

Macfarlane Group PLC

Annual Report and Accounts 2025

We design, manufacture and distribute protective packaging to more than 20,000 customers, across a diverse range of sectors, throughout the UK and Europe.



View our Annual Report and Accounts, and other information about Macfarlane Group at www.macfarlanegroup.com

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2025 Group performance at a glance

Revenue

£300.8m

2024 **£270.4m**

2023 **£280.7m**

Adjusted operating profit¹ (% of revenue)

6.5%

2024 **10.1%**

2023 **9.8%**

Adjusted profit before tax¹

£15.6m

2024 **£25.0m**

2023 **£25.8m**

Gross margin (% of revenue)

37.3%

2024 **39.0%**

2023 **37.6%**

Operating profit (% of revenue)

4.2%

2024 **8.6%**

2023 **7.9%**

Profit before tax

£8.1m

2024 **£20.9m**

2023 **£20.3m**

Adjusted diluted earnings per share

7.62p

2024 **11.56p**

2023 **12.21p**

Dividend per share

3.66p

2024 **3.66p**

2023 **3.59p**

Carbon intensity (tCO₂e per £m of revenue – market based)

17.1

2024 **17.9**

2023 **18.2**

Carbon emissions (market based)

5,158 tCO₂e

2024 **5,381 tCO₂e**

2023 **6,116 tCO₂e**

Accident Frequency Rate (‘AFR’)

0.33

2024 **0.27**

2023 **0.22**

¹ See page 3 for reconciliation of Alternative Performance Measures to Statutory Measures.

Chair's statement

Aleen Gulvanessian

Fatality at Pitreavie

We were deeply saddened to report in October 2025 the loss of one of our colleagues in a tragic incident at the corrugate manufacturing facility of The Pitreavie Group Limited ('Pitreavie'), acquired in early 2025. Our thoughts remain with all those affected and we continue to provide support to ensure their wellbeing. The incident remains under investigation by the authorities.

2025 was a difficult year for the Group¹, however revenue increased 11% and profit, although below 2024, was in line with the revised market expectations.

During the year we experienced economic headwinds and uncertainty creating a particularly competitive trading environment and material increases in operating costs which, together with the impact of the Pitreavie incident, resulted in a marked impact on the Group's financial performance.

Trading performance

Packaging Distribution profits were significantly below 2024 as the business experienced weaker-than-expected demand, delays in new business decision making, pressure on gross margins from a more intense trading environment and increased labour and property-related costs. The business continued to invest in strengthening its management and sales teams during 2025.

Manufacturing Operations, excluding Pitreavie, performed well. The performance was driven by a good contribution from the acquisition of Polyformes Limited ('Polyformes') in July 2024 combined with stronger demand from customers, particularly in the defence, space and aerospace sectors.

Pitreavie was acquired to strengthen our business in Scotland and offer in-house corrugate supply. We expected Pitreavie to be a significant contributor to the Group in 2025, but its performance was well below expectations, mainly due to the impact of the tragic incident. The recently announced £1.2m investment in new equipment will return the business to full operational capacity in Q2 2026, helping to accelerate the process of recovery and support future growth.

Cash flow and bank borrowings

The Group's strong operating cash flows enabled the allocation of capital to invest in the business, fund acquisitions, purchase shares and to support our dividend policy with a low level of net bank debt. The Group extended its borrowing facility of £40m with Bank of Scotland PLC and HSBC UK Bank plc to November 2028 and retains options to extend by one further year and to increase the facilities by up to £20m.

Pension scheme

The Group is positioning the pension scheme for a possible buy-in to reduce future risk and minimise any further requirement for cash contributions. As part of this process, a non-recurring charge of £1.9m was accrued in 2025 to recognise an increase in the expected cost of historic equalisation of pensions.

Capital allocation

The Board proposes to maintain the final dividend at 2.70 pence per share, amounting to a full-year dividend of 3.66 pence per share (2024: 3.66 pence per share). Subject to the approval of shareholders at the Annual General Meeting on Tuesday 12 May 2026, the final dividend will be paid on Friday 12 June 2026 to those shareholders on the register on Friday 15 May 2026 (ex-dividend date 14 May 2026).

The Group has spent £2.1m by 31 December 2025 of the £4m share buyback programme which commenced in June 2025.

Sustainability

In 2025, the Group achieved a reduction in its Scope 1 and 2 carbon emissions. The Group is committed to reducing its direct impact on the environment through electrification of our delivery fleet and expanding the use of renewable energy through the installation of solar panels at more of our operating locations.

We continued to work with our customers to reduce the environmental impact of their packaging operations with a particular focus in 2025 on supporting our customers in the retail sector to navigate the challenges of the Extended Producer Responsibility ('EPR') regulations that came into effect during the year.

Outlook

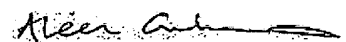
In 2026 we anticipate markets and the competitive environment to remain challenging.

Management is focused on actions to improve the performance of Distribution, to recover the Pitreavie business and to continue the development of our specialist Manufacturing operations. Management priorities for 2026, which are expected to accrue benefits weighted towards the second half of the year, are to:

- Focus new business development in primarily industrial markets to optimise the benefits of our product/service offer for customers
- Improve operational efficiency through targeted cost savings
- Refine our sourcing model to reduce input pricing
- Recover the Pitreavie performance, benefitting from the recently announced replacement investment in corrugate production capacity

Whilst acquisitions are not anticipated in the short term, the Group continues to work on the acquisition pipeline for the future.

The Board is confident that effective execution of the key priorities identified will create forward momentum for the Group.



Aleen Gulvanessian, Chair
26 February 2026

¹ Macfarlane Group PLC
(‘Macfarlane Group’, ‘the Group’, ‘Macfarlane’).

Key financial highlights 2025

The key financial highlights of Macfarlane Group 2025 are set out below:

- Group revenue increased by 11% to £300.8m (2024: £270.4m) and operating profit reduced to £12.5m (2024: £23.6m).
- Group adjusted operating profit reduced by 28% to £19.7m (2024: £27.4m).
- Group adjusted operating profit as a percentage of revenue decreased to 6.5% (2024: 10.1%).
- No provision has been made in respect of the outcome of the investigation into the Pitreavie incident.
- Basic and diluted earnings per share were 3.99p per share (2024: 9.76p per share) and 3.98p per share (2024: 9.74p per share) respectively.
- The Board proposes to maintain the final dividend at 2.70p per share (2024: 2.70p per share) payable on 12 June 2026, taking the total dividend for 2025 to 3.66p per share (2024: 3.66p per share).
- Packaging Distribution generated revenues of £229.2m (2024: £228.8m) with adjusted operating profit of £11.4m (2024: £20.2m).
- Manufacturing Operations generated revenues of £78.5m (2024: £47.5m) with adjusted operating profit of £8.3m (2024: £7.2m).
- Net cash inflow from operating activities of £24.8m (2024: £25.4m) reflects continued effective management of working capital.
- Net bank debt was £16.2m on 31 December 2025, following a net cash outflow of £14.2m in the year, after £25.3m (2024: £21.1m) attributable to acquisitions, the share buyback, dividends and net capital expenditure.
- The Group is operating well within its bank facility of £40.0m which runs until November 2028, with an option to extend to November 2029.
- As we prepare the pension scheme for buy-in, a non-recurring charge of £1.9m was accrued in 2025 to recognise an increase in the expected cost of historic equalisation of pensions. The pension scheme surplus, after reflecting the charge, was £6.0m at 31 December 2025 (31 December 2024: £9.6m).

Group performance

	2025 £000	2024 £000	Increase/ (decrease) %
Statutory measures			
Revenue	300,810	270,437	11%
Gross profit	112,171	105,372	6%
Operating profit	12,495	23,597	(47%)
Profit before tax	8,050	20,896	(61%)
Profit for the year	6,316	15,530	(59%)
Interim and proposed final dividend (pence)	3.66p	3.66p	–
Diluted earnings per share (pence)	3.98p	9.74p	(59%)
Alternative performance measures¹			
Adjusted operating profit	19,689	27,402	(28)%
Adjusted profit before tax	15,573	24,969	(38)%
Adjusted diluted earnings per share (pence)	7.62p	11.56p	(34)%

1 See below for reconciliation of Alternative Performance Measures to Statutory Measures.

The table below reconciles alternative performance measures to statutory financial measures.

	Alternative performance measures £000	Amortisation £000	Goodwill impairment £000	Deferred contingent consideration adjustments £000	IAS 19 past service cost adjustment £000	Tax £000	Statutory measures £000	
Year to 31 December 2025								
Adjusted operating profit	19,689	(5,171)	(1,625)	1,532	(1,930)	–	12,495	Operating profit
Adjusted profit before tax	15,573	(5,171)	(1,625)	1,203	(1,930)	–	8,050	Profit before tax
Adjusted diluted earnings per share (pence)	7.62p	(3.26)p	(1.03)p	0.76p	(1.22)p	1.11p	3.98p	Diluted earnings per share (pence)
Year to 31 December 2024								
Adjusted operating profit	27,402	(4,610)	–	805	–	–	23,597	Operating profit
Adjusted profit before tax	24,969	(4,610)	–	537	–	–	20,896	Profit before tax
Adjusted diluted earnings per share (pence)	11.56p	(2.89)p	–	0.34p	–	0.73p	9.74p	Diluted earnings per share (pence)

Our business model and strategic focus

How we create value from innovative packaging solutions

Our business model

The fundamental activities of our business that utilise these resources and capabilities.

Our purpose

Ensuring our customers' products are effectively and sustainably protected in storage and transport.

What we do

We design, manufacture and distribute protective packaging across a diverse range of sectors, throughout the UK and Europe.

How we do it

- Adapting our flexible geographic footprint to stay close to our customers
- Adopting a 'stock and serve' approach
- > 2,000 global suppliers of protective packaging
- Effective in-house specialist manufacturing supply

Our inputs

The key capabilities and resources we have which provide sustainable competitive advantage in our marketplace.

Financial

The funds available to us

Our consistent cash generation; the strength of our balance sheet and our financial discipline provide us with the capital to re-invest in the business and make quality acquisitions.

Operations

Infrastructure, capability and tools

We stay close to our customers through our local service centres, and have flexible manufacturing capability as well.

Value and quality

Organisational, knowledge-based intangibles

We use our packaging industry experience and skills to create sustainable packaging products and solutions for our customers.

Human

The skills and know-how of our employees

The commitment, expertise and diversity of our people, are the main drivers of our business and the key to our continued success.

Social and environmental

Our relationships with our stakeholders

We have a unique culture that is embedded throughout our business. We also actively engage with our key stakeholders.

This business model is underpinned by our five strategic focus areas:

1. Profitable organic growth

We are committed to growing organically through offering innovative and sustainable packaging solutions to customers in target markets.

2. Acquisition growth

We have an active pipeline of opportunities in both the UK and mainland Europe, and aim to execute around two per year.

Creating value

By employing our capabilities and resources, we create the following value for our stakeholders including our customers, shareholders, suppliers, employees and the communities we operate within.

Improving operating margins and strong cash generation.

6.5%

adjusted operating profit¹

- 37.3% gross margin (2024: 39.0%)
- Adjusted operating profit¹ down 28% to £19.7m
- £4.9m in taxes paid
- £5.8m in dividends paid to our shareholders
- £24.8m cash generated from operations

Leading UK protective packaging distributor, with 26 Regional Distribution Centres ('RDC').

European expansion

Strong organic growth from 'follow the customer' strategy and benefit of PackMann acquired in 2022.

Growing manufacturing capability

Acquisition of Polyformes in 2024 and Pitreavie in 2025, growing partnership with Packaging Distribution.

- Providing just-in-time service to our customers through 'stock and serve' distribution model
- Utilising manufacturing division as a flexible support to distribution
- Ensuring safety of customer products through protective packaging
- Expanding our European offering through the 'follow the customer' strategy and acquisitions

Our customers value our people, and their passion for our products.

Retention

Strong staff retention at management level.

- Enhancing career opportunities through training
- Improving knowledge through innovation
- Empowering customers through training and education
- NPS score of 60 (2024: 62)

Our diversity is our strength, demonstrated by our lack of a gender pay gap. Our employees continue to deliver solutions and strong service to customers.

27%

Female proportion of senior leadership team

- Protecting the health of employees through Operational Integrity excellence and wellbeing programmes
- Promoting from within where possible, creating growth opportunities in the Company
- Enhanced Employee Assistance Programme ('EAP') including 24/7 support and focus on mental health

We are fully committed to supporting local communities and the environment.

36%

reduction in absolute carbon emissions since 2019

- 10 fully electric commercial vehicles
- 97% of electricity sourced from renewables
- 1% positive gender pay gap
- Extended supply chain engagement on social and environmental issues

3.

Operational efficiency

We invest to make all our assets more productive – property, transport and people.

4.

People development

Our people are our greatest asset, and we look to invest in our people at all levels to up-skill them to take on greater roles within the Company.

For more on our people development see pages 45 to 46.

5.

Environmental excellence

We are committed to reducing our environmental footprint, and supporting the communities we operate in.

For more on our environmental excellence see pages 36 to 44.

Note: In addition to the financial KPIs disclosed on this page and on page 1, the Group also uses the following non-financial KPIs: Net Promoter Score, GHG Emissions (tCO₂e), Carbon Intensity (tCO₂e per £m of revenue) and Accident Frequency Rate.

¹ See page 3 for reconciliation of Alternative Performance Measures to Statutory Measures.

Chief Executive's review

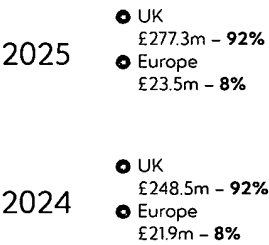
Group

Our business at a glance

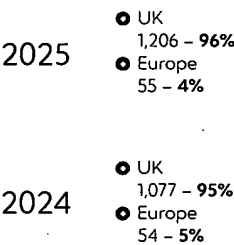
We are focused on customer needs with an established footprint in the UK and a growing presence in Europe.

- Packaging Distribution
- Manufacturing Operations
- Innovation Labs
- Head Offices

Revenue by region (%)



Employees by region (%)



Macfarlane Group has the following third party support locations:
Italy, Greece, Spain

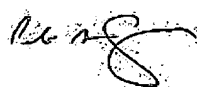
Group revenue increased by 11% and adjusted operating profit reduced by 28% in 2025.

This reflects:

- the challenging economic conditions in our Packaging Distribution business,
- the under performance of the Pitreavie business acquired in January 2025 and the impact of the tragic incident at its manufacturing site in Cumbernauld,
- a strong performance from our Manufacturing Operations underpinned by the Polyformes acquisition in 2024.

The Group has also made good progress against its ESG objectives, details of which are set out on pages 33 to 50.

Peter Atkinson



Peter D. Atkinson, Chief Executive
26 February 2026

Group performance

Segment	Revenue 2025 £000	Adjusted operating profit ¹ 2025 £000	Operating profit 2025 £000	Revenue 2024 £000	Adjusted operating profit ¹ 2024 £000	Operating profit 2024 £000
Packaging Distribution	229,150	11,373	6,678	228,763	20,158	17,331
Manufacturing Operations	71,660	8,316	5,817	41,674	7,244	6,266
Group total	300,810	19,689	12,495	270,437	27,402	23,597
% of revenue		6.5%	4.2%		10.1%	8.7%

¹ See page 3 for reconciliation of Alternative Performance Measures to Statutory Measures.

Chief Executive's review (cont)

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

Packaging Distribution

Revenue

£229.1m

2024 £228.8m

2023 £244.9m

Adjusted operating profit*

£11.4m

2024 £20.2m

2023 £21.0m

Return on revenue

5.0%

2024 8.8%

2023 8.6%

Macfarlane's Packaging Distribution business is the UK's leading specialist distributor of protective packaging materials, with a growing presence in Europe. Macfarlane operates in the UK, Ireland, the Netherlands and Germany from 26 Regional Distribution Centres ('RDCs') and three satellite sites, supplying industrial and retail customers with a comprehensive range of protective packaging materials on a local, regional, national and international basis.

Competition in the packaging distribution market is from local and regional protective packaging specialist companies as well as national and international distribution generalists who supply a range of products including protective packaging materials.

Macfarlane competes effectively on a local basis through its strong focus on customer service, its breadth and depth of product offering and through the recruitment and retention of high-quality staff with good local market knowledge. On a national and international basis, Macfarlane has market focus, expertise and a breadth of product and service knowledge, all of which enable it to compete effectively against non-specialist packaging distributors.

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

'Significant Six' sales approach we reduce our customers' 'Total Cost of Packaging', improve their sustainability performance and reduce their carbon footprint. This is achieved through supplying effective packaging solutions, optimising warehousing and transportation, reducing damages and returns and improving packaging efficiency.

2025 trading

The main features of Packaging Distribution's performance in 2025 were:

- Organic revenue marginally ahead of 2024, despite weak customer demand across most sectors, more tactical buying behaviour from customers and the impact of the EPR legislation on our retail customers.
- New business, at £11.9m, 20% lower than 2024 despite a strong pipeline, reflecting delays in customer decision-making.
- A reduction in gross margin to 35.3% from elevated levels in 2024 of 37.1% due to competitive pressure on selling prices and one of the Group's second-tier suppliers going into administration.
- Adjusted operating expenses at 30.3% of revenue (2024: 28.3%) due to investment in the quality of our sales team, launch of the new website, the well-documented increases in National Insurance and National Minimum Wage, additional property costs relating to higher-than-expected rent increases and excess costs associated with the East Midlands consolidation completed in H2 2025.
- Reduction in adjusted operating profit as a percentage of revenue to 5.0% (2024: 8.8%).

Packaging Distribution performance

	2025 £000	2024 £000	2025 change
Revenue	229,150	228,763	–
Cost of sales	(148,372)	(143,890)	3%
Gross margin	80,778	84,873	(5%)
Operating expenses	(69,405)	(64,715)	7%
Adjusted operating profit*	11,373	20,158	(44%)
Amortisation	(2,803)	(3,082)	
Deferred contingent consideration adjustment	(128)	255	
IAS 19 past service cost	(1,764)	–	
Operating profit	6,678	17,331	(61%)

* See page 3 for reconciliation of Alternative Performance Measures to Statutory Measures.

Through the 'Significant Six'¹ sales approach we reduce our customers' 'Total Cost of Packaging', improve their sustainability performance and reduce their carbon footprint.

Future

The priorities for Packaging Distribution in 2026 are focused on growing revenue and improving profitability through the actions set out below:

- Reduce operating costs through efficiency programmes in sales, logistics and administration.
- Accelerate and convert new business momentum in industrial sectors where we can most effectively implement the benefits of our leading sales tools, processes, World Class Sales training and the recent sales recruitment programme.
- Refine our sourcing model to reduce input pricing.
- Realise the benefits of the new distribution centre in the East Midlands.
- Accelerate the progress we have made in Europe through our 'Follow the Customer' programme.
- Support our customers to manage the impact of Extended Producer Responsibility legislation and reduce their carbon footprint through offering more sustainable packaging solutions.
- Strengthen our key supplier relationships, both nationally and locally.
- Develop both sales and cost synergies through the relationship with our Manufacturing Operations.
- Achieve benefits from information technology investments and our relaunched web-based solutions offer to provide customers with more effective online access to our full range of products and services.
- Continue to develop a pipeline of high-quality acquisitions in the UK and Europe to be well-positioned to recommence acquisitions from 2027 onwards.
- Maintain our focus on working capital management to facilitate future investment and manage effectively the ongoing risk within the current weak economic environment.

¹ 'Significant Six' represents the six key costs in a customers' packing process being transport, warehousing, administration, damages and returns, productivity and customer experience.

Chief Executive's review (cont)

A partnership that delivers in every way

TVH, the leading parts specialist for off-road machinery, needed a new way to pack and ship fragile glass windscreens and components across their operations. Their original option required extensive capital expenditure, used excessive packaging and was unlikely to have provided adequate product protection.

Utilising the expertise across Macfarlane's Regional Distribution Centre, Innovation Labs and Airsac® specialists, we created a more efficient, sustainable solution that also benefited TVH's bottom line.

Using advanced box-optimisation software, we rationalised the box sizes that would best accommodate the fastest moving glazing SKUs. Combined with Macfarlane's bespoke inflatable packaging, Airsac®, TVH gained robust, adaptable and more efficient protection.

Transit testing proved the concept to TVH stakeholders, but the entire transformation, including new packing lines, machinery and layout, needed to be designed, approved and installed within just eight weeks.

Working at pace we designed two new bespoke packing lines including assembly frame, carousel workstation and conveyors to fully integrate into TVH's operation. Working in close partnership with the TVH team, the full project was completed on schedule.

The results have been significant. Enabling TVH to reduce cost, pack times and damage rates, all while using fewer packaging materials.

I am very confident in stating that the project would have nowhere near achieved the level of success without the valuable input from Macfarlane Packaging.

Michael Walters, Warehouse Operations Manager, TVH

Chief Executive's review (cont)

Manufacturing Operations

Revenue

£78.5m

2024 £47.5m

2023 £40.9m

Adjusted operating profit*

£8.3m

2024 £7.2m

2023 £6.6m

Return on revenue

10.6%**

2024 15.3%

2023 16.1%

Manufacturing Operations comprises our 11 Macfarlane Packaging Design and Manufacture business units which are focused on the design, manufacture and assembly of bespoke protective packaging solutions for customers requiring cost-effective methods of protecting high value products in storage and transit.

The main materials we use are corrugate, timber and foam and we also design specialist cases. The businesses supply both directly to customers and through the national RDC network of the Packaging Distribution business.

Key market sectors are aerospace, space, defence, medical equipment, electronics, automotive, e-commerce retail, household equipment and food and drink. The markets we serve are highly fragmented, with a range of locally based competitors. We differentiate our market offering through technical expertise, design capability, industry accreditations and national coverage through the Packaging Distribution business.

2025 trading

The main features of Manufacturing Operations performance in 2025 were:

- An improvement in adjusted operating profit of £1.2m, excluding Pitreavie, due to:
 - An increase in revenue of £5.8m, £4.5m from Polyformes acquired in 2024 and £1.3m organic growth.
 - Improvement in gross margin to 43.8% (2024: 43.2%).
 - Higher operating expenses, due to the impact of the Polyformes acquisition

and inflation in employee costs, primarily National Insurance and National Minimum Wage.

- An increase in adjusted operating profit of 16.9% and improvement in adjusted operating profit as a percentage of revenue to 15.9% (2024: 15.3%).
- An adjusted operating loss of £0.2m from Pitreavie due to:
 - The impact of weaker demand from customers and resultant pressure on gross margins.
 - The tragic incident in October 2025 which has resulted in one-off costs of £0.4m and a material reduction in gross margin due to the outsourcing of manufacturing to third party suppliers.

Future

The priorities for Manufacturing Operations in 2026 are to:

- Install and commission new equipment at Pitreavie in Q2 2026 with £1.2m of committed investment to restore the business to full operational capacity and accelerate the recovery back to profit.
- Continue strengthening the relationship with our Packaging Distribution businesses to create both sales and cost synergies.
- Increase momentum of new business growth in target sectors, e.g., medical, defence, aerospace and space.
- Work with our customers to effectively manage raw material price changes.
- Achieve both sales and cost synergies through closer working with the acquired businesses.

