - 25% per annum on plant, vehicles and fittings.

Stocks

Stock is stated 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 material and labour costs plus manufacturing overheads.

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

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

The cost of assets held under finance leases is included in tangible assets and depreciation provided in the company's accounting policy for the class of asset concerned. Interest costs are charged over the lease term and future obligations included in creditors. Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

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 dealt with through the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account in order to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. The cost of providing pensions through defined contribution scheme arrangements is charged to the profit and loss account as incurred.

Intangible fixed assets

For acquisitions of a business, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of twenty years. Purchased goodwill is included in intangible assets. Patents and trademarks are valued at cost on acquisition and are depreciated in equal annual instalments over their estimated useful economic lives which are considered to be between five and ten years.

2. TURNOVER AND PRE-TAX PROFIT/(LOSS)

	2004 £000	Continuing £000	Discontinued £000	2003 £000
Turnover	91,651	95,264	7,871	103,135
Cost of sales	(62,593)	(66,431)	(5,854)	(72,285)
Gross profit	29,058	28,833	2,017	30,850
Distribution costs	(5,243)	(6,132)	(253)	(6,385)
Administrative expenses	(23,466)	(32,212)	(2,954)	(35,166)
Other operating income	332	930	-	930
Operating profit/(loss)	681	(8,581)	(1,190)	(9,771)
Exceptional items				
Gain/(loss) on sale of properties	3,845	-	(239)	(239)
Loss on disposal of business	-	-	(3,235)	(3,235)
Profit/(loss) before interest	4,526	(8,581)	(4,664)	(13,245)
Income from shares in group undertakings	-	1,350	-	1,350
Interest receivable and similar income	78	28	-	28
Interest payable and similar charges	(88)	(394)	-	(394)
Profit/(loss) on ordinary activities before tax	4,516	(7,597)	(4,664)	(12,261)

All amounts for 2004 represent continuing operations only.

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 pre-tax profit/(loss) for the year, is attributable to the manufacture and distribution of packaging, specialist printing and the provision of storage, warehousing and haulage services. An analysis of turnover by geographical market is given below:

	2004 £000	2003 £000
United Kingdom	88,033	98,711
Europe	3,095	3,740
Other	523	684
	<u>91,651</u>	<u>103,135</u>

MACFARLANE GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004 £000	2003 £000
Emoluments of the highest paid director are as follows:		
Aggregate emoluments excluding pension contributions	82	97

At the year end, the highest paid director had an accrued pension of £34,683 per annum (2003 - £33,494).

Total emoluments of all directors are as follows:

Aggregate emoluments	140	290
----------------------	-----	-----

Retirement benefits accrue to four directors (2003: five) under the parent company's defined benefit scheme.

	2004 No.	2003 No.
Average number of persons employed		
Production	187	308
Sales and distribution	372	458
Administration	124	180
	683	946

	2004 £000	2003 £000
Staff costs during the year (including directors)		
Wages and salaries	13,414	18,004
Social security costs	1,172	1,616
Pension costs	613	803
	15,199	20,423

4. OPERATING PROFIT/(LOSS)

	2004 £000	2003 £000
Operating profit/(loss) is arrived at after charging:		
Depreciation - owned assets	1,324	5,861
- leased assets	368	329
Amortisation of intangible assets	126	114
Rentals under operating leases		
Plant and machinery	2,019	2,429
Land and buildings	3,399	2,928
Auditors' remuneration		
For audit services	64	86
For non-audit services	6	5
	2004 £000	2003 £000

Exceptional charges are as follows:-:

Vacant property costs	-	686
Cash costs to restructure business	-	345
Cash costs for redundancy programmes	-	2,739
	-	3,770