Manufacturing Operations performance

	Excluding Pitreavie 2025 £000	Pitreavie 2025 £000	Manufacturing Operations 2025 £000	2024 £000	2025 change
Revenue	53,308	25,164	78,472	47,458	65%
Inter-segment revenue	(5,277)	(1,535)	(6,812)	(5,784)	18%
External revenue	48,031	23,629	71,660	41,674	72%
Cost of sales	(24,671)	(15,596)	(40,267)	(21,175)	90%
Gross margin	23,360	8,033	31,393	20,499	53%
Operating expenses	(14,890)	(8,187)	(23,077)	(13,255)	74%
Adjusted operating profit*	8,470	(154)	8,316	7,244	15%
Amortisation	(1,775)	(593)	(2,368)	(1,528)	
Deferred contingent consideration adjustment	–	1,660	1,660	550	
Goodwill impairment	–	(1,625)	(1,625)	–	
IAS 19 past service cost	(166)	–	(166)	–	
Operating profit	6,529	(712)	5,817	6,266	(7%)

* See page 3 for reconciliation of Alternative Performance Measures to Statutory Measures.

** 15.9% excluding Pitreavie.



Chief Executive's review (cont)

Collaboration benefits our customers

Packaging Distribution is Manufacturing Operations' largest customer, and the partnership is growing year on year with significant opportunities for further growth.

The combination of the bespoke specialist packaging designed and manufactured by Manufacturing Operations and the local service provided by the national logistics network of Packaging Distribution is a strong proposition for many of the Group's customers.

Manufacturing Operations provides an extensive bespoke product range including timber, foam, heavy duty and composite packaging solutions alongside conventional corrugate boxes and temperature-controlled packaging through its nine manufacturing facilities located across the UK.

With the design and technical support provided by the dedicated teams at each of the manufacturing sites working with the Packaging Distribution design teams at their Innovation Centres in Milton Keynes and Heywood, customers can access an unparalleled breadth of experience and knowledge to optimise their packaging solutions and processes while protecting their products in transit.

Macfarlane's design and manufacturing capability significantly enhances the proposition we can offer our Distribution customer base with their wide range of high quality specialised packaging.

Phil Rees, Group Regional Director, Macfarlane Packaging Distribution

Finance review

Ivor Gray

Trading review

After 15 years of profit growth, the Group experienced a marked reduction in profit in 2025 primarily in the Distribution business which faced tough market conditions and the Pitreavie business, acquired in January 2025, which performed well below expectations due in part to the tragic incident at their Cumbernauld facility. In contrast, Manufacturing Operations performed well in 2025, with a full year contribution from the Polyformes business acquired in July 2024.

Despite challenging market conditions, the Group increased revenue by 11% to £300.8m (2024: £270.4m) in 2025, primarily due to the benefit of the acquisitions with some organic growth in both Distribution and Manufacturing Operations.

Adjusted operating profit¹ decreased 28% to £19.7m (2024: £27.4m) with:

- A reduced gross margin (2025: 37.3%; 2024: 39.0%) due to competitive pressures, the loss of a key tier two supplier and the outsourcing of work following the Pitreavie incident, and
- Higher operating costs as a percentage of sales (2025: 30.8%; 2024: 28.8%) primarily due to inflation in employee and property related costs and one-off costs related to the Pitreavie incident.

As a result, adjusted operating profit as a percentage of sales reduced to 6.5% (2024: 10.1%).

Profit before tax decreased to £8.1m (2024: £20.9m) after:

- Charging net financing costs of £4.4m (2024: £2.7m),
- Charging amortisation of £5.2m (2024: £4.6m),
- Charging goodwill impairment £1.6m (2024: £Nil),
- Crediting changes to the fair value of deferred contingent considerations £1.5m (2024: £0.8m), and
- A non-recurring charge of £1.9m related to the pension scheme (see page 18).

No provision has been recognised in respect of the outcome of the investigation into the Pitreavie incident. Based on information available to date and taking into account there is very limited information from which to estimate the possible magnitude or timing of any resultant payments, management currently believes that the foregoing is not expected to have a material adverse impact on the Group's Financial Statements. The Group will continue to monitor the progress of the investigation and will recognise a provision if and when it becomes probable that a material outflow of economic benefits will be required to settle an obligation, and a reliable estimate can be made.

Taxation

The tax charge for 2025 was £1.7m, a rate of 21.5%, below the prevailing rate of 25% mainly due to deferred contingent consideration credit adjustments not taxable, prior year credit adjustments offset by goodwill impairment not deductible for tax. This compared with a tax charge of £5.4m on the 2024 profit before tax, a rate of 25.7%.

The Group has no uncertain tax treatments with HMRC in the UK or any overseas tax authorities.

Earnings per share

Basic and diluted earnings per share amounted to 3.99p (2024: 9.76p) and 3.98p (2024: 9.74p) respectively, broadly reflective of the movement in profitability. The calculations take account of the dilution caused by deferred bonus payable in shares.

The Group continues to balance the aim to pay an attractive level of dividend against the need to retain funds in the business to finance growth, meet capital expenditure requirements, fund acquisitions and buyback shares.

Dividend per share**3.66p**2024 **3.66p**2023 **3.59p****Adjusted diluted earnings per share¹****7.62p**2024 **11.56p**2023 **12.21p****Cash generated from operations****£24.8m**2024 **£25.4m**2023 **£33.5m****Pension scheme surplus****£6.0m**2024 **£9.6m**2023 **£9.9m****Dividends**

A dividend of 0.96p per share was paid on 9 October 2025. A further dividend of 2.70p per share is subject to approval by shareholders at the AGM in May 2026 and is not included as a liability in these financial statements.

Dividend cover is 1.1 times (2024: 2.7 times). The Group continues to balance the aim to pay an attractive level of dividend against the need to retain funds in the business to finance growth, meet capital expenditure requirements, fund acquisitions and buyback shares.

Cash flow and net bank debt

During 2025 the Group extended its £40m revolving credit facility with Bank of Scotland PLC and HSBC UK Bank plc by one year to November 2028. The facility comprises a committed borrowing facility of up to £40m, with a further option to extend one year to November 2029 and an accordion of £20m. The facility is secured over the assets of Macfarlane Group PLC and its UK subsidiaries, bears interest at commercial rates and carries financial covenants in relation to interest cover and leverage. The Group has been in compliance with the covenants of the new revolving credit facility throughout 2025 and 2026 to date.

The facility accommodates increased working capital requirements from organic growth as well as finance to fund acquisitions and make distributions to shareholders. Our financing requirements are met through cash generation from profitable trading as well as by maintaining committed borrowing facilities for the medium-term.

Group net bank debt was £16.2m at 31 December 2025, a cash outflow of £14.2m in the year as set out in note 21. The Group's operating cash generation continued to be strong, enabling us to fund investment in our core business, acquisitions, meet capital expenditure requirements, implement a share buyback and pay dividends. The Group spent £12.9m on acquisitions in 2025 (2024: £12.1m) and £4.7m on capital expenditure in 2025 (2024: £2.9m). The capital expenditure included £1.0m spent on new equipment to support the recovery of the Pitreavie business.

We will continue to invest where there are needs or opportunities to meet future growth plans. The Group will strive to ensure that in 2026 cash generation from operations is broadly in line with adjusted operating profit. The Group does not foresee at this stage completing any acquisitions in 2026 with the capital allocation focussed on organic development, paying dividends and the share buyback programme.

Acquisition in 2025

On 10 January 2025, Macfarlane Group UK Limited ('MGUK') acquired 100% of The Pitreavie Group Limited ('Pitreavie'), for a total potential consideration of £14.6m and inherited net debt of £4.1m. Full potential contingent consideration of £4.0m is payable in the first quarters of 2026 and 2027, subject to certain trading targets being met in the two twelve-month periods ending on 31 December 2025 and 2026 respectively. The trading targets set for the two twelve-month periods were an enhancement over the profit levels being achieved prior to acquisition. Therefore, the achievable profit levels based on conditions existing at the acquisition were set at a lower level resulting in £1.6m being recognised as contingent consideration for the first twelve-month period and £Nil for the second twelve-month period. In the first twelve-month period post-acquisition profit levels were well below the lowest profit threshold and therefore no contingent consideration is payable, resulting in a release of the £1.6m. It is not anticipated that profit levels in the second twelve-month period will exceed the minimum threshold for payment of any contingent consideration. Following a review of forward cash flows of the Pitreavie business at 31 December 2025 an impairment in goodwill of £1.6m was charged in 2025, recognising the under performance of the business post-acquisition and the time it will take to recover back to the profit levels anticipated when the Group made the acquisition.

¹ See page 3 for reconciliation of Alternative Performance Measures to Statutory Measures.

Finance review (cont)

Acquisitions in prior years (see note 15)

Following strong trading performances from A & G Holdings Limited ('Gottlieb'), Allpack Packaging Supplies Limited ('Allpack Direct') and Polyformes Limited ('Polyformes'), contingent consideration payments totalling £3.4m were made in 2025. All payments were in line with the amounts recognised as at 31 December 2024, except Allpack Direct, which was £0.1m more due to a stronger performance than anticipated.

Market capitalisation and share price movements

The number of shares in issue at 31 December 2025 was 157,274,491, a decrease of 2,325,509 from 31 December 2024. The decrease relates to the £4.0m share buyback programme launched on 15 May 2025 with the programme to be completed in four quarterly tranches of £1.0m starting from 2 June 2025 and all shares purchased being cancelled. The Group has the option to suspend or terminate the programme within five business days of the end of any quarterly tranche. To date the Group has committed to the first three quarterly tranches. In the period to 31 December 2025 £2.1m was spent on the purchase of shares through the buyback programme.

At the year-end the Company's market capitalisation was £113.2m, compared with £171.6m last year. The share price at 31 December 2025 was 72.00p, compared with 107.50p at 31 December 2024. The range of transaction prices for Macfarlane Group shares during 2025 was 62.80p to 120.50p for each ordinary share of 25p.

44,525 shares were purchased and 95,953 shares were sold during 2025 by an Employee Benefit Trust ('EBT'). The Executive Directors are beneficiaries of the EBT subject to the vesting of future performance share or deferred bonus plans. The total shares held by the EBT totalled 278,640 at 31 December 2025 (330,068 at 31 December 2024) representing 0.2% of shares in issue.

Financial instruments

The Group's principal financial instruments comprise bank borrowings, cash balances and other items, such as trade receivables and trade payables, that arise directly from its operations as well as shareholders' equity and deferred contingent consideration arising from acquisitions. The main purpose of these financial instruments is to provide finance for the Group's operations. It is the Group's policy that no speculative trading in financial instruments is undertaken. The main risks arising are liquidity risk and credit risk and the secondary risks are interest rate risk and currency risk. The policies for managing these risks, which have remained unchanged since the beginning of 2025, are set out in note 14 to the financial statements.

Pension schemes

The Group's pension scheme surplus at 31 December 2025 was £6.0m (2024: £9.6m). The Group is positioning the pension scheme for a possible buy-in to reduce future risk and minimise any further requirement for cash contributions. As part of this process a non-recurring charge of £1.9m was accrued in 2025 to recognise an increase in the expected cost of historic equalisation of pensions.

The scheme is sensitive to movements in bond yields, inflation and longevity assumptions. The impact of these sensitivities is set out in note 23 to the financial statements. This, combined with careful stewardship of the investment portfolio by the Trustees, in conjunction with the Group, has helped match the investments with the scheme's liability profile. Following conclusion of the triennial actuarial valuation effective at 1 May 2023 it was agreed with the trustees that the Group's contributions until the next triennial valuation will be £nil.

After taking external advice on the impact of the Virgin Media case (see note 23) no adjustment has been made to the defined benefit obligation and no further action is required at this stage.

The next triennial actuarial valuation will be carried out at 1 May 2026.

The Group operates a number of defined contribution arrangements for the majority of the employee base. Over 750 of our employees are members of one of our pension scheme arrangements.

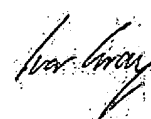
International Financial Reporting Standards and accounting policies

The Group continues to comply with all International Financial Reporting Standards adopted by the United Kingdom.

Going concern

The Directors, in their consideration of going concern, have reviewed the Group's cash flow forecasts and profit projections, which are based on the Directors' past experience and their assessment of the current market outlook for the business. The Group's business activities together with the factors likely to affect its future development, performance and financial position are set out in the Chair's Statement and the Strategic Report on pages 1 to 60. The Directors have carried out a detailed scenario analysis over three years to 31 December 2028 as set out in the Viability Statement on page 19.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next twelve months. For this reason they continue to adopt the going concern basis in preparing the financial statements.



Ivor Gray, Finance Director
26 February 2026

Viability statement

The Board is required to formally assess that the Group has adequate resources to continue in operational existence for the foreseeable future and as such can continue to adopt the going concern basis of accounting. The Board is also required to state that it has a reasonable expectation that the Group will continue in operation and meet its longer-term liabilities as they fall due.

To support this statement, the Board is required to consider the Group's current financial position, its strategy, the market outlook and its principal risks. The Board's assessment of the principal risks facing the Group and how these risks affect the Group's prospects are set out on pages 26 to 32. The review also includes consideration of how these risks could prevent the Group from achieving its strategic plan and the potential impact these risks could have on the Group's business model, future performance, solvency, and liquidity over the next three years (starting from 1 January 2026).

The Board considers the Group's viability as part of its ongoing programme to manage risk. Each year the Board reviews the Group's strategic plan for the forthcoming three-year period and challenges the Executive team on the plan's risks. The plan reflects the Group's businesses, which have a broad spread of customers across a range of different sectors. The assessment period of three years is consistent with the Board's review of the Group strategy, including assumptions around future growth rates for our business and acceptable levels of performance.

Financial modelling and scenarios

The Group's existing bank facilities comprise a £40m committed facility with Bank of Scotland PLC and HSBC UK Bank plc, which is available until November 2028 with an option to extend to November 2029. The Group has experienced challenging market conditions and been impacted by the Pitreavie incident, resulting in a marked reduction in profit during 2025, notably in the Distribution and Pitreavie businesses. The profit expectations for 2026 to 2028 have been reset, based on the lower 2025 profit and reflecting gradual improvement in the

Distribution business, a return to profitability in the Pitreavie business and stability in the balance of Manufacturing Operations. The Directors have also considered the longer-term economic outlook for the UK. Given the current uncertainty of the economic outlook we have modelled a 'severe but plausible downside' scenario as described below. In forming conclusions, the Directors have also considered potential mitigating actions that the Group could take to preserve liquidity and ensure compliance with its financial covenants.

A detailed financial model covering a three-year period is maintained and regularly updated. This model enables sensitivity analysis, which includes flexing the main assumptions, including future revenue growth, gross margins, operating costs, finance costs, working capital management and relevant contingent liabilities. The results of flexing these assumptions, both individually and in aggregate, are used to determine whether additional bank facilities will be required during the three-year period and whether the Group will remain in compliance with the covenants relating to the current facility. Whilst the current facilities are committed until November 2028 we have assumed the Group will take up the option to extend the existing facility for a further year which will be on the same terms currently in place.

We have modelled a range of scenarios, including a base case, a downside scenario, a severe but plausible downside and a reverse stress test, over the three-year horizon. The 'severe but plausible downside' scenario is conservative in assuming, compared to the base case, revenue reductions of 5% and gross margin reductions at the rate of 2% in each of the three years, with no reduction in operating expenses. In this scenario, the Group's management would take reasonable mitigating actions to reduce operating expenses in isolation by c 2.2% or c 1.5% in combination with a 25% curtailment of capital allocated to capital expenditure and dividends to remain in compliance with all financial covenants throughout the three-year period and not require any additional sources of financing.

The Group has also modelled a reverse stress test scenario. This models the decline in revenue that the Group would be able to absorb before breaching any financial covenants. Such a scenario, and the sequence of events that could lead to it, is considered to be unlikely, as it requires revenue reductions of c. 8% (a 60% additional decrease to the 'severe but plausible downside' scenario of a 5% reduction in revenue), compared to the base case, before there is a breach in financial covenants in the period under review and is calculated before reflecting any mitigating actions.

Even in the severe but plausible scenario, Macfarlane Group is forecast to have sufficient liquidity to continue trading, comfortably meeting its financial covenants and operating within the level of its facilities for the foreseeable future. However, in this scenario, management would also be able to take significant mitigating actions to reduce its costs and conserve cash.

Conclusions

For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

The Board also has a reasonable expectation that the Group will continue in operation and meet its longer-term liabilities as they fall due.

Stakeholder engagement s172 statement

Section 172

**The Board of Macfarlane Group PLC,
in good faith, promotes the success of
the Group for the benefit of its members
as a whole, having regard to:**

The likely consequences of any decision in the long term

- Our business model: pages 4 and 5
- Our strategy: pages 4 and 5
- Task Force on Climate Related Disclosures ('TCFD') report: pages 51 to 59

The interests of the Group's employees

- Stakeholder engagement: page 22
- Diversity, equity and inclusion: page 46
- Sustainability report: pages 45 to 46

The need to foster the Group's business relationships with suppliers, customers and others

- Stakeholder engagement: pages 21 to 24
- Sustainability report: pages 33 to 50
- Supplier Code of Conduct available at www.macfarlanegroup.com
- Modern Slavery Statement available at www.macfarlanegroup.com

The impact of the Group's operations on the community and the environment

- Stakeholder engagement: page 24
- Sustainability report: pages 33 to 50
- TCFD report: pages 51 to 59

The desire of the Group to maintain a reputation for high standards of business conduct

- Governance report: pages 64 to 70
- Independent auditor's report: pages 81 to 87
- Whistleblowing: page 50
- Non-financial and sustainability information statement: page 60

The need to act fairly as between members of the Company

- Stakeholder engagement: page 21

There is a recognition by the Directors that they are not expected to balance the interests of the members of Macfarlane Group against those of other stakeholders but rather, after considering all relevant factors, to decide on the actions which will best lead to success for the Group having regard to the long term. Decisions may not affect all stakeholders equally. Depending on the particular matter requiring a Board decision, this can mean that certain stakeholder groups may be inadvertently adversely affected, but this will not of itself call into question the decisions made.

The Board views the key stakeholder groups as our Shareholders, our Customers, our Employees, our Pension Members, our Suppliers, and our Community and the Environment. Engagement with stakeholders is primarily carried out at an operational level and reported to the Board.

We set out on the pages 20 to 24 why we engage with each stakeholder, how we engage, the issues our stakeholders are experiencing and the outcomes of engagement.

In all cases, these engagement actions help to keep the Board informed throughout the year in relation to stakeholder concerns and priorities such that, where appropriate, they can be taken into account within the Board's decision-making.

We set out the key board decisions taken in 2025 and the Stakeholder Groups impacted by those decisions on page 25.

Shareholders

The Group has a wide range of prospective and existing shareholders, from large institutions and private wealth funds to smaller retail investors.

Why we engage

Understanding the needs of shareholders ensures we can access funding, when required, to support the organic and acquisitive development of the Group and helps the Board decide on the best way to allocate capital.

How we engage

- Annual General Meeting.
- Investor roadshows following Interim and Full Year results announcements.
- Investor meetings post Trading Updates.
- Investor days at our Innovation Labs in Heywood and Milton Keynes.
- 'Investor Meet Company' presentation of Interim and Full Year results to provide access to retail investors.
- Ad hoc meetings with existing and prospective shareholders as requested.
- Attendance at investor events organised by brokers to link up companies with existing and prospective investors.
- Investor presentations and house broker reports accessible through the Group website www.macfarlanegroup.com.
- Annual presentation by Shore Capital to the Board to aid the understanding of how the Group is perceived by shareholders.

Stakeholder engagement issues

- Business performance, with particular focus on Distribution revenue growth and operating margins and the recovery of the Pitreavie business post the fatal incident on 7 October 2025
- Understanding the impact of the HSE investigation into the Pitreavie incident, locally and across the Group
- Progress on acquisitions
- Understanding the Group's strategy and resilience of the business model given the current economic environment
- Allocation of capital priorities
- Progress on the Group's Environment, Social and Governance ('ESG') agenda
- Impact of environmental regulation

Outcomes of engagement

Directors approved a £4m share buyback programme (see Key Board Decision on page 25).

Investment in new equipment at Pitreavie to support the recovery of the business (see Key Board Decision on page 25).

Feedback to the Board through minutes of meetings and independently from the shareholders allows the Board to identify areas where there needs to be greater clarity and focus. Some shareholders requested clarity on the Group's capital allocation policy priorities between dividends, share buybacks and acquisitions, reasons for the weakness in the 2025 Distribution performance and management actions to improve performance, and the legal, operational and financial impact of the incident on the Pitreavie business.

Customers

The Group supplies over 20,000 customers with bespoke and standard protective packaging solutions across a wide range of industry sectors.

Why we engage

Understanding the varying and changing needs of our customers is critical to ensuring the Group continues to grow through retention of existing and winning new customers. In addition, the Group needs to ensure its Significant Six proposition evolves to continue to add value and reduce the carbon footprint of its customers.

How we engage

- Annual customer satisfaction surveys.
- Regular Net Promoter Score ('NPS') surveys.
- Communication through our websites and social media platforms.
- Board visits to a sample of Distribution and Manufacturing sites to give an insight into how customers are being served.
- Presentations from senior management involved with customers at Board meetings covering key customer trends.
- An update provided to the Board by the Chief Executive on key customer issues and trends at every Board meeting.

Stakeholder engagement issues

- Reduce customers' total cost of packing operations
- Reduce customers' carbon footprint
- Respond to current and future regulatory changes
- Quality of product and service delivery

Outcomes of engagement

Engagement with our customers gives valuable feedback on where the Group needs to invest its resources, adjust its product portfolio or focus its proposition.

As a result of this feedback the Group has invested in additional market-specific and technical resources to enhance our proposition, expand on-site continuous improvement capabilities and provide advice/support/digital reporting on existing and pending regulation. The Group has also invested in a new website to bring a better online experience to our customers from 2025.

The Group continues to enhance its sustainable product portfolio with significant replacement and additional product lines introduced through 2025 to solve our customers' environmental challenges.

Stakeholder engagement s172 statement (cont)

Employees

The Group employs over 1,000 staff across the United Kingdom, Ireland, the Netherlands and Germany.

Why we engage

To deliver the Group's strategy it is essential that we attract, train, reward and retain the best talent. The Group is also fully committed to ensuring the health and safety and wellbeing of our employees.

How we engage

- Colleague Engagement Surveys.
- The Chair of Remuneration Committee provides input to the working committee meeting reviewing annual pay awards.
- The Board visits a sample of Distribution and Manufacturing sites each year to engage with the local teams and hear their views on working within the Group.
- Local managers and regional directors are invited to Board meetings to engage with the Board on issues affecting employees, including health and safety and wellbeing.
- Executive Directors hold regular communication meetings with teams across the Group to provide an update on key issues and discuss any concerns.
- The HR Director attends one Board meeting during the year to present the engagement strategy and any other pertinent challenges facing our employees.
- The Board holds a formal discussion on succession planning once a year which reviews all key management positions, assessing internal readiness or external recruitment requirements.
- Health and safety is discussed in detail at every Board meeting with a report being provided by the Group Head of Health and Safety.
- The Group Head of Health and Safety attends one Board meeting a year to discuss key issues that have arisen during the year, performance by operational site and progress of initiatives to continuously improve the health and safety culture.
- Regular briefings from Group Head of Health and Safety and HR Director on actions following the Pitreavie incident.

Outcomes of engagement

Professional counselling support was and continues to be provided to all those affected by the Pitreavie incident.

By continuing to engage closely with our employees, we sustained competitive pay and benefits during 2025. Our priority was to support lower paid colleagues, providing an increase during the year to help protect living standards. We maintained our benefits offering, the provision of pension arrangements via salary exchange, death in service cover, and flexible working practices where appropriate.

In 2025, our DEI (Diversity, Equity and Inclusion) training was transitioned to an online format, with learning modules made available across the business and refreshed policies introduced to reinforce awareness, engagement, and understanding. We also continued to provide wellbeing support for employees and their families through the Group's Employee Assist Programme, giving access to confidential counselling services and in-house qualified mental health first aiders, available 24/7.

Succession plans continue to be in place for all senior management positions within the Group.

Stakeholder engagement issues

- Health and safety
- Wellbeing
- Cost of living
- Flexible working
- Succession planning

Pension members

Over 500 former and current employees are members of the Macfarlane Group PLC Pension & Life Assurance Scheme (1974) ('the Scheme') which is a defined benefit scheme and

c. 750 members of the Macfarlane Group, Group Pension Plan which is a defined contribution scheme.

Why we engage

To provide support to the Scheme required by pension legislation and to ensure the pensions of our former and current employees, who are members of the Scheme, are fully funded.

How we engage

- The Finance Director attends four trustee meetings per annum, at which an update on the Group's financial performance and position is provided. Feedback from each of these meetings is provided to the Board for consideration of any actions required in the interests of pension scheme members.
- The Finance Director works with the trustees and their advisers to ensure the Scheme is funded in line with the requirements of triennial valuations, the latest of which was completed in February 2024.
- The Finance Director consults with the trustees on any matters that could be detrimental to the Scheme or to members' interests.
- The Chair and professional trustee of the Scheme, along with their advisers, presented to the Board the current status, justification and process to achieve a buy-in of the Scheme as a precursor to a buy-out.
- The Group is supporting the trustees on the actions required to prepare the Scheme for a possible buy-out should that option be available at an acceptable price.
- Following meetings with the Trustees and their advisers and taking advice from the Group's advisers, the Finance Director briefed the Board on the change in estimation of Scheme obligations for historic equalisation.

Stakeholder engagement issues

- Ensuring the Scheme is adequately funded to meet all members' pensions as they fall due
- Updates on the Group's financial performance and position
- Preparing the Scheme for buy-out, preceded by a buy-in
- Assessing the implications of the Virgin Media case on the defined benefit obligations of the Scheme
- Assessing revisions to the basis of estimation of Scheme obligations for historic equalisation requirements

Outcomes of engagement

The trustees are fully briefed regarding the financial position of the Group and the weaker trading performance in 2025, while noting the scheme is currently well-funded.

The trustees and their advisers were informed of the Group's extension of its banking facility during 2025 (see Key Board Decision on page 25). This gives the trustees comfort that the Group has adequate funding in place to continue to develop the business while continuing to support the Scheme.

The Board approved proceeding with preparations for a possible buy-in, subject to final approval which will be dependent on the quantum of further cash contributions, if any, are required from the Group and the extent of indemnities needed to be given over any latent uncertainties. (see Key Board Decision on page 25).

The Board also approved revisions to the basis of estimation of Scheme obligations for historic equalisation, the effects of which are set out in note 23.

Suppliers

The Group partners with over 1,000 suppliers to ensure we can provide a full range of over 20,000 bespoke and standard protective packaging solutions to our customers.

Why we engage

Suppliers are critical to the products and service we provide our customers, including the design and development of new products, competitive pricing, service delivery and on-site support.

How we engage

- The Chief Executive has regular dialogue during the year with senior executives from all the Group's strategic suppliers.
- An update is provided to the Board by the Chief Executive on key supplier issues and trends at every Board meeting.
- Presentations from senior management responsible for procurement in the Group at Board meetings covering key supplier trends and market dynamics.
- Where available senior executives from strategic suppliers are invited to Board meetings to discuss future developments in the packaging industry.
- Regular updates from the Head of Sustainability on how we are managing key legislative changes with our suppliers.

Stakeholder engagement issues

- Reliability of supply
- Management of volatility on pricing
- Environment and social impact of the supply chain
- Market consolidation
- Impact of new regulation

Outcomes of engagement

The Group continues to roll out its Code of Conduct (available at www.macfarlanegroup.com) to suppliers during 2025.

The Group continued to improve its supplier governance during the year to enhance the quality and consistency of assurance received on suppliers' operations.

Through good engagement and communications with our suppliers the Group has been able to effectively manage the ongoing impact of volatility in pricing.

The Group has implemented a strategy to manage the introduction of Extended Producer Responsibility ('EPR') across our key suppliers, as well as engaging on carbon reduction initiatives.

The Group has completed a risk assessment on the corrugated sector to ensure continuity of supply in a consolidating market.

Stakeholder engagement s172 statement (cont)

Community and the environment

The Group operates businesses located throughout the United Kingdom and also in Ireland, the Netherlands and Germany, supporting local communities through employing local staff, buying

from local suppliers and selling to local customers. The Group has an environmental impact from its internal operations, but also recognises the impact across its value chain, from

the products it sources and supplies through to what happens to these products at the end of their life.

Why we engage

We are committed to minimising the impact we have on the environment to secure the long-term future of the Group and we recognise that we have a social responsibility to engage and support the communities we operate in.

How we engage

- Sustainability strategy in place with regular updates on progress received by the Board.
- The Board approves significant investments that support this agenda, e.g. solar panels and electric commercial vehicles.
- Ongoing programme of environmental training with customers.
- Commitment to leading external initiatives including Ecovadis, Carbon Disclosure Project and UN Global Compact.
- The HR Director provides the Board updates on social initiatives being undertaken across the Group, including:
 - Partnerships with national charities
 - Local volunteering initiatives
 - Apprenticeship programmes

Outcomes of engagement

The Group has a well-established sustainability strategy and has continued to make progress both reducing its environmental impact and scaling up the social initiatives that it supports. A full progress update is provided within the Sustainability Report on pages 33 to 50.

Led by the Head of Sustainability and HR Director, the Group has a rolling programme of engagement on these issues with a range of external stakeholders to ensure that they remain up to date with emerging issues and corporate best practice.

The Board undertook a detailed review of progress against the strategy during the year and agreed the latest sustainability priorities.

The Board approved the investment in solar panels at Polyformes manufacturing site in Leighton Buzzard (see Key Board Decision on page 25).

Stakeholder engagement issues

- Carbon footprint reduction, including Scope 3 emissions
- Packaging improvement initiatives with customers
- Environmental regulation
- Operational resource and waste reduction
- Responsible sourcing
- Supporting local community programmes
- Employing and developing local talent

Key Board decisions in 2025

New share buyback programme

After extensive dialogue with shareholders the Board approved the commencement of a £4m share buyback programme effective from 2 June 2025 to be executed in quarterly tranches of £1m over a 12-month period. The decision reflects the Group's capital allocation policy of investing in the business, making acquisitions, and returning capital to shareholders through dividends and, when appropriate, share buybacks. Considering the Group's capital allocation policy, the Board is entitled for the duration of the programme, within five business days of the end of any quarterly tranche, to instruct the suspension or termination of purchases of ordinary shares pursuant. Furthermore, should the share price reach or exceed 130 pence per Share, the programme will be suspended.

Stakeholder impacted

Shareholders

Bank facility extension

During 2025, the Board approved a year's extension to its £40m revolving credit facility and £20m accordion with Bank of Scotland PLC and HSBC UK Bank plc. The facility is now committed until November 2028, with a further option to extend another year to November 2029.

Stakeholders impacted

Shareholders, Pension members

Acquisition

In 2025, the Board approved the acquisition of Pitreavie as part of the Group's growth strategy. The Board concluded that Pitreavie offered significant opportunities for growth working with Macfarlane through their respective industry expertise, ranges of bespoke protective packaging products and common supplier base. Pitreavie offers corrugate manufacturing expertise and capacity to support the Group's Distribution business in Scotland and the North of England, in addition to a specialist protective packaging manufacturing and assembly facility, a protective packaging distribution business; and a temperature-controlled packaging operation, all supported by in-house design capability. As such, the Board concluded that the acquisition was in the interests of shareholders, suppliers, customers and employees of both the Group and Pitreavie.

Stakeholders impacted

Shareholders, Employees, Customers, Suppliers

Health and safety incident

Following the tragic fatal incident at Pitreavie on 7 October 2025, which has had a significant impact on the operational and financial performance of the business due to the effect on staff, one-off costs and the temporary outsourcing of manufacturing to external supply partners, the Board approved £1.2m of investment in a new printing, die-cutting machine to restore the business to full operational capability during Q2 2026, helping to accelerate the process of recovery and creating capacity for growth. This decision is in the best interests of Pitreavie's employees, suppliers and customers and the Group's shareholders.

Stakeholders impacted

Shareholders, Employees, Customers, Suppliers, Community and the environment

Capital expenditure

In 2025, the Board approved a number of capital expenditure investments in addition to the Pitreavie machine investment noted above. The main items were solar panels at the Polyformes operation in Leighton Buzzard to reduce utility costs, infrastructure improvement at the manufacturing operation in Westbury to improve the working environment and a new gluer and robotic equipment at Pitreavie's Cumbernauld facility to support growth and improve operational efficiency.

Stakeholders impacted

Shareholders, Employees, Community and the environment

Pension scheme buy-in

In consultation with the pension trustees and their advisers, the Board approved proceeding to prepare the pension scheme for a possible buy-in. The final decision on proceeding with a possible buy-in will be subject to Board approval at the time and will follow a process of assessing the pension scheme's readiness and, when ready, undertaking a competitive tender process with potential insurance companies. This decision to proceed with a buy-in will depend on market pricing, the extent the Group requires to provide additional cash funding and the level of indemnities required for areas of uncertainty.

Stakeholders impacted

Shareholders, Pension members

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group and the factors mitigating these risks are detailed on pages 26 to 32. These risks are addressed within an overall governance framework including clear and delegated authorities, business performance monitoring and appropriate insurance cover for a wide range of potential risks. There is a dependence on good quality local management, which is supported by an investment in training and development and ongoing performance evaluation.

Risks are identified and assessed through a range of 'top down' and 'bottom up' analyses that are updated on a regular basis. This in turn provides the basis for making informed risk-based decisions regarding the scope and focus of assurance work, as described in the report of the Audit Committee on page 70.

Details on how the Group is managing the Provision 29 requirements of the Corporate Governance Code 2024 and the associated Directors' declaration on risk management and internal control, which come into effect from 1 January 2026, and how they relate to the Principal Risks and Uncertainties are set out in the report of the Audit Committee on page 70. In addition to scheduled updates from Finance, Health and Safety, IT, Sales, Procurement, Sustainability and other business functions, the Board and Audit Committee may seek assurance work in other areas relevant to the Principal Risks and Uncertainties from time to time, either from internal sources or through externally commissioned work.

We continue to evolve our risk management processes to ensure they are robust, effective, and integrated within our decision-making and governance and

internal control processes. We have included a brief description of how we assess that each risk level has changed in the last year. For risks shown as  the risk level is broadly similar between 2024 and 2025. If the risk is shown as  the risk level has increased or decreased respectively during 2025 and is being addressed accordingly through mitigating actions by management.

We recognise the need to constantly review the risks and uncertainties faced by the Group and ensure that any emerging risks are being identified and actions being taken to mitigate them as appropriate. The Group's risk in relation to health and safety has been elevated from a key divisional risk to a key corporate risk following the fatal incident at Pitreavie during 2025.

Risk governance framework

Uncertain economic environment

Risk description	Mitigating factors	Change in risk level
Given the range of prolonged geopolitical and economic uncertainties within the UK and other markets, there is an ongoing risk this will adversely affect our ability to deliver upon agreed strategic initiatives. We may also need to adapt our business quickly to limit the impact upon the Group's results, prospects and reputation. This risk is monitored through regular review of trading forecasts and market conditions, considered at executive management and Board level.	• To mitigate this risk, executive management monitors monthly revenue and cost performance and market trends closely and has action plans to respond to any significant or prolonged trading pressures. • We have a strong customer proposition that enables us to provide them with more effective cost saving support during uncertain economic times. The benefit of our 'stock-and-serve' model is also important for customers as it aids their effective management of working capital. • In the event of a significant and sustained reduction in customer demand the Group would take rigorous actions to reduce operating costs and working capital investment. • The Group has scope to curtail capital expenditure and acquisition investment, reduce dividends and pause/suspend share buybacks to preserve cash, if required. • Mitigating factors set out in the financial liquidity, debt covenants and interest rates risk set out on page 31 also apply to the uncertain economic environment risk.	 • Although inflationary pressures are softening, the UK and EU economies have continued to experience challenging economic conditions during 2025, and the Group has experienced weakened demand for its products across many of the markets in which it operates. • The Group has experienced challenges in the Distribution business where management is responding through control of operating costs, effective management of input prices, investment in quality sales resource to accelerate new business performance and a focus on stable and growing industrial markets. • Our cost base can be flexed subject to demand however we will continue to target reductions in fixed costs during 2026 to improve this flexibility. • The Group has secured an extension to its £40m banking facility for one year to November 2028.

Impact of environmental changes

Risk description	Mitigating factors	Change in risk level
The markets we operate in are changing, with: - customers increasingly aware of the environmental impact of their packaging; - environmental regulatory requirements for packaging suppliers, such as the Plastic Tax introduced in 2022 and the introduction of the Extended Producer Responsibility ('EPR') levy during 2025; - possibility of disruption to the operations of the Group through extreme weather events such as flooding, storm damage and water stress, impacting the business directly and disrupting supply chains; - investors looking to invest in companies that demonstrate strong environmental credentials; and - UK Government's commitment to net zero carbon emissions by 2050 and the profound changes that are likely to drive across the economy. If the Group is not proactive and transparent in how it is responding to this agenda, this could lead to a loss of employees, customers and investors. Additionally, there is a transition risk, i.e. that we do not progress our strategy at the right pace, or we take actions that prove to be incorrect as technology advances and markets transition. The Executive interact with investors twice per annum giving them the opportunity to assess the Group's progress against their expectations. The key measure the Group monitors is Scope 1, Scope 2 and Scope 3 CO₂ emissions.	- Sustainability is central to our value proposition, utilising our resource, expertise and business assets to support customers to use less and better-performing packaging and provide more sustainable alternatives through our Significant Six selling proposition and customer engagement through our Innovation Labs. - The Group has a sustainability strategy setting out the key priorities that are most relevant to the business and which will be key to mitigating both the transition and physical risks in this area, as set out in the Sustainability Report on pages 36 to 44. - The Group has a Head of Sustainability who chairs the Environment, Social and Governance ('ESG') committee consisting of senior leaders from across the Group. - Regular reviews of our sustainability strategy are carried out at Board level to challenge performance against key milestones, as well as to ensure that priorities are aligned with stakeholder objectives. This is overseen via Key Performance Indicators and regular reporting from the Head of Sustainability to the Executive on progress against our priorities. - The ESG committee oversees progress against the strategy and the associated targets, addressing challenges proactively. The committee reports directly to the Board. - Compliance readiness for EPR and other regulations is supported by a dedicated working group. - Progress is monitored through Scope 1, 2 and 3 emissions reporting and TCFD-aligned disclosures.	 - The Group recognises the significance of our environmental obligations and has continued to make progress, including: - extending the introduction of fully electric trucks to our fleet to 10 in 2025 (2024: 9); - appointing a Supply Chain Compliance Manager to support growing compliance demands and to support data quality improvement across the Group; - utilising the Innovation Labs to support customers in meeting their specific sustainability requirements and providing educational seminars focused on key environmental issues, including new regulations such as EPR; - ongoing actions to support our customers to reduce their CO₂ emissions, including using our 'Packaging Optimiser' tool; - the Group's Head of Sustainability leading on the impact of environmental regulatory change, focusing on preparing the business for compliance with the UK's EPR regulations and building the Group's capability to support customers. - See the detailed Sustainability Report on pages 33 to 50.

Principal risks and uncertainties (cont)

Strategic changes in the market

Risk description	Mitigating factors	Change in risk level
Failure to respond to strategic shifts in the market, including the impact of weaknesses in the economy as well as disruptive behaviour from competitors, changing customer needs (e.g. changing customer priorities between online and physical buying) and the increasing regulatory interventions targeted at improving sustainability could limit the Group's ability to continue to grow revenues or potentially contribute to a failure to meet market expectations. Emerging trends such as automation, AI-driven solutions and returnable packaging also present challenges and opportunities that require timely adaption. We monitor this through Net Promoter Score (see Sustainability Report page 41), an annual customer satisfaction survey (see Sustainability Report page 41) and regular interaction with customers including at our Innovation Labs. In addition, the Board monitors strategic market developments including significant regulatory changes. Strategic changes in the market related to sustainability are covered on page 27.	- The Group maintains a well-diversified customer base, providing resilience against changes in specific industry sectors, as well as a flexible business model with a strong value proposition to meet the changing needs of customers. - The Group strives to maintain high service levels for customers ensuring that customer needs are met. While enhancing its service offering and range of products, the Group continues to invest in design, testing and information technology. These tools are intended to strengthen our business model by supporting customer service teams in managing the complex and changing needs of customers and to respond to the increasingly competitive and dynamic operating environment. - The Group maintains strong partnerships with key suppliers to ensure that a broad range of products is available to respond to customers' requirements, including any changes in their environmental and sustainability priorities. Maintaining close relationships with key suppliers in the protective packaging market enables us to understand and evaluate key trends and adapt our business model accordingly.	 - Group businesses, particularly Distribution, have continued to be impacted by weak demand for packaging in a number of key markets. Competitive pressures have intensified during 2025, including from corrugate manufacturers entering the distribution space as well as increasing benchmarking activity from major customers. - Regulatory interventions such as the Plastic Tax and Extended Producer Responsibility (EPR) have added complexity to the trading environment. - During 2026, the Group expects to grow revenues with a strong new business pipeline supported by investment in new UK National and European sales resource, World Class Sales training and continued development of our sales tools which demonstrate our value proposition. - The Group will also focus on strong cost control and continue the effective management of changes in input prices. - The Group is responding to strategic changes in the market through: - developing supply chain security as we continue to see consolidation in our supply base. This includes identifying new suppliers, strategic partnerships and increasing the level of in-house sourcing. - refining our acquisition pipeline to support future growth opportunities; - continued focus on our 'Follow the Customer' programme in Europe; and - the continued development of our website to drive growth in our online offering.

Supply chain

Risk description	Mitigating factors	Change in risk level
The Group's businesses are impacted by disruption to our supply chains as well as inflationary pressures. In particular, changes to commodity-based raw material prices, manufacturer energy costs, foreign exchange movements as well as increased bureaucracy, freight and tariff costs related to imports lead to increases to supplier input pricing and the potential for erosion of profitability within the Group's businesses, if we are unable to pass these onto customers. This risk is monitored through our procurement teams interacting with key suppliers and management regularly reviewing the effectiveness of our price change programmes by monitoring gross margins by customer.	- The Group works closely with its supplier and customer base to effectively manage the scale and timing of price changes and any resultant impact on profit. Our IT systems monitor and measure effectiveness in these changes. - Where possible, alternative supplier relationships are maintained to minimise supplier dependency. - We continue to benchmark our supplier base to ensure we have a broad view across the packaging sector. - We work with customers to redesign packs and reduce packing cost to mitigate the impact of cost increases, including switching to alternative products to minimise the impact of packaging regulation including the Plastics Tax and EPR legislation. - The Group has a well-established supplier relationship management process which is subject to periodic management review and internal audit.	 - Group businesses have been impacted by a sustained period of inflation. This has led to numerous commodity-based raw material price increases and additional manufacturer uplifts related to fuel/energy and other inflationary pressures. - However, the strength of our gross margin performance demonstrates the effectiveness of our price management disciplines. - Future pricing trends remain uncertain due to the general weak market demand. - There has been significant consolidation and change in ownership/leadership within the supply chain in 2025. We expect the effects of this to continue to be felt in 2026. To address this we are prioritising the identification of new suppliers, strengthen relationships with our key strategic suppliers as well as developing our in-house capabilities. - We continue to support our customers on Total Cost Management as the method to add value/reduce costs.

Health and safety

Risk description	Mitigating factors	Change in risk level
The business is exposed to significant health and safety risks across its manufacturing and distribution operations. A recent fatality at Pitreavie's corrugate manufacturing site has highlighted the critical importance of reinforcing safety culture and operational controls. As people are our most valuable resource, failure to protect their health, safety, and wellbeing could lead to severe human, legal, financial, and reputational consequences. The Group has zero tolerance for health and safety breaches and is committed to achieving industry-leading standards to protect its people.	- Health and safety induction undertaken for all new employees, agency workers and contractors. - Health and safety audit plan ensures all sites are assessed cyclically, or in the event of a specific risk arising. - Health and safety risk reporting system in place – which includes the reporting and review requirements for incidents, near misses and other safety related observations. - Investigation and review procedures are in place. - Onsite reviews conducted regularly by senior managers with monthly inspections that are documented. - During 2026, two key initiatives are planned to add to our existing mitigations. Firstly, we plan to replace our health and safety reporting system to improve the visibility of hazards and to strengthen the proactive identification of risk. Secondly, we plan to embed a new Maintenance Management system to track all statutory and planned preventative maintenance across our machinery and equipment.	 - The fatal incident at our Pitreavie site has underlined that the risk to the business from health and safety remains significant. - The Group has established mitigating factors – including comprehensive training, structured inductions, machinery guarding, risk assessments and safe operating procedures. In addition, our operations are primarily people-led, making behavioural safety and cultural engagement essential to risk reduction. - We continue to cooperate fully in relation to the ongoing investigation into the fatality at Pitreavie. We continue to integrate human factors into all aspects of our processes, while continuing to engineer out hazards wherever possible to reduce risk. A full post incident review of all manufacturing machinery operating across the Group was undertaken and action taken to reduce potential risks identified.