MACFARLANE GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS	2004	2003
	£000	£000
Dividends received from subsidiary undertakings	-	1,350
	<u>-</u>	<u>1,350</u>
6. INTEREST PAYABLE AND SIMILAR CHARGES	2004	2003
	£000	£000
Bank loans, overdrafts and other loans repayable within five years	17	295
Finance leases and hire purchase contracts	71	99
	<u>88</u>	<u>394</u>
7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	2004	2003
	£000	£000
United Kingdom corporation tax :		
Current tax at 30% (2003:30%)	-	-
Adjustment in respect of prior periods	-	35
Total current tax	<u>-</u>	<u>35</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2003 - 30%). The actual tax charge for the current and prior years varies from 30% for the reasons set out in the following reconciliation:

	2004	2003
	£000	£000
Profit/(loss) before tax	4,516	(12,261)
Tax charge/(credit) on profit/(loss) at 30%	1,355	(3,678)
Factors affecting charge:		
Depreciation in excess of capital allowances	(23)	418
Expenses not deductible for tax purposes	189	1,203
Profit/(loss) on non qualifying assets	(1,700)	395
Utilisation of tax losses	309	-
Other differences	(130)	1,627
Adjustment in respect of prior periods	-	35
Current tax charge for the year	<u>-</u>	<u>35</u>

MACFARLANE GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2004

8. INTANGIBLE ASSETS

Cost	Purchased goodwill £000	Patents & trademarks £000	Total £000
At 1 January 2004 and 31 December 2004	4,228	240	4,468
Accumulated amortisation			
At 1 January 2004	1,781	240	2,021
Charge for the year	126	-	126
At 31 December 2004	1,907	240	2,147
Net book value			
At 31 December 2004	2,321	-	2,321
At 31 December 2003	2,447	-	2,447

9. TANGIBLE FIXED ASSETS

Cost	Land and buildings £000	Plant, machinery & vehicles £000	Fixtures & fittings £000	Total £000
At 1 January 2004	19,017	21,853	9,932	50,802
Additions	1,957	30	678	2,665
Disposals	(5,653)	(2,198)	(48)	(7,899)
Group transfers	(1,158)	(9,426)	(703)	(11,287)
At 31 December 2004	14,163	10,259	9,859	34,281
Accumulated depreciation				
At 1 January 2004	7,662	17,299	5,197	30,158
Charge for the year	50	401	1,241	1,692
Disposals	(1,381)	(1,822)	(53)	(3,256)
Group transfers	(522)	(6,900)	(582)	(8,004)
At 31 December 2004	5,809	8,978	5,803	20,590
Net book value				
At 31 December 2004	8,354	1,281	4,056	13,691
At 31 December 2003	11,355	4,554	4,735	20,644

The net book value of tangible fixed assets of £13,691,000 (2003 - £20,644,000) includes an amount of £1,130,000 (2003 - £1,302,000) in respect of assets held under finance leases. The depreciation charge in respect of these assets is £368,000 (2003 - £329,000).

Land and buildings at net book value	2004 £000	2003 £000
Freeholds	6,498	9,379
Long leaseholds	1,856	1,644
Short leasehold improvements	-	332
	8,354	11,355

MACFARLANE GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

10. INVESTMENTS

Cost	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
At 1 January 2004	10,339	286	10,625
Group transfers	(4,969)	-	(4,969)
Write off dormant subsidiary	(1,674)	(286)	(1,960)
At 31 December 2004	3,696	-	3,696
Provision for impairment			
At 1 January 2004	3,285	286	3,571
Group transfers	(1,336)	-	(1,336)
Write off dormant subsidiary	(1,635)	(286)	(1,921)
At 31 December 2004	314	-	314
Net book value			
At 31 December 2004	3,382	-	3,382
At 31 December 2003	7,054	-	7,054

The company owns the whole of the issued share capital of the following companies:

Abbott's Packaging Limited (formerly Double R Packaging Limited), a dormant company registered in England.

Macfarlane Merchanting Limited, a dormant company registered in England.