Cyber security

Risk description	Mitigating factors	Change in risk level
The increasing frequency and sophistication of cyber attacks is a risk which potentially threatens the confidentiality, integrity and availability of the Group's data and IT systems. These attacks could also cause reputational damage and fines in the event of personal data being compromised. This risk is monitored through an ongoing programme of compliance and controls auditing with input from external advisors.	- The Group continually invests in its IT infrastructure to protect against cyber security threats. This includes regular testing of IT Disaster Recovery Plans. - We engage the services of a cyber security partner to perform penetration tests to assess potential vulnerabilities within our security arrangements. - This is complemented by a programme of cyber security awareness training to ensure that all staff are aware of the potential threats caused by deliberate and unauthorised attempts to gain access to our systems and data.	 - With increasing geo-political uncertainties, the frequency and sophistication of cyber attacks is anticipated to continue to evolve, and the Group is committed to continually investing in upgrading its infrastructure to respond to the changing threats. - The Group continues to invest in prevention/detection software and education programmes to mitigate the risks of cyber security attacks. - The Group was awarded Cyber Essentials Plus by the National Security Centre during 2025, which builds on our Cyber Essentials award during 2024. This demonstrates the Group's commitment to continuous improvement. - The Group continues to perform regular assessments of its cyber security resilience and make changes to our defences.

Principal risks and uncertainties (cont)

Acquisitions

Risk description	Mitigating factors	Change in risk level
The Group's growth strategy has included a number of acquisitions in recent years. There is a risk that such acquisitions may not be available on acceptable terms in the future. It is possible that acquisitions will not be successful due to the loss of key people or customers following acquisition or acquired businesses not performing at the level expected. This could potentially lead to impairment of the carrying value of the related goodwill and other intangible assets. Execution risks around the failure to successfully integrate acquisitions following conclusion of the earn-out period also exist. This is monitored through regular reporting of acquisition prospects and post-acquisition performance by executive management, with reporting to the Board.	- The Group carefully reviews potential acquisition targets, ensuring that the focus is on high-quality businesses which complement the Group's existing profile and provide good opportunities for growth. - Having completed a number of acquisitions in recent years, the Group has well-established due diligence and integration processes and procedures. - The Group strengthened its European management team with the appointment of a Managing Director in January 2025, with significant experience running European operations and successfully executing acquisitions. - The Group's management information system enables effective monitoring of post-acquisition performance, with earn-out mechanisms also mitigating risk in the post-acquisition period. - Goodwill and other intangible assets are tested annually for impairment with the results set out in note 9.	 - The Group has made 21 acquisitions since 2014, including two in 2024 as well as concluding the Pitreavie acquisition in January 2025. - Pitreavie has performed well below expectations with strong actions in place to recover profits back to the levels expected when the business was acquired. - The Group will continue to develop strong pipeline of potential protective packaging acquisition opportunities in both the UK and Northern Europe. However, the focus in 2026 will be on the recovery of the Pitreavie business. - European acquisitions are inherently higher risk due to the potential effects of cultural differences, challenges in realising operational synergies and having less depth in local management and support compared to UK-based acquisitions. However, there are also important strategic opportunities for the Group in terms of extending service coverage with our organic 'Follow the Customer' programme as well as other integration synergies. - Our bank funding arrangements provide flexibility for the potential funding of future acquisitions alongside debt and shareholder funding options.

Property

Risk description	Mitigating factors	Change in risk level
The Group has a property portfolio comprising 1 owned site, 1 long leasehold and 55 short leasehold sites. This multi-site portfolio gives rise to risks in relation to ongoing lease costs, dilapidations, and fluctuations in value. There is a risk that properties aligned with the strategy and business needs of the Group may not be available both from a timing and commercial perspective. This risk is monitored on a regular basis and reported to the Board through internal reporting and input from external advisors.	- The Group adopts a proactive approach to managing property costs and exposures. - Where a site is non-operational the Group seeks to assign, sell or sub-lease the building to mitigate the financial impact. - If this is not possible, rental voids are provided on vacant properties taking into consideration the likely period of vacancy and incentives to re-let. - The Group engages with external property advisers to assess the level of provisioning required for dilapidations and negotiate to minimise the final costs.	 - Our property consolidation strategy has continued during 2025. There is no outstanding work on finalising exit costs following the expiry of leases. Provisions have been established to cover all known and anticipated exit costs. (note 21) - The Group currently has no vacant or sub-let properties. - The Group is managing its exposure to dilapidations and similar property costs. However, the risk to the Group's future strategy and performance in relation to property matters is increasing. The availability of suitable properties of the size and quality that the Group requires is becoming increasingly challenging. - In addition, rent reviews on existing properties have ranged from 8% to 61% during 2025, resulting in increases to operating costs. Additionally, local authorities are continuing to recover funds through substantial rates increases. These are particularly difficult to forecast and quoted increases are approximately 20%.

Financial liquidity, debt covenants and interest rates

Risk description	Mitigating factors	Change in risk level
The Group needs access to funding to meet its trading obligations, to support organic growth and execute acquisitions. There is a risk that the Group may be unable to obtain funds and that such funds will only be available on unfavourable terms. The Group's borrowing facility comprises a committed facility of £40m. This includes requirements to comply with specified covenants, with a breach potentially resulting in Group borrowings being subject to more onerous conditions and the potential for immediate repayment of outstanding loans. The Group regularly monitors net bank debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due.	- The Group's borrowing facility comprises a committed facility of £40m plus an additional 'accordion' facility of £20m if required, available until November 2028 with an option to extend a further year, which finances our trading requirements and supports controlled expansion, providing a medium-term funding platform for growth. The Pitreavie business also has a £3.25m invoice discounting facility renewed annually. - A twice yearly viability assessment and sensitivity analyses is performed by management. - Compliance with covenants is monitored on a monthly basis and sensitivity analysis is applied to forecasts to assess the impact on covenant compliance. - The Board reviews the Group's capital allocation strategy and policy on a regular basis.	 - The Group continued to generate strong operating cash flows in 2025, which were invested in replacement and value-adding capital expenditure, earnings accretive acquisitions, dividends to shareholders and a share buyback programme with the Group operating well within its bank facilities throughout the year. - The £40m banking facility plus additional £20m if required, was extended one year during 2025 to November 2028. This facility combined with the conservative management of cash means the risk of not having available funds or breaching covenants is relatively low. - The main risk to the availability and cost of funding is maintaining a strong and consistent rolling 12-month EBITDA and continuing to effectively manage working capital. - As at 31 December 2025 the rolling 12-month EBITDA was £19.9m, with net borrowings of £16.2m (gross borrowing £30.5m being £28.0m drawn down on the £40m Group facility and £2.5m on the £3.25m Pitreavie facility) and therefore operating well within the available facilities and covenant requirements. - Interest rates payable by the Group have reduced in 2025 but are expected to remain high for some time.

Working capital

Risk description	Mitigating factors	Change in risk level
The Group has a significant investment in working capital in the form of trade receivables and inventories. There is a risk that this investment is not fully recovered. This risk is monitored through detailed reporting to local and executive management, which is reviewed in summary form by the Board.	- Inventory levels and order patterns are regularly reviewed and risks arising from holding bespoke stocks are managed by obtaining contract or order cover from customers. - Customers who operate in sectors that are likely to be significantly impacted by the current economic challenges, particularly those exposed to reduced consumer demand and increases in operating costs, are closely monitored. Where necessary, actions are taken to reduce our exposure to potential bad debts or stock write-offs. - Credit risk is controlled by applying rigour to the management of trade receivables by the Head of Credit Control and the credit control team and is subject to additional scrutiny from the Group Finance Director and Group Financial Controller in line with the Group's credit risk process. - All aged debts are assessed using the Expected Credit Loss model, and appropriate provisions are made.	 - Although the risk level is broadly similar to 2024, this remains a high risk given the high level of bespoke customer solutions we provide as well as the varied customers and industries we service, given the ongoing challenging UK economic trading environment. - Excluding the impact of the Pitreavie acquisition, aged stock over 6 months old has decreased in 2025 (note 12). The Group is continually working to reduce stock over 6 months and has adequate provisioning to cover any potential stock obsolescence. - Bad debt write-offs in 2025 were below 2024 and remain at a relatively low level. The Expected Credit Loss allowance reflects the low level of historic bad debts in the Group (note 13). - The economic environment is expected to remain challenging in 2026. Management will continue to take all appropriate steps to mitigate this risk and limit the need for additional provisions or write-offs.

Principal risks and uncertainties (cont)

Defined benefit pension scheme

Risk description	Mitigating factors	Change in risk level
The Group's defined benefit pension scheme is sensitive to a number of key factors including volatility in bond/gilt markets, the discount rates and inflation assumptions used to calculate the scheme's liabilities. Small changes in these assumptions could cause significant movements in the pension surplus. This risk is monitored through regular input from external pension advisors, including six monthly IAS 19 reviews and triennial actuarial valuations. There is potential for increased defined benefit obligations as a result of the Virgin Media case although this is now expected to be mitigated by pending legislation (see note 23). This is monitored through specific interaction with external advisors. Given the well-funded position of the Scheme the associated risks have reduced significantly. However, given the complexity and age of the Scheme there remains some likelihood of unknown events that could result in a reassessment of the Scheme's defined benefit obligations (particularly as the Scheme is being prepared for a possible buy-in as a precursor to buy-out) when the Scheme's liabilities are audited and adjusted, if the basis of any previous estimations are reassessed. The revision of estimated obligations due to historic equalisation is an example of such reassessment (see note 23).	- The scheme was closed to new members in 2002. Benefits for active members were amended by freezing pensionable salaries at April 2009 levels. The scheme was closed to future accrual during 2022. - A Pension Increase Exchange option is available to offer flexibility to new pensioners in both the level of pension at retirement and the rate of future increases. - The investment profile is regularly reviewed to ensure continued matching of investments with the scheme's liability profile. - The scheme invests in Liability Driven Investments ('LDI') which hedge the scheme against movements in the discount rate and inflation. These are leveraged instruments which require active investments and divestments to maintain the level of leverage. - The Group uses external advisers to provide guidance and support, where required. - Based on legal opinion provided, the Group has an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a wind up of the Scheme. Furthermore, in the ordinary course of business the trustees have no rights to unilaterally wind up the Scheme, or otherwise augment the benefits due to members of the Scheme. Based on these rights, any net surplus in the Scheme is recognised in full.	 - The IAS 19 valuation of the Group's defined benefit pension scheme as at 31 December 2025 estimated the scheme surplus to be £6.0m, compared to a surplus of £9.6m at 31 December 2024 (note 23) due primarily to a non-recurring cost for historic equalisation in 2025. - The triennial actuarial valuation at 1 May 2023 was completed in February 2024. Due to the positive funding position of the scheme, there is no requirement for the Group to make further deficit repair contributions. - The Group is working with trustees to prepare the scheme for a possible buy-in. As part of this process, a revision of estimated obligations due to historic equalisation has been charged as a non-recurring cost in 2025. - Approval will be required from the Group's Board before a decision to proceed with a possible buy-in. The decision at that time will be based on any requirement for: - Additional cash contributions which will be dependent largely on market pricing. - Indemnities required to cover any uncertainties.

There are a number of other risks that we manage which are not considered key risks. These are mitigated in ways common to all businesses and not specific to Macfarlane Group.

Sustainability report

Overview

Our performance at a glance

Environment

36%

reduction in carbon emissions since 2019 baseline¹

Social

0.33

Accident Frequency Rate³

Environment

17

carbon tonnes per £m revenue

2024: 0.27

2019 baseline¹: 31

Environment

10

fully electric commercial trucks

Environment

97%

of electricity sourced from renewables during 2025

Social

60

Net Customer Promoter Score

2024: 9

2019 baseline: 63%

2024: 62

Business to Business ('B2B') benchmark: 34

Environment

220

hours of Sustainability training, including EPR legislation, to customers

Social

1%

positive gender pay gap

Environment

430

customer engagements through our Innovation Labs²

2024: 350

2024: 250

¹ Carbon emissions data has been adjusted for the impact of structural changes within the Group, in line with the Greenhouse Gas Protocol best practice framework.

² Innovation Lab engagement focuses on the Significant Six proposition which specifically addresses packaging efficiency, removal of surplus packaging, enhancing circularity and reduction of carbon emissions.

³ Reportable incidents per 100,000 staff hours worked.

Our commitment to sustainability

2025 marked a challenging year for the Group, with difficult trading conditions persisting across the UK market as many businesses grapple with the impact of rising costs. Despite these challenges the Group has not lost sight of its broader direction on sustainability and has managed to make important progress in several key areas, including transitioning away from fossil fuels, making our operations more efficient and using our resources and tools to offer industry-leading solutions to our customers.

In 2025 we became one of the first businesses in the UK to trial a fully electric arctic tractor unit, another milestone on our electrification journey and further evidence of technology advancement over recent years. Challenges remain given cost implications and the current UK charging infrastructure, but the rate of progress is encouraging to see, and we believe we can continue to build further on the 10 fully electric commercial vehicles that we now have.

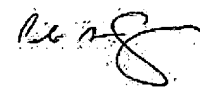
Also, we have continued to drive further efficiencies within our delivery fleet – introducing 25 streamlined and significantly lighter 12 tonne trucks that we estimate will save 230 tonnes of carbon per year.

Progress has also been made on a range of other areas. Solar panels were installed at our new Nottingham site, increasing our on-site solar generation and supporting us to source 97% of Group energy from renewable sources. Investment in solar panels at our Polyformes manufacturing site was approved in 2025 to be installed in 2026. Also ahead of target, the majority of our Company cars are now fully electric and our supplier engagement on sustainability issues has increased.

Our customers remain focused on making progress in this area and our Innovation Labs, design teams and packaging experts have continued to be busy supporting them to find the best solutions that meet their operational, commercial, regulatory and sustainability requirements. We have

had a particular focus in 2025 on supporting our customers in the retail sector navigate the challenges of the Extended Producer Responsibility ('EPR') regulations that came into effect in 2025.

The road to a more sustainable future was never likely to be a smooth one and there will be plenty more challenges and uncertainties to navigate. However, we continue to see sustainability as a priority and we remain committed to taking demonstrable and progressive action in this area.



Peter D. Atkinson, Chief Executive

Sustainability report (cont)

Overview (cont)

Headline progress summary against our six strategic pillars

Environment

Strategic pillar	Strategic goal	Headline progress
1. Reducing our impact See page 36	Transforming our operations to minimise their environmental impact	36% reduction in absolute carbon emissions and 42% improvement in carbon intensity relative to the 2019 baseline - Converted the largest commercial truck in our fleet to fully electric - Solar panels installed at our new East Midlands distribution site - Forecast ongoing saving of 230 carbon tonnes with more efficient vehicles 97% of electricity sourced from renewables during 2025 53% of Company car fleet is now fully electric
2. Supporting our customers See page 41	Enabling our customers to deliver against their sustainability goals	- Ran 12 sustainability workshops with over 100 customers to improve awareness of key environmental issues - Tailored specialist support provided to over 240 customers through our Innovation Labs - Extensive support to customers to prepare them for the introduction of EPR packaging regulations, including the launch of our new reporting dashboards - Retained a high customer Net Promoter Score at 60 (2024: 62)
3. Partnering with suppliers See page 44	Collaborating with our suppliers to reduce their environmental impact across our industry	- Extended engagement with our suppliers on carbon reductions - Full compliance with our revised supplier risk assessment procedures 100% of sites are now fully Forest Stewardship Council ('FSC') certified (FSC® C149407)

Social

Strategic pillar	Strategic goal	Headline progress
4. Caring for our colleagues See page 45	Creating a supportive, inclusive and high-performance culture	- Extended our World Class Sales training programme to enhance the skills and knowledge of our colleagues - Launched our new Learning and Development toolkit and Performance Management framework - Rolled out training in a number of key areas, including cyber security, diversity and sustainability - Maintained our progress on gender pay gaps, achieving an average gap of 1%
5. Investing in the community See page 47	Investing in our local communities and supporting our colleagues to do the same	- Over 423 volunteering hours provided to a wide range of local community initiatives - Maintained our network of Community Champions to support initiatives at each of our local sites

Governance

Strategic pillar	Strategic goal	Headline progress
6. Doing things the right way See page 50	Led by our core values, embracing best practice and maintaining the highest standards of governance	- Our silver Ecovadis rating places Macfarlane in the top 10% of businesses assessed globally on sustainability issues - Retained the London Stock Exchange's Green Economy Mark for listed businesses that are contributing to the global green economy - Awarded Cyber Essentials Plus accreditation in recognition of our work on cyber security - Developed a new carbon accounting policy to help ensure reporting aligns with best practice

External initiatives and benchmarks

As a Group we are committed to being held accountable against the leading global standards on sustainability, providing our stakeholders with assurance that we are continuing to make demonstrable progress.

Ecovadis is one of the world's most trusted sustainability ratings agencies, independently assessing over 150,000 businesses across 185 countries. Macfarlane currently has a silver score, placing it in the top 10% of all businesses assessed across the world.

ISO, the International Organisation for Standardisation, set global best practice standards for manufacturing and process management. Macfarlane is currently accredited to ISO 9001 and ISO 14000 standards.

CDP is a not-for-profit charity, whose primary purpose is to improve disclosure standards, driving companies to make meaningful and demonstrable progress. We are pleased to have achieved a 'B' Management Level, demonstrating the coordinated action that the Group is taking on climate issues.

The Green Economy Mark is awarded independently by the London Stock Exchange to businesses contributing to the global green economy. Macfarlane Group is one of only 101 companies and funds that were awarded the Mark in 2025, representing 4% of the London Stock Exchange's total equity market capitalisation.

The Sustainable Development Goals ('SDGs') consist of 17 overarching Goals which set out the global blueprint for sustainable development. While no individual company or state can deliver on these goals by themselves, all organisations have a role that they can play to support progress. Below, we have set out the SDGs where we believe we can play a role and explained how they link to our strategy.

Focus

Taking urgent and transformative action to combat climate change and its impacts.

Why it is important to Macfarlane?

We believe we have an obligation to take action on climate change and help drive the transformation that is required. That is why we are investing in fully electric trucks, renewable energy and efficiency measures and working with our customers and suppliers to reduce their carbon footprints.

Focus

Ensuring more sustainable consumption and production patterns that respect the boundaries of the natural world.

Why it is important to Macfarlane?

Sustainability is already deeply embedded within our business, as we deploy our resources and expertise to help our customers use less resources within their packaging operations. Our knowledge of the market, best practice techniques and operational excellence allow us to offer expert and independent advice to our customers to support them in achieving their sustainability objectives.

Focus

Reducing inequalities within and among countries.

Why it is important to Macfarlane?

Across the Group we value diversity and are committed to being an equal opportunities employer of choice, in both the UK and Europe. We have developed a progressive business culture that values and respects all individuals. We believe this is an intrinsic part of creating a great place to work.

Focus

Promoting sustained, inclusive and sustainable economic growth, productive employment and decent work for all.

Why it is important to Macfarlane?

We employ over 1,000 people, serve over 20,000 customers and work with more than 1,000 suppliers, many of whom are small and medium sized enterprises. We have strong ambitions and remain focused on sustainable growth by: reducing our environmental impact, investing in innovation and new technology and being an employer of choice for our colleagues.

Focus

Achieving gender equality and empowering all women and girls.

Why it is important to Macfarlane?

We recognise that gender inequality still exists in society and remain committed to providing opportunities for females, at all levels. Through a series of progressive measures, we are pleased to have women representing 1/3 of senior leaders in our business and to have made good progress on key areas, like gender pay gaps.

Sustainability report (cont)

Environment

1. Reducing our impact

Transforming our operations to minimise their environmental impact

Macfarlane Group carbon emissions since baseline

- Commercial trucks
- Company cars
- Gas heating
- Electricity
- LPG

We are focused on three key areas to reduce the Group's impact on the environment, namely:

1. transitioning our delivery fleet away from fossil fuels;
2. moving our energy supply to renewable sources; and
3. striving to implement more efficient practices across our operations.

We have made strong progress in reducing our absolute carbon emissions by 36% over the last six years¹. This reduction has primarily been driven by investment in renewables, consolidation of operational sites, more efficient management of our delivery fleet and transitioning to alternative fuels.

This reduction has been achieved alongside business growth during the same period, meaning our carbon intensity has improved by 42% to 17 carbon tonnes per £m of revenue (2019 Baseline: 29)¹. The Group is therefore continuing to progress well against its target of halving carbon intensity by 2030.

Greenhouse Gas Reporting 2025

Absolute Emissions reduced for the sixth year in succession during 2025. This has been driven by converting one of our largest trucks to fully electric as well as investments in a more efficient delivery fleet and installation of solar panels at our new Nottingham site.

The Group has delivered significant absolute carbon reductions within both its distribution and manufacturing divisions over recent years.

Our most material environmental impact is the carbon we produce through the fuel required for our national fleet of commercial vehicles. Progress here will be pivotal to further carbon reduction efforts. The chart on page 37 provides a breakdown of our internal (Scope 1 and 2) carbon emissions for 2025.

Carbon reporting (market based) ¹	2025	2024	2019 (baseline)	Movement since baseline
Absolute carbon emissions (Scope 1 and 2) (tCO ₂ e)	5,158	5,381	8,102	36%
Carbon intensity (carbon tonnes over £m revenue)	17	18	29	42%

CO ₂ per annum market based ¹	2025	2024	2019 (baseline)
Packaging Distribution	3,676	3,798	5,629
Manufacturing Operations	1,482	1,583	2,473
Overall	5,158	5,381	8,102

¹ Carbon emissions data has been adjusted for the impact of structural changes within the Group, in line with the Greenhouse Gas Protocol best practice framework.

Progress summary

	Headline target	2025 update	Rating
Scope 1 and 2 carbon emissions intensity relative to revenue	50% reduction in Group carbon intensity by 2030.	We have delivered a 42% reduction in our carbon intensity since our baseline year of 2019.	On track ●

Progress summary

	Headline target	2025 update	Rating
Scope 1 and 2 emission source: Commercial vehicles	50% of delivery fleet to be fully electric by 2030.	10 fully electric vehicles are now operational in the delivery fleet. This equates to 9% of the baseline delivery fleet (109 vehicles). While we are confident that we can make further progress, achieving 50% remains unlikely.	At risk 

Commercial vehicles

In 2025, commercial vehicles represented 80% of our carbon footprint. The Group made further progress on its journey to alternative fuels by replacing one of its tractor units with a fully electric model. The vehicle is the largest truck type within the Macfarlane fleet and has a range of 240 kilometres per day.

The technology marks an important milestone on range improvement, and we are proud to be one of the first UK businesses to onboard this vehicle type. Overall, this brings the total number of fully electric trucks to ten, representing 6% of the current delivery fleet and 9% of the baseline fleet.

Although operating well as part of a blended fleet there remain barriers to scaling up deployment, including higher operating costs and limited charging infrastructure. Despite these challenges we remain confident that further progress can be achieved but recognise that we are unlikely to meet our aspirational target of converting 50% of the delivery fleet to fully electric, by 2030.

Improving the efficiency of our operations remains a key component of our sustainability agenda. There are several elements that drive our logistics efficiency: how well we plan routes; how economically our vehicles are driven; and how frequently our customers need deliveries. We have made good progress over recent years in driving efficiency across the Group through a range of measures, including consolidation of sites, investment in industry-leading planning systems, timely adoption of more efficient vehicles and incentivising improved driver performance.

The most common vehicle within our commercial delivery fleet is the 18-tonne truck. During 2025 we replaced 25 of these with new trucks that are more streamlined and significantly lighter. During the year this saved an estimated 55 tonnes of carbon, with an estimated 230 tonnes annual saving.

During the year the Group also completed the installation of a new roof at its Westbury site to improve the thermal efficiency of the building.

Macfarlane Group's 2025 internal carbon footprint

	CO ₂ e tonnes	Percentage %
Commercial trucks	4,144	80%
Natural gas	403	8%
Passenger vehicles	314	6%
Electricity	158	3%
LPG	86	2%
Gas oil	53	1%
Total	5,158	100%

- Commercial trucks 80%
- Natural gas 8%
- Passenger vehicles 6%
- Electricity 3%
- LPG 2%
- Gas oil 1%

Sustainability report (cont)

An electric fleet that leads the way

The Group continued to demonstrate its commitment to reducing its environmental impact during the year, with the introduction of its largest fully electric truck to date.

The new FM Tractor Unit is the largest truck within the Macfarlane fleet and this moment represents an important milestone in bringing the technology to market. The truck, which has a potential range of up to 240 kilometres and can recharge in around 2.5 hours, is operating out of the Group's Wakefield site, serving its customers in the north of England.

Fuelled by 100% certified renewable electricity it is reducing the Group's carbon footprint but also directly supporting its customers and supply chain partners to reduce their value chain (Scope 3) emissions.

The new truck is complemented by a further nine fully electric delivery vehicles which are already operating in the fleet and the extensive efforts the Group has made to improve its fuel efficiency. All of which will remain key in the Group's efforts to transition away from fossil fuels.

10
fully electric
trucks

We are delighted to be bringing this exciting technology on to UK roads, providing our customers with the same high service levels while also reducing our environmental impact.

Tim Hylton, Operations Director, Macfarlane Group

Sustainability report (cont)

Environment (cont)

Progress summary

	Headline target	2025 update	Rating
Scope 1 and 2 emission source: Company cars	50% of Company car fleet to be fully electric by 2026.	53% of the Company car fleet is now fully electric (2024: 42%).	Delivered 

Company cars

We have exceeded our target and now have over half of the Company car fleet converted to fully electric models. We are currently considering a revised target which will be disclosed in 2026. Furthermore, through a range of measures we have significantly improved the efficiency of the Company car fleet with 44% now achieving a miles per gallon efficiency of 45 or more and 34% utilising hybrid technology. Overall, 79% of the fleet now produces <50 grams of carbon per kilometre.

Renewables

We have continued our progress, installing another solar array at the Group's new Nottingham distribution site. The means the Group now has 5 sites with solar installations, that have generated an estimated c. 720,000 KWH of electricity onsite during the year, the equivalent of saving 350 carbon tonnes. As at 31 December 2025 all sites under Group control procure certified renewable electricity. Sites with legacy contractual commitments or landlord-controlled sites make up the balance, meaning overall that the Group was able to cover 97% of its total electricity demand from renewables during 2025. All legacy contractual commitments have been moved to renewable contracts with the exception of Polyformes where it will be moved when their current contract expires.

Waste and use of natural resources

Waste management

The Group continues to minimise the environmental impact of waste across its operations. Well-established processes are in place to minimise and reuse materials where practical. Where waste is unavoidable, materials are clearly segregated on-site to minimise any contamination and improve recyclability.

During 2025 92% of the Group's waste materials was segregated for recycling purposes, of which, 33% was used to create Biomass energy and 59% was sent for onward recycling.

In addition to managing its own waste, the Group also operates a recycling division that collects waste on behalf of our customers. The Group offers this across a range of products including paper, card, flexible plastics and foam. During 2025 the division recycled 7,919 tonnes of packaging waste on behalf of our customers (2024: 7,262 tonnes).

Water and other natural resources

Given the nature of our business, the direct use of other natural resources is low across the Group, however we recognise that climate change will continue accelerating water stress. We have therefore undertaken water stress audits across our sites during 2025 and identified no high-risk sites. It is only at the Group's manufacturing sites that water is used in operations. At these sites, established processes are in place to minimise water requirements and overall usage remains relatively low. During 2025 the Group used 10,448m³ of fresh water within its manufacturing operations (2024: 4,665 m³), equating to a water intensity of 0.15m³ for every £1,000 of revenue (2024: 0.11 m³). The increase from prior year is primarily related to the acquisition of Pitreavie.

During the year we completed the installation of a water treatment plant at our GWP operating site. The plant enables water to be safely discharged directly from our site and removes the need for wastewater to be transported off site.

Progress summary

	Headline target	2025 update	Rating
Scope 1 and 2 emission source: Energy	100% of electricity we control ¹ to be sourced from renewables by 2025.	At 31 December 2025, 100% ¹ of electricity controlled by the Group was procured through certified renewable contracts.	Delivered 
	Solar panels to be installed at one site per year to 2030.	Solar panels installed at our new Nottingham distribution site, meaning five Group sites benefit from solar energy.	On track 

¹ Excludes sites where electricity is sourced directly by the landlord and sites recently acquired with legacy utility contracts. The acquired sites are brought under the Group certified renewable contracts as soon as practical post-acquisition.

2. Supporting our customers

Enabling our customers to deliver against their sustainability goals

Supporting our customers to deliver on their own sustainability objectives is a fundamental part of our value proposition. We continue to build our expertise and resources to deliver an industry-leading customer service, with sustainability at its heart.

Our two state-of-the-art Innovation Labs ('ILabs') remain popular with customers, with our ILab teams working with over 240 customers on over 430 packaging improvement projects during the year. We consider all stages of the packaging lifecycle, from initial design and manufacture through to the end of life. This enables our customers to identify the most sustainable packaging solutions for their requirements. A recent example of our support is included in the case study on pages 42 and 43.

As an independent provider of packaging solutions, we are not tied to specific suppliers or packaging materials. We therefore source the most sustainable solutions and provide customers with expert advice they can trust on the advantages and disadvantages of each method.

Education and regulation

During 2025 we continued our programme of offering customers additional support on sustainability and the evolving regulatory environment. We hosted 12 events during the year where we provided training on key packaging sustainability challenges and areas where action could be taken. These sessions helped identify areas for further collaboration and support with both existing and new customers.

During the year, Extended Producer Responsibility ('EPR') regulations came into force across the UK, adding significant new costs to businesses providing packaging to UK households and increased reporting and compliance obligations. We have been actively supporting customers as the new regulation is embedded and working with them to help mitigate costs by creating more sustainable solutions.

Product and customer service

As the largest protective packaging distributor in the UK, and growing in mainland Europe, we benefit from our scale and experience when sourcing goods. We actively engage with the latest packaging innovations to provide our customers with the best choice of packaging options.

During the year we continued to enhance our offering, adding paper void made from grass, new paper padded mailers, recycled content hotmelt tape and a new rigid stretch film that offers high performance but uses less material.

We launched our internally developed World Class Sales ('WCS') programme in 2024 to further develop the skills of our sales teams. This programme includes how we can support customers to offer sustainable solutions to their packaging challenges. During 2025, we extended the programme to include another cohort of staff and mentored those colleagues as they put their training into practice.

Our continued investment in staff and industry-leading resources and tools have helped us retain a high annual customer satisfaction score at 95% (2024: 94%) and to achieve a customer Net Promoter Score of 60 (2024: 62). This score compares favourably against the current industry average benchmark for B2B businesses, which is 34.

Our customers will always be at the heart of everything we do and striving to continually serve them better will remain deeply ingrained across all our operations.

Progress summary

	Headline target	2025 update	Rating
Product environmental impacts	By 2025 at least 90% of products in Packaging Distribution will contain recycled content.	90% of products across Packaging Distribution now contain recycled content (2024: 85%).	Delivered 
	By 2025 at least 90% of products in Packaging Distribution will be recyclable or reusable.	90% of Packaging Distribution products are now recyclable or reusable (2024: 88%).	Delivered 
Customer satisfaction	To obtain a customer Net Promoter Score of 60 in our Distribution Division by 2025.	Net Promoter Score of 60 was achieved for 2025 – the average for B2B businesses is currently 34.	Delivered 
	To achieve annual customer satisfaction scores of above 95% in all divisions by 2025.	95% of customers reported being satisfied with service delivery during 2025.	Delivered 

Sustainability report (cont)

Pushing sustainability up the menu

UK B Corp kitchenware retailer ProCook put their eCommerce packaging out to tender, with cost-saving, sustainability and Extended Producer Responsibility (EPR) in mind. As a long-standing innovative partner, Macfarlane were asked to assess the full spectrum of packaging ProCook were currently using.

By making use of the state-of-the-art design facilities and specialist box optimisation software at our Innovation Labs, our retail and eCommerce team identified that box optimisation presented a key opportunity to drive savings.

The solution was to align the box dimensions of all cartons used for single order, multi-item picks. This was based on ProCook's order profiles, offering a data-based approach to a complex operational challenge. Macfarlane's intelligent box designs provided a leaner and greener solution, which lowered the overall packaging weight used by ProCook and reduced void space in boxes by over half a million litres.

The new solution provided a significant cost saving in overall packaging required and the associated EPR fees. It also enabled ProCook to significantly reduce the carbon emissions associated with their packaging, through using less material and driving logistics efficiencies.

On top of these results, ProCook have been able to take advantage of the inhouse recycling services offered by Macfarlane Group owned Nottingham Recycling, boosting their circularity and waste reduction even further.

178
tonnes of packaging
removed annually

The reductions delivered through our work with Macfarlane supported our recent B Corp re-certification and demonstrate how thoughtful design can deliver meaningful environmental impact.

Sarah Wheatley, People and ESG Director, ProCook

Sustainability report (cont)

Environment (cont)

3. Partnering with suppliers
Collaborating with our suppliers to
reduce their environmental impact

As a distributor and specialist manufacturer of protective packaging, most of our environmental impact rests within our supply chain, where packaging materials are extracted, manufactured and transported through their life cycle. Our sustainability strategy recognises that, although the actions of our supply chain partners are ultimately not within our control, we can work with our suppliers to ensure that collectively we are making progress.

Value chain carbon emissions

In 2024 the Group completed its baseline Scope 3 assessment which identified that 78% of lifetime carbon emissions are associated with our materials purchases from suppliers, while 17% of lifetime emissions relate to end-of-life treatment. The Group does not consider it necessary to reperform the full Scope 3 assessment process on a regular basis as it is unlikely to provide additional insight in the short term. The Group will therefore focus its efforts on the activities that enable reductions to Scope 3 emissions through supplier engagement.

The Group extended its engagement with suppliers on carbon reduction during 2025 and has now engaged 62% of Group supplier spend. The vast majority of those suppliers (88%) engaged, to date, have confirmed that they have initiatives in place to reduce carbon emissions. Furthermore, of those suppliers with initiatives, 90% have formal corporate carbon reporting and monitoring established.

Overall, this means that at least 55% of the Group's supply chain are taking progressive action. The Group will continue extending its engagement with suppliers, setting a clear expectation, as it seeks to make progress towards its 2030 target.

To address the emissions associated with packaging end-of-life, the Group will continue improving the recyclability of its product portfolio, building on progress to date and ensuring that products align with new recycling regulations emerging in the UK and EU. The Group welcomes plans to drive a further step change in recycling infrastructure which will be vital to reducing emissions and creating a more circular packaging economy.

Supply chain assurance

The Group sets clear ethical and sustainability expectations of its suppliers through its contractual terms and conditions and its Code of Conduct. Supplier risk assessments are now integrated into supplier onboarding processes, with additional assurance required where risk is higher. During 2025, 100%¹ of procured Group spend came from low risk or fully compliant suppliers.

The Group has increased its capacity to provide additional assurance on the sustainable sourcing of paper materials through Forest Stewardship Council certification (FSC) of our products. 100% of Group sites are now fully FSC certified, and 100% of Group stock products are FSC-certified.

¹ Excluding suppliers of companies acquired during 2025 which will be incorporated from next year.

Progress summary

	Headline target	2025 update	Rating
Scope 3 emission source: Suppliers	80% of Group Suppliers by value to have active carbon reduction programmes by 2030.	55% of Group procurement, by value, is from suppliers with active carbon reduction programmes (2024: 51%).	On track
Sustainable sourcing	100% of Group sites will be FSC certified by the end of 2025.	100% of our sites are now fully FSC certified (89% in 2024).	Delivered

Social

4. Caring for our colleagues

Creating a supportive, inclusive and high-performance culture

The Group does not set headline targets for Social: Pillar 4.

Health and Safety

Following the tragic incident at our recently acquired business, Pitreavie, referred to in the Chair's Statement on page 2, the Group has taken steps to provide support and activities to ensure the wellbeing of our colleagues. The incident is currently under investigation by the authorities.

Health and safety is a key priority for the Group and management are committed to the goal of zero harm. The Group continues to embed a strong Health and Safety culture across the Group, striving for ongoing improvement. The Group recognises that its risk profile has evolved

over recent years, as its manufacturing operations have grown, and has been strengthening its approach accordingly.

During 2025 the Group experienced seven reportable (RIDDOR) incidents (five in Manufacturing and two in Distribution) including the Pitreavie incident. This is an increase in the prior year in which there were five (three in Manufacturing and two in Distribution). In line with our standard operating procedures, all incidents are investigated thoroughly by our internal Health & Safety team and, where appropriate, changes to working practices are implemented. Additionally, we ensure that colleague training is reinforced in each area where incidents have arisen and regularly review any thematic emerging risks.

As a result of the above, the Group's Accident Frequency Rate ('AFR'), whilst still below historic averages, has increased from the prior year. AFR within the Distribution division remains stable relative to prior year and well below historic levels.

Colleague engagement

We recognise that an engaged workforce brings wide-ranging benefits to our organisation; boosting productivity, lowering turnover, improving colleague and customer satisfaction, and strengthening our reputation as an employer of choice.

In recent years, we have prioritised understanding and improving our colleagues' experiences. Our colleague engagement surveys provide invaluable insights, enabling us to identify areas for development. Over the past year we have continued to take further steps to address these areas as part of our 'You Said, We Are Taking Action' initiative and have conducted local surveys linked to key projects.

The Group remains committed to effective engagement with its staff and recognises their ongoing importance to the Group's success.

Accident Frequency Rate for Macfarlane Group

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Packaging Distribution	0.42	0.53	0.48	0.15	0.18	0.22	0.15	0.15	0.15	0.15
Manufacturing Operations	1.11	0.22	1.20	0.43	1.17	0.50	0.49	0.41	0.57	0.59
Group	0.64	0.43	0.73	0.23	0.45	0.28	0.23	0.22	0.27	0.33

- Packaging Distribution
- Manufacturing Operations
- Group

The Accident Frequency Rate ('AFR') represents the number of RIDDORs (reportable health and safety incidents) per 100,000 staff hours worked.

Total reportable incidents (RIDDOR) for Macfarlane Group

	Metric	2023	2024	2025
Packaging Distribution	Incidents	2	2	2
	Employees	735	819	719
Manufacturing Operations	Incidents	2	3	5
	Employees	407	346	512

Sustainability report (cont)

Social (cont)

Diversity, Equity and Inclusion ('DEI')

We continue to highlight the importance of DEI through our induction and onboarding toolkits, ensuring every employee, from every background, feels welcomed and included from the very beginning of their Macfarlane career. We have reinforced this by rolling out our DEI training via our online portal to all office-based employees.

We are dedicated to offering equal opportunities to all current and prospective colleagues. This commitment covers recruitment, training, career development and promotion, regardless of physical ability, gender, sexual orientation or gender reassignment, pregnancy or maternity, race, religion, age, nationality or ethnic origin. Where suitable roles are available, applications from people with disabilities are considered fully and fairly, taking account of individual skills, strengths and abilities.

We are pleased to continue seeing strong female representation across the business, including within our leadership and management teams.

Through our annual pay reviews, we are proud to have maintained our progress on tackling gender pay gaps. Our average pay gap for the year was -1.3% (2024: -0.7%) and our median pay gap was -1.6% (2024: -3.9%).

Colleague support

We have a wide range of benefits and initiatives in place to support our colleagues. These include a hybrid working policy, career breaks, shared parental leave, enhanced maternity and paternity pay which over 70% of our employees currently have access to. We are working to increase access to these Group benefits, as we onboard staff from acquired businesses over coming years. During the year we have improved our benefits further through providing more flexibility to colleagues on holiday purchases.

We provide all colleagues with full access to our employee assistance programme, providing them with confidential support and advice on all manners of life's challenges 24 hours a day. Our partnership with MIND, the national mental health charity has continued throughout the year and helps us to deliver this support, as do our network of mental health first aiders across the organisation who act as the frontline of support.

Colleague development

We remain dedicated to helping our colleagues learn and grow so they can build rewarding careers and reach their full potential. During the year we continued our World Class Sales programme, giving our teams the skills and knowledge they need to succeed in a changing packaging market. A total of 55 colleagues have now qualified from our in-house programme.

In addition to our sales programme, we have continued to invest in staff development in a wide variety of areas, including product training, reporting, sustainability, cyber security, regulation and compliance training.

Total training delivered during 2025 was estimated at around 10,900 hours, equating to approximately 11 training hours per member of staff (2024: 14,200 hours equating to c. 27 training hours per member of staff)¹.

¹ These numbers reflect central initiatives and exclude recent acquisitions, and any training delivered locally.

Employee gender split

	2025		2024	
	Male	Female	Male	Female
Directors	4	2	3	2
Senior managers	22	8	13	6
All other employees	789	406	714	427

5. Investing in the community

Investing in our local communities and supporting our colleagues to do the same

Engaging with the communities we serve

As a business connected within our communities, we have a long history of supporting local initiatives. Alongside developing our strategic national partnerships with Blue Cross and MIND, we continue to nurture this local engagement and this year we maintained a network of 20 community champions across the business who serve as focal points for this. These colleagues helped raise awareness, supported others in getting involved and drove local fund raising and volunteering efforts.

All staff continue to benefit from a fully paid volunteer day when they can support a charity of their choice. This initiative empowers our colleagues to volunteer their time and skills for projects which matter most to them. During 2025 staff recorded over 420 hours of volunteering time across these different initiatives. Some examples are included below.

All staff continue to benefit from a fully paid volunteer day when they can support a charity of their choice.

Sustainability report (cont)

Our champions for change

The volunteering opportunity at Coventry Cathedral was fantastic. We spent the day helping clean and prepare the nave for an event. It was great to get involved in something meaningful while supporting an iconic part of our local community.

Kareena Sahota, Human Resources Advisor,
Macfarlane Packaging – Coventry

①

Newcastle colleagues volunteering at the Peoples Kitchen supporting homeless and disadvantaged people in their local area.

②

Chris Harris, Driver from the Newcastle RDC, completed the Great North Run in September 2025 and raised £980 for Daft As A Brush Cancer Care Charitable Trust.

③

Kareena Sahota who spent the day with the HR team supporting the maintenance of Coventry Cathedral.

④

Adam Brown, Design Technician from the Northern Innovation Lab, completed the London Marathon in April 2025 and raised £1,330 for MIND.

2

1

3

4

Sustainability report (cont)

Governance

6. Doing things the right way

Led by our core values, embracing best practice and maintaining the highest standards of governance

At the heart of Macfarlane Group is the drive to do business in the right way: responding to our stakeholders, recognising our broader responsibilities and acting with integrity in everything that we do. Fundamental to that is embedding high standards of governance and striving for best practice for an organisation of our size.

The Governance section on pages 61 to 80 covers the broader governance of the Group in more detail and our Stakeholder engagement statement on pages 20 to 25 covers how we strive to engage effectively with all of our key stakeholders. We primarily focus here on how we govern sustainability matters across the organisation and how we are responding to climate-related risks and opportunities, which are set out in the TCFD Report on pages 51 to 59.

Sustainability governance

The Environmental Social and Governance ('ESG') Committee is well established within the organisation and oversees all key sustainability matters that have an impact on the business. Chaired by the Head of Sustainability and with broad representation from across the business, its role is to oversee the timely implementation of the sustainability strategy and ensure we continue to take progressive action in a timely manner. The Head of Sustainability reports directly to the Board and ESG remains a key area of focus. In particular, the Group recognises the impact of environmental changes and health and safety as two of the principal risks and uncertainties facing the organisation and have developed a range of mitigation measures to help manage these (see pages 27 and 29).

ESG is strongly integrated into the Group's operations. It is a fundamental part of the Group's value-added offer to customers and the majority of the management team have explicit ESG-related metrics within their personal performance objectives.

Regulatory compliance

The Group also recognises its broader social and regulatory responsibilities with regards to the following areas:

- **Human rights:** the Group is committed to respecting everyone's human rights, ensuring that all individuals are treated with dignity and respect, and will seek to find and prevent any adverse human rights impact associated with our business activities. The Group has developed a Human Rights policy, consistent with the Universal Declaration of Human Rights and the International Labour Organisations Declaration on Fundamental Principles and Rights at Work. This Policy, together with details regarding how the Group seeks to implement it, is available at www.macfarlanegroup.com.
- **Modern Slavery Act:** each year, the Group makes a public statement under the Modern Slavery Act which is supported by internal procedures to ensure that the principles of the Act are adhered to. The statement is available at www.macfarlanegroup.com.
- **Anti-bribery and corruption:** the Group has an anti-bribery and corruption policy which is supplemented by a gift register and an associated policy on accepting gifts to mitigate the risk of conflicts of interest. The Group conducts regular fraud and corruption risk assessments and undertakes a range of measures to help reduce these risks, including staff training and awareness initiatives.
- **Whistleblowing:** the Group provides an independent whistleblowing service, available both internally and externally, that is actively promoted. This allows all stakeholders to raise any matters of concern with anonymity and provides a route for timely escalation in the event that issues are not resolved locally. The Board reviews all whistleblowing cases and oversees their appropriate resolution.

- **Executive Pay:** the Group has a prudent and transparent approach to executive remuneration, ensuring that a clear process is followed and that remuneration does not become excessive. Further details of this process can be found within the Directors' Remuneration Report on pages 71 to 77.
- **Tax:** the Group takes a conservative and prudent approach to meeting its tax obligations, ensuring it pays the right amount of tax in a transparent manner and avoids elaborate schemes that seek to avoid tax that is rightly due. The Group's tax strategy is also available at www.macfarlanegroup.com.

Approach to sustainability

We take a fully transparent approach to how we manage sustainability matters across our operations. We consider integrity and authenticity on this agenda as critical to enabling progress and this is why we continue to support external accreditation and associations, like CDP and Ecovadis as set out on page 35. We will also continue with the Task Force on Climate-related Financial Disclosures ('TCFD') reporting framework, widely regarded as industry best practice for the disclosure of climate-related risks and opportunities.

The Group retained its membership of the UN Global Compact during the year, joining with organisations across the world and committing to the 10 fundamental principles for responsible business.

The Group was also pleased to receive recognition for the second year in a row from the London Stock Exchange through receipt of its Green Economy Mark for listed businesses who are making a substantive contribution to the global green economy.

TCFD report

Introduction

The Group is committed to managing proactively climate-related risks and opportunities and providing our stakeholders with transparent information regarding how these may impact operations. The report below sets out our key considerations against each of the four TCFD reporting pillars: 1) Governance, 2) Strategy, 3) Risk management and 4) Metrics and targets.