The following investments were transferred to fellow subsidiaries during the year

Macfarlane Packaging KFT, a company registered in Hungary whose principal activities are the design, manufacture, assembly and supply chain management of specialist packaging was transferred to Macfarlane Packaging Limited during the year

Macfarlane Packaging (Ireland) Limited, a company registered in Ireland whose principal activities are the manufacture of high quality printed self-adhesive labels and recloseable labelling solutions was transferred to Macfarlane Labels Limited during the year

Macfarlane Group Sweden AB (formerly Reseal-It AB), a company registered in Sweden whose principal activities are the manufacture of high quality printed self-adhesive labels and recloseable labelling solutions was transferred to Macfarlane Labels Limited during the year..

ALM Packaging Limited, a dormant company registered in England was struck off during the year.

The company has taken advantage of Section 228 of the Companies Act 1985 and consequently consolidated financial statements have not been prepared. Information presented is for the company and not the group. Consolidated financial statements are prepared by the ultimate parent company as detailed in Note 22.

11. STOCKS

	2004 £000	2003 £000
Raw materials and consumables	181	763
Work in progress	147	332
Finished goods and goods for resale	5,626	6,819
	5,954	7,914

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

12. DEBTORS	2004 £000	2003 £000
Trade debtors	16,656	18,477
Amounts owed by group undertakings	6,250	809
Amounts owed by fellow subsidiary undertakings	-	97
Other debtors	4,299	2,167
Prepayments and accrued income	1,101	1,590
	<u>28,306</u>	<u>23,140</u>

Included in amounts owed by group undertakings are loans due after more than one year of £6,064,000 (2003 - £Nil).

Included in other debtors are amounts due after more than one year totalling £2,242,000 (2003 - £838,000).

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2004 £000	2003 £000
Trade creditors	13,934	15,556
Amounts owed to group undertakings	-	9,085
Other taxation and social security	1,518	2,608
Other creditors	1,008	1,081
Obligations under lease and hire purchase contracts (note 14)	479	407
Accruals and deferred income	2,561	3,558
	<u>19,500</u>	<u>32,295</u>

The finance leases and hire purchase liabilities are secured over the assets to which the lease and hire purchase agreements relate.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2004 £000	2003 £000
Obligations under lease and hire purchase contracts	366	673
Amounts owed to parent company	29,703	27,652
Amounts owed to subsidiary undertakings	3,382	3,478
Amounts owed to other group companies	3,104	4,540
	<u>36,555</u>	<u>36,343</u>
	2004 £000	2003 £000
Obligations under lease and hire purchase contracts		
Due within one year (note 13)	479	407
Due between one and two years	272	440
Due between two and five years	94	233
	<u>845</u>	<u>1,080</u>

MACFARLANE GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2004

15. PROVISIONS FOR LIABILITIES AND CHARGES	2004 £000	2003 £000
Provision for vacant leasehold property	93	93
At 1 January 2004	93	503
Utilised in the year	-	(410)
At 31 December 2004	93	93
16. CALLED UP SHARE CAPITAL	2004 £000	2003 £000
Authorised 2,000,000 ordinary shares of £1 each	2,000	2,000
Called up, allotted and fully paid 1,361,000 ordinary shares of £1 each	1,361	1,361
17. RESERVES	Share premium £000	Profit & loss Account £000
At 1 January 2004	1,442	(7,571)
Retained profit for the year	-	4,516
At 31 December 2004	1,442	(3,055)
18. CONTINGENT LIABILITY		

The company has given an intercompany guarantee to secure the overdrafts of the parent company and certain fellow subsidiaries. The liabilities at 31 December 2004 under these obligations totalled £16,435,000 (2003 - £19,836,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

19. LOSS ON DISPOSAL OF BUSINESS - DISCONTINUED

On 4 November 2003, the Group confirmed the disposal of the business and certain assets and liabilities of the Northern packaging manufacturing operations in Dundee, Govan and North Shields, which was concluded for a consideration of £1.0m. The final deferred consideration of £323,000 was settled in 2004.

20. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases comprise:

	Land & buildings	Other	Land & buildings	Other
	2004	2004	2003	2003
	£000	£000	£000	£000
Leases which expire:				
Within one year	23	646	110	227
Within 2 to 5 years	300	1,226	123	1,862
After more than 5 years	3,662	-	3,533	-
	<u>3,985</u>	<u>1,872</u>	<u>3,766</u>	<u>2,089</u>

Contracts for capital expenditure

Contracts for capital expenditure for which no provision has been made in the accounts amounted to £30,000 (2003 - £2,122,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

21. PENSIONS

The company participates in the Macfarlane Group PLC Pension and Life Assurance Scheme (1974), a defined benefit multi-employer scheme operated by the group. The assets and liabilities of this scheme are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the year were £510,000 (2003- £563,000) and the agreed contribution rate is 18.5% with effect from 1 July 2003. In the prior year the contribution rate to 30 June 2003 was 15.5%.

As stated in the Macfarlane Group PLC financial statements for the year ended 31 December 2004, the full actuarial valuation at 1 May 2001 was updated to 31 December 2004 by a qualified actuary. The valuation at 1 May 2001 showed that the market value of the relevant assets of the scheme was £36,689,000 and the actuarial value of these assets represented 95% of the value of benefits that had accrued to members.

The assets in the scheme, the net liability position for the scheme as calculated under FRS17 at 31 December 2004 and the expected rates of return were:

Asset class	Fair value 2004 £000	Long-term expected rate of return	Fair value 2003 £000	Long-term expected rate of return	Fair value 2002 £000	Long-term expected rate of return
Equities	19,911	7.75%	18,500	8.25%	15,600	8.50%
Bonds	15,173	5.00%	14,300	5.00%	13,800	5.00%
Other (cash)	37	5.00%	100	4.50%	100	4.50%
Fair value of assets	35,121		32,900		29,500	
Present value of scheme liabilities	(52,545)		(50,212)		(46,100)	
Deficit in the scheme	(17,424)		(17,312)		(16,600)	
Related deferred tax asset	5,227		5,193		4,980	
Net pension liability	(12,197)		(12,119)		(11,620)	

The scheme's liabilities at 31 December 2004 were calculated on the following bases:

Assumptions	2004	2003	2002
Discount rate	5.25%	5.50%	5.50%
Rate of increase in salaries	2.75%	4.00%	3.75%
Rate of increase in pensions in payment	3% or 5%	3% or 5%	3% or 5%
	for fixed increases or 2.75% for LPI	for fixed increases or 2.75% for LPI	for fixed increases or 2.25% for LPI
Inflation assumption	2.75%	2.75%	2.25%

MACFARLANE GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

21. PENSIONS (continued)

If the group had implemented FRS 17 in full, the impact on the group financial statements would have been as follows:

	2004 £000	2003 £000
Analysis of amounts charged to group operating loss		
Current service costs	438	439
Profit and loss account	438	439
Analysis of amount charged to group net finance charges	£000	£000
Expected return on pension scheme assets	2,217	2,008
Interest cost of pension scheme liabilities	(2,734)	(2,513)
Net cost	(517)	(505)
Analysis of the actuarial gain/(loss) as would be shown in the group statement of total recognised gains and losses	£000	£000
Actual return less expected return on scheme assets	814	1,761
Experience gains & losses arising on scheme liabilities	338	809
Changes in assumptions underlying the present value of the scheme's liabilities	(930)	(3,212)
Actuarial gain/(loss)	222	(642)
Movement in scheme deficit in the year before related deferred tax	£000	£000
At 1 January 2004	(17,312)	(16,600)
Current service cost	(438)	(439)
Contributions	621	874
Other financial charges	(517)	(505)
Actuarial gain/(loss) in the year	222	(642)
At 31 December 2004	(17,424)	(17,312)

The company also operated a number of defined contribution schemes, including the Macfarlane Group Personal Pension Scheme and the Macfarlane Group PLC Employees' Pension and Life Assurance Scheme (1988). Contributions to these schemes for the year were £103,000 (2003- £240,000).