We believe that this disclosure provides a fair and balanced reflection of progress to date and satisfies the requirements set out in Listing Rule 6.6.6R (8) for Listed Companies and the Companies (Strategic Report) Climate-related Financial Disclosure Regulations, 2022 ('CFD').

This report complies with the TCFD recommendations in 10 out of the 11 reporting areas. The non-compliance relates to the Group not updating its Scope 3 analysis for the current year. Management did not consider that an update so close to undertaking the baseline analysis would represent value for money and have chosen to focus on underlying actions that will support emission reductions.

1. Governance

Disclose the organisation's governance around climate-related risks and opportunities

1A. The Board's oversight of climate-related risks and opportunities

The Chief Executive is responsible at Board level for overseeing the effective management of climate-related risks and opportunities. The effective management of these issues is also actively overseen by the whole Board which retains a majority of independent, Non-Executive Directors.

The Group recognises the impact of environmental changes, particularly those tied to climate-related risks and opportunities, as one of the principal uncertainties facing the organisation and has developed a range of measures in response. Climate considerations have been influential in shaping the Group's business strategy and approach to market over recent years, which seeks to actively support customers in reducing the environmental impact of their packaging.

The environmental pillar of ESG is an important item on the Board's agenda and a key consideration across all decision making, including setting strategy and the development of budgets and business plans. Explicit ESG and climate considerations are formally incorporated into all capital expenditure and potential acquisitions, ensuring these matters are fully considered within the decision-making process.

The Group has an established sustainability strategy which seeks to manage climate risks and opportunities proactively, helping to ensure that action is taken on key areas. The Board formally reviews progress against this strategy and climate-related metrics on at least an annual basis. The Board also undertakes a detailed annual review of climate-related risks, which is integrated into the Group's core risk management processes as set out on page 26.

The Board has extensive experience in ESG and climate-related matters: the Chair of the Audit Committee, James Baird, is a long-serving Trustee with Rainforest Trust UK and chairs RS Macdonald Charitable Trust. Additionally, Non-Executive Director, Laura Whyte, previously chaired the ESG Committee at Capital and Regional plc and brings extensive experience of working on the corporate and social responsibility agenda across multiple organisations.

1B. Management's role in assessing and managing climate-related risks and opportunities

The Executive and senior management are responsible for the day-to-day management of all risk and opportunities across the organisation and delivering an effective response aligned to the strategic framework agreed with the Board. The Head of Sustainability chairs the ESG Committee and reports directly to the Board. The Committee meets monthly and comprises leaders from across the Group. Its objective is to oversee and drive the sustainability agenda across the Group. A key focus of the Committee within that agenda is the ongoing assessment and management of climate-related issues.

The Group's sustainability strategy sets out those challenges that are most material to the Group's operations, particularly those that are linked to climate risks and opportunities. On an annual basis the ESG Committee develops a workplan with key milestones to support delivery of the overarching strategy. Every month, the ESG Committee reviews progress against those milestones, taking remedial action where necessary to ensure ongoing effectiveness of the Group's response.

On a bi-monthly basis, the Head of Sustainability reports progress to the Executive team who oversee the ongoing appropriateness of the Group's response, ensuring satisfactory progress is made.

The Head of Sustainability has brought additional expertise in the management of climate issues which helps inform the Committee, Executive and the Board on these matters. Raising the awareness of climate-related issues and the impact upon the business more broadly is also an important pillar of the Group's sustainability strategy and we have continued our programme of staff and customer training during the year.

The majority of managers within the Group had specific ESG targets in 2025 within their personal performance objectives. Specific objectives vary by role, but broadly where staff have control over material carbon emissions, they are incentivised to drive further efficiencies.

TCFD report (cont)

2. Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material

2A. Describe the climate-related risks and opportunities the organisation has identified in the short, medium and long term

The impact of climate-related risks and opportunities are considered to grow over time, with the most profound impact to the Group's operations considered to be in the long term. However, the Group also considers the significant time-lags that are required to transform operations in response to climate-related issues and the need to be taking action in the short to medium term.

Within the table on pages 54 and 55 the Group has set out those key climate-related issues it has identified, alongside the associated timescales in which these issues are likely to become material. Materiality in this context is defined as those issues that could have a significant impact upon operations and the Group's business.

Given the inherent uncertainty over the longer term, the Group has deliberately chosen to focus on those issues that it believes will become most relevant in the short to medium term period (prior to 2030) and the demonstrable actions it can take to support the longer-term transition. Issues that have been identified as having a material impact within a short to medium term time frame are expected to evolve and continue to be material over the long-term.

'Short-term' relates to issues that are material now or anticipated to become so within the next year. This period has been chosen to align with the Group's operating and budgetary cycle. 'Medium-term' relates to issues that the Group anticipates will become material within the next five years and aligns with the Group's 2030 targets. 'Long-term' relates to issues

that are anticipated to become material beyond five years (after 2030) and aligns with the longer-term transition towards a net zero economy.

2B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Sustainability and climate-related issues have been central to the Group's planning processes for some time. A key part of our value proposition is the ability to deploy our resources and expertise to optimise packaging, helping our customers use less packaging materials. Also, we ensure the packaging can still perform its critical role of protecting the product it carries, thereby minimising the overall environmental impact and carbon emissions. This approach has led to significant investment in our route-optimisation software, our two state-of-the-art packaging Innovation Labs which support our Significant Six selling proposition and a rolling programme of capability building with our colleagues to provide them with the tools and knowledge they need to support our customers effectively.

The Group has also increasingly invested in specialist expertise, with a dedicated sustainability role and employing experts in specific areas of packaging. We believe demand for expertise in these areas will grow as our customers' sustainability ambitions evolve and demand increases for the most sustainable packaging solutions.

As the UK's largest independent packaging distributor, working across all packaging materials and suppliers, we believe that we are uniquely placed to source and design the best solutions currently available on the market and provide our customers with independent, expert advice across their packaging operations.

Alongside this, the Group will continue to minimise the impact of its own operations through transitioning to electrification, investment in renewables and advancing further efficiency measures. The Group will also increasingly seek to influence the management of climate issues within

its supply chain, working with strategic suppliers to mitigate climate impacts and adapt, as required.

The Group assumes that Government policy will generally continue to drive decarbonising of the UK and European markets and both the physical impact and transitional risks posed by climate issues will therefore grow over time. The potential net impact of the key climate issues facing the Group has been set out within the table on pages 54 and 55. The impact upon Group assets and liabilities is inherently more limited due to the business's leasing model and the non-capital-intensive nature of the Group's operations. Data and methodologies to quantify these issues with accuracy remain inherently limited. The Group has therefore attempted to provide an indicative estimate of the potential impact, based on the information it has available. This will be subject to revision as improved data emerges, and the impact of these issues becomes clearer across the economy.

We have also set out how these issues tie to our key metrics and targets within Section 4A.

2C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

In the light of the transformational changes that will be required to decarbonise the UK and global economy and the associated uncertainties beyond the Group's control, the Group has chosen to focus its efforts on the demonstrable actions it can take in the short and medium-term to manage climate issues effectively. The Group's strategy, of electrification of the delivery fleet, investing in renewables and efficiency, supporting customers and optimising its supplier base, is intended to help the Group deliver against these 2030 goals and leave the Group well placed for the longer-term transition towards net zero by 2050, including scope 1 and 2 which is within the Group's direct control and scope 3 which will require the support of our suppliers.

Scenario	Average temperature rise by 2100	Forecast changes	Forecast impact
Scenario 1) RCP 2.6	Average global temperatures increase of 1.6°C by 2100	Transitional changes more significant over a shorter timescale. Physical impacts lessened.	The Group would face significant and growing market pressure from customers and Government to decarbonise at pace. The Group considers itself well placed for this scenario, relative to its industry peers.
Scenario 2) RCP 4.5	Average global temperatures increase of 2.4°C by 2100	Increased physical risks both in scale and frequency and delayed but ultimately more material shifts in the economic landscape.	Impacts in scenario 1) are delayed in timescale but more significant when they materialise. Physical impacts of climate changes would be worse in this scenario with more potential impact on supply chains and market trading conditions.
Scenario 3) RCP 8.5	Average global temperature increase of 4.3°C by 2100	Profound changes to physical environment, economic and social conditions.	Impacts in above scenarios delayed in timescale but more significant when they materialise. This scenario would be anticipated to lead to permanently constrained global GDP growth, significant supply chain disruption and fundamental consumption shifts impacting across the economy.

We anticipate the long-term impacts of climate change will be extensive, leading to a very different economic landscape and operating environment. We anticipate that Governments will increasingly take action to decarbonise the economies where we operate. There remains, however, material uncertainty over the pace at which this decarbonisation will occur. If a quicker pace is adopted, the physical risks of climate change will be less, but the transitional risks will be higher. Conversely, if the pace is slower, physical risks will be higher while transitional risks are expected to be less, as the market has more time to adapt. To handle this uncertainty, we have modelled 3 average temperature-related scenarios to consider the most likely range of potential outcomes. These scenarios have been modelled within the table below based on the Representative Concentration Pathways ('RCP') that were developed in parallel with the Intergovernmental Panel on Climate Change ('IPCC'). Each predicts different average global temperature rises over the course of the century. The RCP scenarios have been used as they provide a wide range of climate scenarios, are widely recognised and used and therefore are more relatable to stakeholders.

Scenario 2, which currently we consider the most likely, involves increasingly significant customer pressure to decarbonise, growing physical risks to business assets, material impacts to Gross Domestic Product ('GDP') and growing supply chain disruption – particularly over the long term. In this scenario, we believe there will be market winners and losers as the operating environment for businesses that are not sufficiently decarbonising will become increasingly untenable. Although the broader impacts of this scenario on the entire economy are likely to be significant, we believe that we are better placed to mitigate these through our diverse customer base, geographically dispersed operating model, strong supplier base and sustainability-focused approach. The Group will keep its sustainability strategy and its mitigation measures under continual review and adapt as these issues evolve. Management will do this in a manner that reduces the impact of these risks on the Group's profitability and seeks to seize the opportunities as they emerge.

3. Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks

3A. Describe the organisation's process for identifying and assessing climate-related risks

The Head of Sustainability is primarily responsible for overseeing and assessing all climate-related risks across the organisation, including how risks evolve and any new risks that are emerging at a Group level. He is supported by the senior management team, the ESG Committee, environmental advisors and professional networks. The Head of Sustainability undertakes a regular evaluation of the potential climate-related issues facing the Group and provides an updated assessment of any new issues alongside proposed mitigating actions. The Executive review these, considering their potential impact and the ongoing appropriateness of the Group's response. The Board retains ultimate responsibility for the management of climate-related risks and undertakes a quality assurance and oversight role of this process to help ensure new material risks are identified and acted upon on a timely basis. This is an ongoing process but with a formal review on at least an annual basis that incorporates a deep dive, where new risks are considered to be material.

The Group considers climate risks to be material when they could have a significant impact upon operations and therefore profitability. The Executive and Board consider the significance of climate-related risks and mitigating activities alongside all other Group risks to help ensure a balanced and proportionate approach across all relevant risks.

3B and 3C Describe the organisation's process for managing climate-related risks and how that process is integrated into the organisation's overall risk management

The management of climate-related risk is fully integrated into the Group's overall risk management approach and treated in the same manner as other principal risks and uncertainties facing the organisation. The Group risk management process is described in detail within the principal risks and uncertainties section of this report, on page 27. The Group recognises the impact of environmental changes, and in particular climate-related risks, as one of the principal risks facing the organisation and has developed a set of mitigation measures as set out within the climate-issues table on pages 54 to 55.

The Head of Sustainability is primarily responsible for the management of climate-related risks, including evaluating the ongoing materiality of these risks and the appropriateness of the Group's mitigation measures. The Executive meet with the Head of Sustainability on a regular basis to discuss any material changes to these risks and evaluate the Group's response.

The Board has ultimate responsibility for overseeing risk management and internal controls across the Group. This includes a formal assessment of the Group's environmental risk on at least an annual basis, during which a detailed review of the most material areas of that risks and the ongoing effectiveness of mitigation measures are considered.

The Audit Committee, chaired by an independent Non-Executive Director, supports the Board in this role, undertaking a review of the risk management process and associated internal controls. Both are supported in their role by the Group's internal audit department, which considers risk independently, challenges management's approach as required, and provides recommendations for improvement. Further details of the work of the Audit Committee are set out on pages 66 to 69.

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Climate issues table

Risk and/or opportunity	Potential net materiality			Detailed description
	2026 short term	2030 medium term	2050 long term	
1. Increasing environmental regulation (policy and legal transition risk)	○	○	NQ*	Increasing environmental regulation is likely to drive a material shift in pricing, compliance and the markets in which the Group operates. The Group will seek, where possible, to mitigate the effects on its own profitability through innovation in its market offering and appropriate pricing strategies.
2. Changing customer demand and market (market transition risk and opportunity)	○	○	●	Customers are increasingly focused on the environmental impact of packaging which is shifting buying behaviour.
3. Impact of new technology (technology transition risk and opportunity)	○	○	○	New technology will be necessary to support the packaging industry's net zero transition which could materially change Group operations and key markets.
4. Growing investor expectations (reputation transition risk and opportunity)	○	○	NQ*	Investor expectations are growing regarding what is expected of organisations to mitigate climate change and reduce environmental impact.
5. Increasing extreme weather events (acute physical risk)	○	○	NQ*	Increasing frequency and severity of extreme weather events such as flooding, storms and drought.
6. Supply chain disruptions (acute physical risks)	○	○	●	Climate issues are likely to lead to growing production and supply chain disruption and potential price rises.
7. Transition to net zero economy (market transition risk and opportunity)	○	●	NQ*	The shift towards a net zero economy is likely to drive profound shifts across the UK economy.

Potential impact on adjusted profit before tax (APBT):

○ 0-5% APBT ● 6-10% APBT ● >10% APBT

*NQ – Not currently quantifiable given the complexity and significant degree of unknown variables.

Impact assessment	Strategic response and resilience
• Additional regulation costs to the Group as the Government levies costs on businesses that will be required to transform national packaging recycling systems. • Growing data and compliance expectations directly and from external stakeholders who will have their own growing demands. • Pressure on prices as customers seek to mitigate their increased compliance costs. • Products and materials that are considered to cause excessive environmental harm are likely to face significant slumps in demand. • Packaging innovation is likely to accelerate with new products coming to the market. • Growing taxes on carbon to decarbonise the economy, in the long-term. For the purposes of quantification these have been assumed at the current UK Emissions Trading Scheme rate.	• Active monitoring of regulatory landscape in key markets and ongoing impact assessments undertaken. • Programme of work to proactively prepare the Group for regulations that have the potential to have a material impact. • Proactive business strategy to invest in business assets and expertise that enable the Group to support customers as they navigate new regulations. • Ongoing investment in data and reporting systems to support the Group in satisfying growing compliance requirements. • Group targets to enhance the environmental attributes of its product portfolio and active monitoring of innovation across the market. • Ongoing training programmes with internal and external stakeholders to raise awareness and understanding.
• A growing number of customers are making purchasing decisions based in part on environmental considerations. • For some customers, making sufficient environmental progress is a pre-requisite to doing business. • This creates new revenue opportunities for the Group but also gives rise to a risk of loss of existing revenue. • Conversely, there is also a risk that the Group moves too quickly and ahead of the market, potentially making itself less competitive.	• Ambitious sustainability strategy developed with regular reporting and management oversight. • Sustained investment in Group personnel and business assets to meet the growing demands of customers. • Regular engagement and reporting to customers to identify and understand trends at the earliest opportunity. • Investment in world-leading independent accreditations to provide customers with sufficient assurance on progress. • The Group considered that this risk is currently significantly mitigated as the Group is making satisfactory progress.
• Fully electric commercial vehicle technology provides an opportunity for the Group to take an industry-leading position. However, material uncertainty remains over the technology and supporting infrastructure. • On-site renewable energy generation is becoming increasingly viable but the market for storage solutions remains limited, particularly for non-energy intensive sites. • New technology innovations have the potential to disrupt the packaging market through the deployment of more efficient automation and technology-driven innovations in product manufacturing.	• The Group will seek to strike the right balance between rolling out new technology and not committing too early. • The Group will continue reviewing the markets in which it operates for product and technological innovations. • The Group will continue pursuing an asset leasing model to provide strategic flexibility. • The Group should continue to benefit financially from solar panel deployment. While there is a premium associated to fully electric vehicles in the short and medium term, this is anticipated to reduce over time.
• Listed companies are increasingly expected to demonstrate progress on climate issues with progress being a pre-requisite of certain funding streams. • As pressure from investors increases, these expectations could grow further. This could inhibit the Group's ability to access financing at competitive rates. • Mandatory corporate and investor sustainability reporting requirements are expected to grow further.	• Regular two-way engagement with investors to understand and respond to evolving expectations. • Prioritisation of leading external accreditations to provide stakeholders with independent assurance on progress. • Maintenance of a diverse shareholder base. • A proactive approach to value chain carbon management and corporate reporting. • Closely monitor future corporate reporting and regulatory compliance developments.
• Business disruption leading to a reduction in revenue and profit – assumed to impact 10% of sites for 10% of the year. • Increasing costs through insurance premiums, repairs and damaged stock- assumed at 5% of current stock holding. • Additional capital required to develop flood prevention measures.	• Regional operating model with a widely dispersed range of sites across the UK and Europe. • Asset leasing model to maintain strategic flexibility. • Enhanced business continuity measures to mitigate impacts over the medium term.
• Physical climate issues are likely to increasingly disrupt the supply chain, causing business disruption and potentially lost revenue. • Climate issues within the supply chain could lead to cost increases which are not fully recoverable. • For the purposes of quantification to 2050, the hypothetical scenario of a 2% erosion of gross margin and one quarter of sites impacted by business disruption has been assumed.	• Strengthened governance of suppliers across the Group, particularly strategic suppliers, to help identify and manage shared risks proactively. • Strong relationships and well diversified supplier base mitigating exposure to isolated disruptions. • Growing in-house manufacturing capacity.
• Decline of current industries and customers that fail to remain competitive, reducing revenue and profit. • Growth of new entrants and industries that are better prepared for transition. • Growing taxes and regulation on carbon intensive activities increasing operating costs. • Aggregate reduction in single-use packaging market across UK and Europe. • Growth in reusable packaging and service models.	• Maintain a highly diversified customer base, avoiding excessive concentration at a customer or industry level. • Continual review of broader economic trends and focus on business development across all key sectors. • Continue to make progress in decarbonising Group operations. • Continue to develop the Group's product offering towards more sustainable solutions. • Expand capacity to service the reusable packaging market.

TCFD report (cont)

4. Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

4A Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

The Group uses a range of metrics to assess the progress that is being made in the management of climate-related issues. Key metrics are included below, alongside a reference to the most relevant climate-related issue, as set out in detail on pages 54 and 55.

Not all the Group's climate-related risks and opportunities can be readily measured by a single quantifiable metric. The Group therefore uses both a qualitative and quantitative assessment when evaluating ongoing progress. The Group continually assesses the ongoing appropriateness of these metrics.

The Group has considered the cross-industry climate-related categories as recommended by TCFD and currently reports on those it considers relevant: GHG Carbon Emissions, Climate-related Opportunities (Percentage of products sold that contain recycled content or are recyclable) and Remuneration (Proportion of executive management with remuneration linked to climate considerations). The Group does not currently use any internal carbon prices and other cross-industry categories are not considered relevant in the light of the nature of the Group's operations.

The majority of the management team have an explicit ESG objective within their personal performance objectives. Performance assessments against these objectives considers a range of both

qualitative evaluation and quantitative metrics and are focused on what is most meaningful for that particular role. The Executive did not have explicit climate objectives within their objectives during 2025 as it was considered that sustainability and climate considerations are now well embedded within the organisation and ongoing role responsibilities.

4B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 Greenhouse gas ('GHG') emissions and the related risks

The Group seeks to minimise the impact of our operations on the environment and is committed to reducing its GHG emissions. Tables 2-6 below outline the Group's internal Scope 1 and Scope 2 GHG emissions and the associated breakdowns for 2025. The Group's Scope 3 (value chain) emissions are also reported in Table 7.

Scope 3 emissions relating to business travel in rental cars or employee-owned vehicles where the Group purchased fuel amount to 26 tonnes of CO₂e during 2025 (2024: 21 tonnes).

The Group believes that measuring carbon intensity as well as absolute carbon movements is important, particularly in the light of the organic and acquisitive growth strategy of the business and its future growth plans. Revenue data is used to proxy Group size for intensity calculations as it is considered to be the most reliable and meaningful metric that is readily available.

The Group uses the 'market based' reporting methodology as its primary reporting measure. However, in line with best practice, we will continue reporting on a 'location based' methodology. The 'market based' methodology is considered the most appropriate as under any transition scenario the Group will still need to purchase energy from the national markets.

During 2025, 97% of energy was consumed by the Group in the UK with the balance of 3% related to European operations.

The Group undertook a full Scope 3 mapping exercise in 2024 to understand the likely carbon emissions across its value chain. All Scope 3 categories were considered and calculated where relevant to Group operations and are disclosed in Table 7. An assessment of carbon emissions from Agriculture, Forestry and other Land Use ('FLAG') was also undertaken and estimated to be 1,275 tonnes, representing only 0.7% of the Group's total Scope 3 footprint. Data was provided by Macfarlane Group and calculations were all undertaken by an independent expert, EcoAct.

The Group will focus its sustainability value chain efforts on working with its suppliers to reduce carbon, continuing to optimise its product portfolio and on its capacity to support customers to reduce carbon. Given the limitations of current data and methodologies it is not currently considered necessary or resource-efficient to repeat the Scope 3 calculation on a regular basis. The baseline in Table 7 therefore does not include data from the acquisitions of Polyformes, Gottlieb and Pitreavie acquired in 2024 and 2025.

4C. Disclose the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The Group has a range of targets against key metrics to allow it to measure progress in managing the climate-related issues set out in Table 8. Targets in the short to medium term have been deliberately chosen by the Group to allow it to focus on demonstrable action that it can take immediately. The baseline year for targets is 2019, unless stated otherwise.

Management considers that good progress has been made against these targets and will review targets in the round during 2026.

Table 1: Key climate-related metrics

Macfarlane key metric	Relevant climate-related issue risk/opportunity reference
Total carbon emissions: Absolute Scope 1 and Scope 2 GHG market-based carbon emissions	2) Changing customer demand
Carbon intensity: Scope 1 and Scope 2 GHG market-based emissions on a revenue intensity basis	4) Growing investor expectations 7) Transition to a net zero economy
Number of fully electric commercial vehicles that are operational within the delivery fleet	2) Changing customer demand 3) Impact of new technology
Number of fully electric Company cars as a proportion of the Group fleet	3) Impact of new technology
Percentage of electricity that is generated from certified renewables	2) Changing customer demand
Number of onsite solar arrays currently operational within the Group	3) Impact of new technology
Percentage of products that include recycled content (measured in revenue terms)	1) Increasing environmental regulation
Percentage of products that are recyclable (measured in revenue terms)	2) Changing customer demand
Percentage of Group procurement by value from suppliers with active carbon reduction programmes	6) Supply chain disruptions 7) Transition to net zero economy

Table 2: Total GHG carbon emissions for 2025 and 2024

Type of emission	Activity	2025 tonnes of CO ₂ e	2024 tonnes of CO ₂ e	% change
Direct (Scope 1)	Natural gas (kWh)	403	408	(1%)
	Commercial truck fuel (litres)	4,144	4,254	(3%)
	Passenger vehicle fuel (litres/miles)	265	316	(16%)
	LPG (litres)	86	91	(5%)
	Gas oil (litres)	53	53	(1%)
	Scope 1 subtotal	4,951	5,122	(3%)
Indirect (Scope 2) market based	Purchased electricity for operations (kWh)	158	224	(29%)
	Purchased electricity for Company cars (kWh)	49	35	40%
	Scope 2 subtotal	207	259	(20%)
Total Scope 1 and Scope 2 gross emissions (tCO₂e) market based	Scope 1 and Scope 2	5,158	5,381	(4%)
Indirect (Scope 2) location based	Purchased electricity for operations (kWh)	984	1,179	(17%)
	Purchased electricity for Company cars (kWh)	49	35	40%
	Scope 2 subtotal	1,033	1,214	(15%)
Total Scope 1 and Scope 2 gross emissions (tCO₂e) location based	Scope 1 and Scope 2	5,984	6,336	(6%)

Table 3: Total GHG carbon emissions for 2025 by division

Business segment	2025 tonnes of CO ₂ e – market based	Revenue 2025 (£m)	2025 tCO ₂ e/£m revenue	2024 tCO ₂ e/£m revenue
Packaging Distribution	3,676	229	16	17
Manufacturing Operations	1,482	72	21	22
Total	5,158	301	17	18

Table 4: Historic GHG carbon emissions since 2019 baseline

CO ₂ tonnes per annum by Scope	2025	2024	2023	2022	2021	2020	2019
Scope 1	4,951	5,122	5,698	6,223	6,456	6,563	6,931
Scope 2 location based	1,033	1,215	1,146	1,027	1,243	1,165	1,293
Scope 2 market based	207	259	418	618	817	729	1,171
Total location based	5,984	6,337	6,844	7,250	7,699	7,728	8,224
Total market based	5,158	5,381	6,116	6,841	7,273	7,292	8,102

Table 5: Greenhouse gas reporting 2025 by geographic region

CO ₂ tonnes per annum market based	2025	2024
United Kingdom	5,031	5,267
Germany	84	69
Ireland	43	45
Total non-United Kingdom	127	114
Overall	5,158	5,381

TCFD report (cont)

Table 6: Total Group energy usage for 2025 in kWh equivalent

Emissions type	Unit of original measure	2025 units by original measure	2025 energy equivalent in kWh	2024 energy equivalent in kWh	Year on year movement	Year on year % comparison
Natural gas	kWh	2,169,966	2,169,966	1,482,241	687,725	46%
Commercial truck fuel	Litres	1,540,825	15,965,918	15,240,304	725,614	5%
Passenger vehicles	Litres	43,161	399,430	354,592	44,838	13%
Passenger vehicles	Miles	633,403	709,656	697,734	11,923	2%
Electric passenger vehicles	Miles	834,538	277,426	164,108	113,317	69%
LPG	Litres	25,275	374,237	394,032	(19,795)	-5%
Gas oil	Litres	19,144	193,316	195,043	(1,727)	-1%
Electricity	kWh	5,467,682	5,467,682	4,193,765	1,273,916	30%
Total			25,557,631	22,721,819	2,835,812	12%

Table 7: Macfarlane Group Scope 3 baseline

Scope 3 category	Estimated baseline carbon tonnes	% of Scope 3 total
1. Purchased goods and services	153,441	78%
2. Capital goods	864	0%
3. Fuel and energy related activities	1,455	1%
4. Upstream transport and distribution	2,494	1%
5. Waste generated in operations	1,057	1%
6. Business travel	141	0%
7. Employee commuting	907	0%
8. Upstream leased assets	Not relevant	Not relevant
9. Downstream transport and distribution	53	0%
10. Processing of sold products	Not relevant	Not relevant
11. Use of sold products	1,415	1%
12. End of life treatment	32,914	17%
13. Downstream leased assets	1,061	1%
14. Franchises	Not relevant	Not relevant
15. Investments	Not relevant	Not relevant
Total	195,802	100%

Table 8: Targets and progress to date

Metric	Target	2025 progress	2024 progress	Baseline position (2019 unless stated)	Relevant climate-related issue reference
Carbon intensity	50% reduction in Group carbon intensity by 2030 (measured as total market-based carbon tonnes over £m revenue)	42% (17 tonnes per £m)	39% (18 tonnes per £m)	0% (29 tonnes per £m)	2) Changing customer demand 4) Growing investor expectations 7) Transition to a net zero economy
Electric commercial vehicles	50% of baseline delivery fleet to be fully electric by 2030 (currently equates to 55 vehicles)	9% (10 vehicles)	8% (9 vehicles)	0%	2) Changing customer demand 3) Impact of new technology
Electric Company cars	50% of Company car fleet to be fully electric by 2026	53%	42%	0%	3) Impact of new technology
Renewable electricity	100% of energy we control to be sourced from certified renewables by end of 2025	100%	86%	63%	2) Changing customer demand
Installation of solar panels	Solar panels to be installed at one site per year until 2030	5 sites	4 sites	0	3) Impact of new technology
Products that include recycled content	By end of 2025 at least 90% of products (by revenue) in Packaging Distribution will contain recycled content	90%	85%	Not available	1) Increasing environmental regulation 2) Changing customer demand 7) Transition to net zero economy
Products that are recyclable	By end of 2025 at least 90% of products (by revenue) in Packaging Distribution will be recyclable	90%	88%	Not available	1) Increasing environmental regulation 2) Changing customer demand
Supply chain carbon reduction	By 2030, 80% of suppliers by value, to have active carbon reduction programmes (baseline 2024)	55%	51%	Not available	6) Supply chain disruptions 7) Transition to net zero economy

Data methodology and approach

The Group identified its boundaries to ensure all activities and facilities for which it is responsible were being recorded and reported in line with Scope 1 and 2 of the SECR regulation. Data was collected and calculations were undertaken by Macfarlane Group initially. These calculations were then shared with an external consultant, CEN Group, who undertook an independent review of the data and methodologies for accuracy and alignment with best practice.

Calculations were completed in accordance with the requirements of The Greenhouse Gas Protocol best practice framework. Both absolute values and an intensity ratio for the Group's emissions have been calculated. Activities conducted in the Republic of Ireland, the Netherlands and Germany are included below to represent the Group's full global Scope 1 and 2 footprint. Scope 3 emissions tied to business travel fuel are included separately as per the SECR regulations.

All data is generated from invoices and purchases of energy. Some electricity data has been generated by landlords; where meters are shared across multiple tenants each part of the site is allocated a proportion of total consumption. Some invoices are only issued after the reporting period. These invoices are estimated, but do not cover greater than 5% of total energy consumption. Estimated usages are based on the preceding months' consumption data.

In this report, the term 'Carbon emissions' not only includes carbon dioxide (CO₂) but all other greenhouse gases, including methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF₆). Carbon emissions are calculated and reported in tonnes of CO₂ equivalent (tCO₂e) in accordance with recommended best practice.

The carbon footprint calculations use published emission factors and agreed formulae taken from the latest (2025) UK Government Conversion Factors for Company Reporting, provided by the Department for Business, Energy and Industrial Strategy (BEIS) and the International Energy Agency electricity emissions factors (2025).

Non-financial and sustainability information statement

The table below sets out how the Group has complied with the Non-Financial and Sustainability Reporting Requirements set out in Sections 414C and 414CB of the Companies Act 2006. Where these provisions do not form part of the Strategic Report, they are deemed to be incorporated by cross-reference for the purposes of compliance with these sections.

Reporting requirement	Details including the impact on Macfarlane Group including any risks in relation to these matters and financial and non-financial KPIs (see page 1)
Business model	Our business model is described on pages 4 and 5.
Outlook and developments	Main trends/factors likely to affect the future development, performance and position of the business including KPIs are set out in the Business and Finance reviews and in the Sustainability Report both within the Strategic Report on pages 1 to 60.
Principal risks	The principal risks, potential adverse impacts and mitigating actions are set out in the Principal Risks and Uncertainties section on pages 26 to 32.
Stakeholder engagement	The Stakeholder Engagement section on pages 20 to 25 includes details summarising how Directors have had regard to the need to foster the Company's and the Group's business relationships with all stakeholders, and the effect on the principal decisions taken by the Group during the financial year.
Employees	The main policies and interactions with our employees are set out in the Business Review on pages 6 to 15, Principal Risks and Uncertainties on pages 26 to 32, the Stakeholder Engagement section on pages 20 to 25, the Employee section of the Sustainability Report on pages 45 to 46 and the Directors' Remuneration Report on pages 71 to 77.
Environmental matters	Environmental matters are disclosed in the Environment sections of our Sustainability Report on pages 36 to 44 and the Stakeholder Engagement section on pages 20 to 25 and TCFD report on pages 51 to 59.
Financial risk management	Details of the use of financial instruments and financial risk management are set out in the Finance review on page 18.
Human rights	Details of our policies in these areas are set out in our Sustainability Report on page 50.
Social and community matters	Social and Community matters are disclosed in the Stakeholder Engagement section on page 24 and the Sustainability Report on pages 47 to 49.
Anti-bribery & corruption and whistleblowing	Details of our policies in these areas are set out in the Human Rights section of our Sustainability Report on page 50.
Post year end events	Details of important events affecting the Group which have occurred since the end of the financial year are included on page 119.
Overseas branches	Details of the Group's overseas branches are included on page 132.

Chair's introduction to governance

Aleen Gulvanessian

Dear Shareholder,

I am pleased to present the Group's Corporate Governance Report for the year ended 31 December 2025. The business aims to apply and maintain the highest standards of corporate governance, offering a strong framework that delivers and protects value for all our stakeholders. Further detail on how we engage with our stakeholders, as per s172 of the Companies Act 2006, can be found on pages 20 to 25.

Board effectiveness

The Board undertakes a performance evaluation each year to ensure that the Board and its underlying Committees are operating effectively. Details of this evaluation are covered within the Corporate Governance Report. The findings confirm that the Board has the right balance of skills, experience, knowledge and independence.

Compliance with the UK Corporate Governance Code

The Board confirms that, during 2025, the Group has complied with the provisions of the UK Corporate Governance Code 2024 (the 'Code') which came into effect from 1 January 2025. Information on our progress regarding Provision 29 and the Directors' declaration on risk management and internal controls, due to take effect from 1 January 2026, is set out on page 70.

There is a culture of integrity on the Board, which underpins our transparent approach with our key stakeholders. There is also a highly transparent approach to Executive Remuneration, as outlined in our Directors' Remuneration Report on pages 71 to 77. A full version of the Code can be found on the Financial Reporting Council's website www.frc.org.uk.

Sustainability

As a leading protective packaging manufacturer and distributor in the UK with a growing presence in Europe, we have a vital role to play in the sustainability of our products, including focusing on carbon reduction, increased recyclability and contributing to the circular economy. The Board places great emphasis on this and other Environmental, Social and Governance ('ESG') matters. As set out on page 51 of the TCFD Report, the Board has extensive experience in ESG matters and through Board meetings and regular interaction with members of the ESG Committee, which is Chaired by the Group's Head of Sustainability, David Patton, exerts strong governance over the Group's actions and closely monitors its progress. I am pleased that in 2025 we have made further progress across this agenda, including the continued roll-out of electric trucks and solar panels, driving further carbon efficiencies in our delivery fleet, and a reduction in our absolute carbon emissions.



Aleen Gulvanessian, Chair
26 February 2026

Macfarlane is a company proud of our history, which is value-led, and has a strong culture of integrity.

Board of Directors

Our Board

Aleen Gulvanessian

Peter Atkinson

Ivor Gray

James Baird

Laura Whyte

David Stirling

Company Secretary

James Macdonald

The number of Board and Committee meetings attended by each member during 2025 was:

		Board	Audit Committee	Remuneration Committee	Nominations Committee
Aleen Gulvanessian	Chair	9 (9)	4 (4) ¹	3 (3)	1 (1)
Peter Atkinson	Chief Executive	9 (9)	2 (4) ¹	–	–
Ivor Gray	Finance Director	9 (9)	4 (4) ¹	–	–
James Baird	Non-Executive Director	8 (9)	4 (4)	3 (3)	1 (1)
Laura Whyte	Non-Executive Director	9 (9)	4 (4)	3 (3)	1 (1)
David Stirling	Non-Executive Director	9 (9)	4 (4)	3 (3)	1 (1)

¹ The Chair, CEO and Finance Director attend but not as members of the Audit Committee.
Figures in brackets indicate the maximum number of meetings in 2025 for which the individual was a Board or Committee member.

● Nominations Committee ● Remuneration Committee ● Audit Committee

Aleen Gulvanessian

Chair

● Chair ●

Aleen joined the Board on 1 October 2021, becoming Chair on 1 October 2022 following a year as Remuneration Committee Chair. Aleen was a corporate partner at Eversheds Sutherland for 30 years before stepping down to become a Consultant on Board and Governance matters. Aleen is an experienced corporate lawyer who has advised quoted and large private companies across a range of sectors. Her areas of focus have been mergers and acquisitions (including cross border), joint ventures, corporate finance transactions and reorganisations, as well as general boardroom and governance advice for quoted companies. Aleen is a member of the Governance Committee of the Institute of Chartered Accountants in England and Wales. Aleen chairs Xitus Insurance Limited and its holding company, an insurance business focused on run-off liabilities which is regulated by the FCA and PRA, and she also serves on a not-for-profit board.

Peter Atkinson

Chief Executive

Peter joined Macfarlane Group as Chief Executive in October 2003 and has led the Group throughout its subsequent expansion and development. He has a strong sales and marketing background through his career at Procter & Gamble and S.C. Johnson. Peter also has significant general management experience gained during his time at GKN PLC and its joint venture partners where he worked from 1988 to 2001 in a number of senior executive roles in their business-to-business operations. He has a successful track record of both business turnarounds and business development with extensive exposure to international business, having worked in the UK, Europe and the USA.

Ivor Gray

Finance Director

Ivor is a member of The Institute of Chartered Accountants of Scotland and has been with the Group since 1996. He was appointed as a Director on 19 November 2020 and became Finance Director on 1 January 2021. Ivor has been on the Executive Committee since 2005 and was the Group's Company Secretary from 15 May 2020 to 31 December 2020. He was with KPMG LLP for six years before joining Macfarlane Group in 1996.

James Baird

Non-Executive Director and Senior Independent Director

● ● ● Chair

James joined the Board on 8 January 2018. James previously led the Scotland and Northern Ireland business of Deloitte, before becoming Managing Partner of its Audit & Risk Advisory division and Chief Operating Officer, both in Switzerland. An experienced auditor and advisor who has worked with companies in the UK and Europe across a range of industries, he is Professor of Practice at Glasgow University's Adam Smith Business School, chair of trustees of RS Macdonald Charitable Trust, a trustee of Rainforest Trust UK and chair of the ICAS Research Panel. James became chair of the Audit Committee on his appointment and is a member of both the Remuneration and Nominations Committees.

Laura Whyte

Non-Executive Director

● ● Chair ●

Laura joined the Board on 1 October 2022. Laura had a long-standing career at John Lewis where she served on the Management Board for over ten years, latterly as HR Director. She led several business initiatives in support of retailing, with a particular focus on the customer experience. Since 2014 she has worked as a non-executive director with several organisations. She also has a non-executive role at Trifast plc, where she chairs the Remuneration Committee and is a member of the Audit and Nominations Committees.

David Stirling

Non-Executive Director

● ● ●

David joined the Board on 1 January 2025. Prior to his appointment, David was CEO at Zotefoams plc, a manufacturer of cellular specialist materials and listed on the London Stock Exchange. During his 24 years as CEO, the business grew significantly through innovation in foam products and investment in new sites in Europe, North America and Asia. David trained as a Chartered Accountant in Scotland, undertaking overseas assignments with PwC before joining Zotefoams as Finance Director in 1997. David is CEO of James Cropper plc having commenced that role in February 2025.

James Macdonald

Company Secretary

James joined Macfarlane Group in October 2020, becoming Company Secretary and Group Financial Controller on 1 January 2021. He previously worked for The Weir Group PLC, after undertaking his accountancy training at PwC. He is a member of the Institute of Chartered Accountants of Scotland.

Gender	Number	%	Senior positions held per LR 9.8.6 (9) (a) (ii) R
Female	2	33%	Chair
Male	4	66%	Senior Independent Director Chief Executive Finance Director
Total	6	100%	

The data on gender and ethnicity of the Board was collected through a survey sent to each member of the Board by the Group's HR Director.

The Group does not meet the requirements of LR 9.8.6 (9) R relating to gender diversity with the explanation provided on page 64. One member of the Board has a minority ethnic background meeting the requirement of LR 9.8.6 (9) (a) (iii) R.

Corporate governance

Macfarlane Group is committed to the principles of corporate governance set out in the Financial Reporting Council's ('FRC') UK Corporate Governance Code issued in 2024 ('the Code'). The Company's compliance is set out in the narrative statement on pages 64 to 70 and for Directors' remuneration in the Directors' Remuneration Report on pages 71 to 77.

Compliance

The Company fully complied with all the Code provisions during 2025.

The Company's auditor, Deloitte LLP, is required to review whether the above statement reflects the Company's compliance with the provisions of the Code specified for its review by the Financial Conduct Authority's Listing Rules and to report if it does not reflect such compliance.

The Board

The current Board structure is in compliance with the Code, requiring companies outside the FTSE 350 to have at least two independent Non-Executive Directors.

The Board comprises the Chair, three independent Non-Executive Directors and two Executive Directors. Directors' names, and biographical details illustrating their range of experience and the benefit that each Director's appointment brings to Macfarlane Group, are set out on page 63.

The Non-Executive Directors contribute towards and challenge Group strategy as well as scrutinising performance in meeting agreed objectives and monitoring the reporting of performance. They satisfy themselves as to the integrity of the financial information, including confirming that the financial controls, systems of risk management and governance structure are robust and appropriate to the scale and nature of Group operations.

The Chair's other commitments are shown in her biography on page 63. The Board is satisfied that these do not interfere with the performance of Group duties, which is based on a commitment of approximately 45 days per annum.

The Board considers its Non-Executive Directors, James Baird, Laura Whyte and David Stirling to be independent both in character and judgement. None of these Directors:

- has been an employee of the Group within the last five years;
- has, or has had within the last three years, a material business relationship with the Group;
- receives remuneration other than a Director's fee, participates in the Group's share option schemes, performance related pay schemes or is a member of the Group's pension scheme;
- has close family ties with any of the Group's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of their first election.

Non-Executive Directors have access to independent professional advice at the Group's expense, subject to certain limits and procedures, when it is deemed necessary in order for them to effectively fulfil their responsibilities.

Details of Executive Directors' service contracts are given in the Directors' Report, with all Executive Directors' service contracts having notice periods of one year.

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

The Board confirms that it considers and authorises any conflicts or potential conflicts of interest in accordance with the Group's existing procedures. There were no conflicts of interest requiring consideration in 2025.

The balance of the Board's skills and experience is kept under regular review. The Board's succession plans recognise the need to consider wider diversity within the Group and in Board composition. With Aleen Gulvanessian as the Group's Chair and Laura Whyte as a Non-Executive Director, the Group has female representation on the Board of 33%. This is not compliant with the requirements of LR 9.8.6 (9) R to have 40% female representation on the Board. The Board is committed to achieving gender diversity on the Board and when recruiting new Board members proactively works towards compliance while ensuring the Board has the pre-requisite skills and experience.

The roles of the Chair and Chief Executive

The division of responsibilities between the Chair and the Chief Executive is very clearly defined and has been approved by the Board. The Chair is responsible for running the Board, ensuring that all Directors receive sufficient and relevant information on financial, business and corporate matters prior to meetings to allow Directors to bring independent judgement to bear on all issues. The Chair facilitates the effective contribution of Non-Executive Directors and ensures effective communication channels with shareholders.

The Chief Executive's responsibilities focus on managing the business and implementing the Group's strategy.

Senior Independent Director

James Baird is the Senior Independent Director. Shareholders may contact him directly if they feel their concerns are not being addressed and resolved through the normal channels of Chair, Chief Executive or Finance Director.

Re-election of Directors

At each AGM, all Directors fall due to retire and, being eligible, offer themselves for election. Directors' service contracts and letters of appointment will be available for shareholder review prior to the AGM on 12 May 2026.

Subject to the Company's Articles of Association, the Companies Act and satisfactory performance evaluation, Non-Executive Directors are appointed for an initial period of three years. Before the third and sixth anniversary of the Non-Executive Director's first appointment, the Chair will discuss with the Director whether a further three-year term is to be served.

Company Secretary

James Macdonald, the Company Secretary, is responsible for advising the Board through the Chair on all matters relating to corporate governance. Under the direction of the Chair, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between Executive Management and Non-Executive Directors. The Company Secretary also facilitates induction and assists with professional development for the Board. All Directors have access to the advice and services of the Company Secretary.

The Articles of Association and the schedule of matters reserved for the Board provide that the appointment and removal of the Company Secretary is a matter for the Board as a whole.

Board procedures

The Group is controlled by the Board of Directors. The Board's main roles are to set the Group's strategic objectives, guide and support Executive management in achieving these objectives, and create value for and safeguard the interests of all shareholders within the appropriate legal and regulatory framework. The Board met nine (2024: eight) times during 2025 and individual attendance at those and the Board Committee meetings is set out in the table on page 62.

Key members of the management team joined the meetings to further develop the Board's understanding of the business.

The Board has a formal schedule of matters reserved for its approval. The specific matters reserved for the Board include setting the Group's strategy and approving an annual budget, reviewing management performance, approving acquisitions, divestments and major capital expenditure, monitoring returns on investment, reviewing the Group's systems of internal control and risk management, setting and approving ESG objectives and monitoring progress and consideration of significant strategic, financing or ESG matters. The Board has delegated to Executive Management responsibility for the development and recommendation of strategic plans, including ESG strategy, for consideration by the Board, the implementation of the strategy and policies of the Group as determined by the Board, the delivery of the operating and financial plan, approval of capital expenditure below Board authority levels and the development and implementation of risk management systems.

Board agendas are set by the Chair, who consults with the Chief Executive and discusses the agendas with the Company Secretary. A programme of areas for discussion is maintained by the Company Secretary to ensure that all matters reserved for the Board and any other key issues are addressed at the appropriate time.

At each meeting, the Directors receive management information and reports from the Chief Executive and the Finance Director which, together with other papers, enables them to scrutinise the Group and management performance against agreed objectives. These and other regular reports and papers are circulated to the Directors in a timely manner in preparation for Board and Committee meetings and are supplemented by information specifically requested by the Directors from time to time.

Where a Director cannot attend a Board or Committee meeting, any comments the Director has on the papers being reviewed at that meeting are relayed in advance for consideration.

Accountability

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects in the Annual Report and asks the Audit Committee to consider and advise the Board of its view.

The Board considers that the Annual Report provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Directors' Responsibilities Statement is set out on page 80.

Professional development

On appointment, all Directors complete an induction programme designed to give them a thorough understanding of the Group and its activities. They receive information about the Group, the matters reserved for the Board, the terms of reference and membership of the Board Committees, and the latest financial, other performance and ESG information. This is supplemented with visits to key locations and meetings with, and presentations from, senior management.

Board performance evaluation

The Board has a formal process, led by the Chair, for an annual performance evaluation of the Board, its Committees and individual Directors. All Directors are made aware that their performance will be subject to regular evaluation. Each member of the Board completes a self-assessment questionnaire developed to take account of the areas identified in the FRC *'Guidance on Board Effectiveness'*. This includes specific reference to strategic objectives and the performance and processes of the Board and all Board Committees.

The results are collated by the Company Secretary and reviewed to identify areas for improvement and confirm objectives for the year ahead. The Chair then holds individual meetings with each Director to review performance and set individual objectives. Each year the Board considers the adequacy of this internal review of Board effectiveness, including reviewing whether any external advisory input is required. It has been concluded that the current internal review continues to fulfil the necessary purpose and is appropriate given the size and nature of the Group. The Non-Executive Directors conduct an annual performance evaluation of the Chair, led by the Senior Independent Director, applying a similar process.

The Chair meets with the Non-Executive Directors during the year without the Executive Directors present.

Relationships with shareholders

The Group maintains a corporate website (www.macfarlanegroup.com) containing a wide range of information of interest to institutional and private investors.

Detailed reviews of the performance, business model, ESG matters and financial position are included in the Strategic Report on pages 1 to 60 of this report. The Board uses this, together with the Chair's Statement on pages 2 and 3 and the remainder of the Report of the Directors, to present its assessment of the Group's position and prospects.

The Chair seeks to maintain a regular dialogue with shareholders and gives feedback to the Board on issues raised. The Group has regular discussions with institutional shareholders, including meetings led by the Chief Executive and the Finance Director following the announcement of the annual results in February, the interim results in August and trading updates. Individual requests for discussions from shareholders are considered.

The Board receives feedback on shareholder meetings, including broker feedback, for the meetings scheduled around the results' announcements.

All Directors attend the AGM. All shareholders have an opportunity to raise questions with members of the Board on matters relating to the Group's operations and performance during the meeting and to meet Directors after the formal proceedings have ended. Details of the resolutions to be proposed at the AGM can be found in the Notice of Meeting accompanying the Annual Report and Accounts. The Notice of Meeting is sent out more than 20 days in advance of the meeting. In line with the requirements of the Code, the results of proxy votes are disclosed at the AGM, notified to the Stock Exchange and made available on the Group website following the meeting.

Compliance with Listing Rule 6.6.1R

The Directors have considered the requirements of Listing Rule 6.6.1R and have nothing to report.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next twelve months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Given the economic uncertainties, the Directors extended their consideration of going concern with the review of additional scenario analyses set out in the Viability Statement on page 19. This did not identify any additional issues or concerns.

Corporate governance (cont)

Nominations Committee

The Nominations Committee during 2025 was made up as follows:

Aleen Gulvanessian, Chair
James Baird
Laura Whyte
David Stirling

The Committee met once during 2025. Its terms of reference are available on the Group website (www.macfarlanegroup.com).

The principal work undertaken by the Nominations Committee in 2025 was to consider and recommend that the Company propose for re-election any Directors falling due for re-appointment at the AGM, and to fulfil its ongoing responsibilities to review the structure, size and composition of the Board and give full consideration to succession planning for both Executive and Non-Executive Directors and other senior executives. The Nominations Committee will continue to consider the mix of skills, experience and diversity that the Board requires and seek the appointment of Directors to meet its assessment of what is required to ensure that the Board is effective in discharging its responsibilities. No Director is involved in any decisions regarding their own appointment or re-appointment.

Following a Nominations Committee held in 2025, the Committee proposed that all Directors make themselves available for re-election at the AGM on 13 May 2025.

Remuneration Committee

The Remuneration Committee during 2025 was made up as follows:

Laura Whyte, Chair
Aleen Gulvanessian
James Baird
David Stirling

None of the members of the Remuneration Committee during 2025 had any personal financial interests, other than as a shareholder, in the matters to be decided, conflicts of interests arising from cross-directorships or any day-to-day involvement in running the business.

The Committee met three times during 2025. Its terms of reference are available on the Group website (www.macfarlanegroup.com).

The principal work undertaken by the Remuneration Committee in 2025 was:

- a) to review performance against 2024 financial and personal objectives and to conclude on an appropriate performance related reward under the Annual Bonus Plan for senior executives including the Executive Directors;
- b) to approve financial and personal objectives for 2025 in relation to the performance related Annual Bonus Plan;
- c) to consider awards of share-based incentives and determine the performance conditions for these awards;
- d) to consider the vesting of shares to the Executive Directors after reviewing the performance achieved compared to the conditions set when the shares were awarded in 2022 and decided the performance conditions were not met and therefore no vesting was made;
- e) to approve the Directors' Remuneration Report; and
- f) to seek approval, which was granted, of the new Remuneration Policy Statement, including proposed remuneration for Executive Directors, at the AGM on 13 May 2025.

The work of the Remuneration Committee is described in the Directors' Remuneration Report and Remuneration Policy on pages 71 to 77.

Audit Committee

During 2025 the Audit Committee comprised:

James Baird, Chair
Laura Whyte
David Stirling

James Baird was appointed as Chair of the Committee on 8 January 2018 given his relevant experience. The remaining Committee members, Laura Whyte and David Stirling, have a wide range of commercial experience as evidenced in their biographical details on page 63. The Committee Chair will be available to answer questions on any aspect of the Committee's work at the AGM.

The Company Chair attends meetings to give the benefit of their relevant experience but is not a member of the Committee. Executive Directors, members of executive management, internal auditors and external auditors attend certain meetings at the invitation of the Committee Chair.

The Committee's terms of reference are displayed on the Group website, (www.macfarlanegroup.com) and its principal oversight responsibilities cover the following five areas:

- **Internal control and risk management**
The Committee reviews annually the Group's system of risk management and internal control and processes for evaluating and monitoring the risks facing the Group. The overall responsibility for the systems of internal control and for reviewing their effectiveness rests with the Board.
- **Internal audit**
The Committee monitors and reviews the effectiveness of the Group's internal audit function and its terms of reference annually and recommends to the Board any changes required following its review. Reports from internal audit are considered at each meeting and the Committee actively engages in selecting and prioritising areas to be subject to audit.
- **Whistleblowing**
The Committee monitors the Group's arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other areas including an external whistle-blowing service to take calls from employees.
- **External audit**
The Committee is responsible for monitoring the effectiveness of the external audit process and recommending to the Board the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditor is

maintained, including formal consideration of the independence of the external auditor. The Committee considers the framework for the supply of non-audit services by the external auditor and reviews any proposed non-audit services and fees.

• Financial reporting

The Committee monitors the integrity of the Group's financial statements and the significant judgements and estimates contained therein, including assessing the fair, balanced and understandable presentation within the reporting. The Committee also considers any other formal announcements relating to the Group's performance. Further details are set out on the following pages.

Under an Audit and Assurance Policy formalised in 2022, the Executive Committee, senior managers and both internal and external assurance providers are required to provide the Audit Committee with regular updates on a range of topics to enable the Committee to form a view on the adequacy of the planned assurance work in relation to the Group's principal risks (set out on page 26), risk mitigation plans and any significant new risks, themes or developments. The Group's external auditors are expected to assess financial risks and the controls to mitigate them, i.e. those likely to impact on their audit of the financial statements, with consideration of the risk profile and strategy of the business and the assessment performed by the Audit Committee. Internal audit is also required to form an independent view of the effectiveness of risk management and internal control arrangements where they are within the agreed scope of internal audit work.

The Audit Committee met four times during 2025. Its agenda is linked to events in the Group's financial calendar.

The Committee meets privately with the external auditor at least once in each year. In 2025 the Audit Committee discharged its responsibilities by:

- reviewing its terms of reference;
- reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's reports on the final results and draft financial statements;
- agreeing the continuing appropriateness of the Group's accounting policies;
- monitoring compliance with International Financial Reporting Standards;
- challenging the output from the Group-wide process used to identify, evaluate and mitigate risks and associated mitigating controls;
- reviewing the effectiveness of the Group's internal controls and disclosures made in the Annual Report;

- reviewing the reports of the external auditor on the results of their audit and challenging the adequacy of their work in respect of management judgements and internal financial controls, as detailed below;
- reviewing the effectiveness of the external auditor and the quality of the audit at the conclusion of the 2024 audit;
- agreeing the programme of work for the internal audit function taking into account identified risks;
- discussing reports from the Head of Internal Audit on internal audit reports and management responses to proposals made in these reports, ensuring that the responses are actioned and completed on a timely basis;
- agreeing the external auditor's plan for the audit of the Group financial statements which includes confirmation of auditor independence and approval of the engagement letter;
- reviewing and approving external audit fees and keeping the level and nature of non-audit fees under review;
- reviewing the Audit and Assurance Policy (referred to on page 67);
- reviewing the Group's response to any significant developments or enquiries in relation to financial and corporate reporting and the related Board and Directors' responsibilities;
- reviewing the preparatory work and planning undertaken in anticipation of Provision 29 of the Code, and the Directors' declaration on risk management and internal controls, coming into effect from 1 January 2026; and
- reviewing assurance over environmental, social and governance data and associated reporting.

During 2025 the Audit Committee focused specifically on a number of areas relating to management judgements to ensure that:

- there was sufficient stress testing of the Group's financial position through a full range of possible scenarios to assess the Group's going concern and viability. This included challenging management's assumptions regarding revenue growth and profitability as well as working capital investment and capital expenditure assumptions in the modelling of forecast cashflows. This included ensuring that the external auditor had challenged management's assumptions;
- there was a robust review of trade receivables and inventory provisioning to ensure it remained appropriate. This included ensuring that the external auditor had challenged management's assumptions through their own expected credit loss modelling as well as their testing of aged stock data;

- the accounting and disclosure implications of the Pitreavie incident were appropriately addressed in the context of the ongoing investigation work of the various regulatory authorities and the assessment by the Board of the potential financial impact;
- appropriate provisions were recorded in respect of dilapidation and other property-related obligations under the Group's agreed accounting policy including ensuring that the external auditor had exercised appropriate professional scepticism in challenging the work of the Group's external property advisors;
- acquisition accounting entries, including the fair valuation of assets and liabilities acquired as well as initial and deferred contingent consideration, were appropriate and properly disclosed. The Audit Committee sought assurance that management's assumptions regarding valuation had been appropriately challenged by the external auditor and their independent valuation specialists and appropriate account of post trading performance with regard to assessing deferred contingent consideration held at the balance sheet date;
- impairment testing for goodwill and other intangibles, included a rigorous assessment of potential goodwill impairment in relation to the Distribution and Pitreavie CGUs, was conducted given the weaker performances in Distribution and Pitreavie in 2025 due to challenging market conditions and the tragic incident at the Pitreavie facility in Cumbernauld;
- the historic pension equalisation adjustment was appropriately accounted for and disclosed, including ensuring that appropriate input had been received from relevant pensions specialists and that related specialists had been involved in the external audit work to support the approach taken;
- the disclosures related to the use of Alternative Performance Measures, being adjusted operating profit and adjusted profit before tax, and the presentation of reported profit including the consideration of non-recurring items, with associated narrative were appropriate; and
- the internal control environment had been maintained, the risk of inappropriate management override of controls was being monitored and where necessary mitigating or additional controls were implemented.

Following each Audit Committee meeting, copies of the minutes of the meetings are circulated to all Board Directors and are made available to the external auditors by the Company Secretary, who acts as Secretary to the Committee.

Corporate governance (cont)

Audit Committee (cont)

2025 financial statements

Certain accounting policies require key accounting judgements or involve particularly complex or subjective estimates or assumptions which can have a significant effect on the amounts recognised in the financial statements. The Audit Committee receives a report from the Finance Director for the Interim and Annual Reports which summarises the principal judgements taken by executive management. The Committee discusses and challenges these judgements and considers these reports and, in the case of the Annual Report, together with the results of the external audit. The Committee then makes a recommendation to the Board on the suitability of the policies and judgements supporting the reported results.

For the 2025 financial statements, the Committee considers the key areas of judgement to be:

Accounting treatment of acquisitions

The aggregate fair values of assets and liabilities of acquired businesses are measured at the date of acquisition. The excess of the cost of acquisition over the fair value of the identifiable net assets is classified as goodwill. The Committee reviews this process for each acquisition undertaken and discusses the methodology and assumptions used with management. Having reviewed the acquisitions accounted for in 2025, including a review of the purchase price allocation and measurement of the likelihood of contingent consideration being payable based on facts that existed at the acquisition date, the Committee has concluded that it is satisfied with the basis of accounting in this area and the resulting measurements.

The Committee also reviewed the assumptions used by management in valuing the deferred contingent consideration from acquisitions completed prior to 2025 and any resultant charge or credit to the income statement. This review included specific consideration of the £1.6m value in relation to the Pitreavie acquisition and the adjustment recorded in the current year to reflect that the final settlement of the earn-out arrangement concluded in 2025 was a value of £nil as a result of events in 2025 that could not have been foreseen in the date of acquisition. The Committee considered the basis of each of the prior and current period estimates relative to the information available at the time, challenged management on the basis of their original assumptions and subsequent judgements. The Committee has concluded that it is satisfied with the basis of accounting in this area and the resulting adjustments and disclosures made in 2025.

Goodwill impairment

The Committee reviewed the assumptions used by management in assessing the impairment of goodwill of all cash generating units ('CGUs'). Goodwill is allocated to the groups of CGUs expected to benefit from the synergies of the business combination for the purpose of impairment testing. The CGU Groups assessed for impairment in 2025 were Distribution, Manufacturing Operations (excluding Pitreavie) and Pitreavie. The carrying values of goodwill and other operating assets for each CGU Grouping are tested for impairment at the end of the financial year. The Committee reviews management's approach to impairment testing for each CGU Grouping, including the related sensitivity analysis. It also considers the work of the external auditor, including assessment of the level of professional scepticism applied in their work. The Committee was satisfied with the assumptions and judgements applied, concluding that there was no evidence of impairment of goodwill under all reasonable sensitivity scenarios of the Distribution CGU and the Manufacturing Operating CGU. Due to the impact of the Pitreavie incident on the financial and operational performance of the Pitreavie CGU, it has been concluded that there has been impairment of £1.6m in goodwill. The key sensitivities applied of revenue growth, discount rate and growth in perpetuity, set out in note 9, were reviewed by the Committee. The Committee has concluded that it is satisfied with the assumptions being used by management and the sensitivities applied to estimate a £1.6m goodwill impairment in the Pitreavie CGU.

Consideration of other matters

The Committee debated a number of other areas for each reporting period but did not consider these matters to be of similar significance to those above. For the 2025 financial statements, the main other areas that were considered are set out below.

- The Group reviews all trade receivables and provides against potentially irrecoverable items throughout the year, applying an Expected Credit Loss ('ECL') model and reviewing local judgements in their assessment of the provision required. At 31 December 2025, the Group retained an ECL allowance held against trade receivables of £380,000 (2024: £179,000) as set out in note 13. The Committee is satisfied that it has challenged management's assumptions and that the level of provision and the disclosures of items beyond terms is appropriate.

- A net asset is recorded at each reporting date equivalent to the surplus on the Group's defined benefit pension scheme. This asset is determined in conjunction with advice from the pension scheme actuary and can fluctuate significantly based on a number of assumptions, some linked to market-related factors outwith the control of management. The main actuarial assumptions that impact the surplus are set out in note 23. The Committee has debated the assumptions used to determine the liabilities in accordance with guidance from the pension scheme's actuarial adviser and has satisfied itself that the assumptions used fall within an acceptable range reflecting the duration of liabilities in Macfarlane Group's defined benefit pension scheme. The Committee is also satisfied that the surplus can be recognised as an asset based on legal opinion received, details of which are set out in note 23. Accordingly, the Committee is satisfied that it has challenged management's assumptions and the reporting of the pension scheme surplus is appropriate.
- The Group's Viability Statement includes 'severe but plausible' scenarios applied in arriving at the conclusions made. The Committee reviewed these scenarios as well as the reverse stress testing applied to the model (as disclosed on page 19) and was satisfied with the assumptions and judgements applied and the statement made;
- The level of, and basis for, property-related provisions at 31 December 2025. The Committee considered the provisions recorded based on the circumstances of each relevant property and concluded that management's assessment of the provision, supported, where significant, by external opinions from the Group's property advisers, was appropriate;
- The level of, and basis for, inventory provisions at 31 December 2025, including review of the ageing profile of inventory reported by management. Based on this analysis, the Committee is satisfied that it has challenged management's assumptions and that the level of provision is appropriate; and
- The review of the Alternative Performance Measures ('APM'), being adjusted operating profit and adjusted profit before tax, including the consideration of the narrative presentation of performance during the year, the consideration of disclosure of any non-recurring elements and the adequacy of supporting explanations and reconciliations to related statutory performance measures.

For all of these other matters the Audit Committee is satisfied with the approach taken and has reported this to the Board.

The Audit Committee has reviewed the contents of this year's Annual Report and Accounts and has advised the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Committee monitors the Group's arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other areas, including an external whistle-blowing service to take calls from employees. Details of the arrangements are on the Group website (www.macfarlanegroup.com). All concerns are investigated at the earliest opportunity and the employee's anonymity preserved wherever possible.

Assessment of external audit quality

The Audit Committee considers the quality and adequacy of the work performed by the external auditor on conclusion of each year's annual audit. It considers the effectiveness of the external auditor, in particular assessing the level of professional scepticism demonstrated throughout the audit process and in the challenge of management's assumptions. Through the Committee meeting privately with the external auditor and in discussions between the external auditor and the Committee Chair, the actual performance of the auditor is compared to the annual audit plan originally presented to and agreed by the Committee.

The Audit Committee also reviews the Audit Quality Inspection and Supervision Report for Deloitte LLP as a whole issued by the Financial Reporting Council ('FRC') on conclusion of their inspection cycle each year and receives a report from the external auditor on any matters which could have implications for the planning of future audits of the Group.

Relationship with external audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's position on external audit. The Committee's terms of reference assign oversight responsibility for monitoring the independence, objectivity and compliance of the external auditors with ethical and regulatory requirements to the Audit Committee, and day-to-day responsibility to the Finance Director. The Audit Committee ensures that the Board and external auditor have safeguards in place to prevent the auditor's independence and objectivity being compromised. The external auditor also reports to the Committee on the actions taken to comply with professional and regulatory requirements and current best practice in order to maintain independence.

Each year the Audit Committee considers and agrees the scope of the audit proposed by the external auditor, including coverage of identified risk areas. In their review of the 2025 audit scope, the Committee requested that the external auditor report on the following additional areas:

- the appropriateness of disclosures related to the Alternative Performance Measures, adjusted operating profit and adjusted profit before tax, including the consideration of the narrative presentation of performance during the year, the disclosure of any non-recurring elements and the adequacy of supporting explanations and reconciliations to related statutory performance measures;
- the impact of the trading downturn on the overall business and financial performance and associated disclosures;
- review of the impact on the financial statements of the fatal incident at the Pitreavie business as well as the trading downturn. This included the audit of the Pitreavie goodwill impairment calculations as well as a review of the disclosures related to the incident itself;
- the appropriateness of certain Head Office management review controls.

The external auditor reported to the Committee on all of these areas on conclusion of the 2025 audit.

The Committee notes that there are no contractual obligations to restrict the choice of external auditor. In accordance with best practice, the audit partner from the external firm rotates off the audit engagement every five years. David Mitchell CA assumed the Group and Company lead audit partner role from 2024 and this will be his second year.

The Audit Committee monitors non-audit services, if any, provided to the Group by the external auditor, recognising that there may be certain non-audit work which the external auditor is best placed to undertake. The Committee's policy is to keep all services provided by the external auditor under review to ensure the independence and objectivity of the external auditor, taking account of relevant professional and regulatory requirements. Non-audit work to be undertaken by the external auditor is approved by the Audit Committee in advance of the work being undertaken. No non-audit work was undertaken by the external auditor in 2025.

Corporate governance (cont)

Risk management and internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. It is management's role to implement the Board's policies on risk and control through the design and operation of appropriate internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that an ongoing process for identifying, evaluating and managing the significant risks faced by the Group was in place in accordance with the principles of the Code and the related guidance. The process was in place throughout 2025 and has continued to the date of approval of the Annual Report and Accounts.

The Board regularly reviews the Group's system of internal control, utilising, where appropriate, the work of the Audit Committee. The Board's monitoring covers all controls including financial, operational and compliance controls and risk management.

The key elements of the internal control process are:

- formal Board reporting on a monthly basis by the Executive;
- formal Board approval of the annual budget;
- monthly and annual financial control checklists submitted by each business unit;
- discussion by the Committee of the external auditor's conclusions from its annual audit;
- completion of Internal Audit work in accordance with an agreed annual plan, with all reports and related recommendations reviewed by the Audit Committee after discussion with executive management; and
- a robust risk assessment process (set out below).

Each business's risk register is kept under review during regular review meetings in each business. The Board considers in detail specific risks from the register at each Board meeting and annually carries out a review of the risks facing the Group, ensuring that management has identified and implemented appropriate controls which are acceptable to the Board to address these risks.

Since 2009, Internal Audit has been staffed in-house. Certain parts of the internal audit plan may be outsourced when specific expertise is required. The Committee challenges and agrees the annual internal audit plan, receives reports on internal audit issues raised, a six-monthly update and an annual report from the Head of Internal Audit. The risk register is taken into account in setting the Internal Audit plan each year.

The Committee receives regular reports on cyber security matters in recognition of the importance of having robust cyber security measures in place as part of the controls framework. Monitoring reviews and compliance audits are undertaken with the involvement of external specialists to ensure that employees, customers and suppliers are protected to the extent practical from the impact of cyber security breaches.

During the course of its review of the system of internal control, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be significant.

Based on the reports received from the Audit Committee, Internal Audit and the Board's consideration of the system of risk assessment, taking account of any observations from the external auditors, the Board has concluded that the Group's risk management and internal control processes were effective throughout the year.

Internal controls and Provision 29 readiness

The Board recognises its overall responsibility for the system of internal control and risk management across the Group. During the 2025 financial year, we have continued to strengthen our internal control framework to support robust and effective governance through:

- mapping key and material controls directly to our Principal Risks and Uncertainties as disclosed in this report on pages 26 to 32, ensuring that our highest risk exposures are underpinned by a clear and well-defined control framework as well as applying the principles of the COSO Internal Control framework to identify controls across financial reporting, legal/regulatory obligations and operational policies.
- working with process and control owners at Board and senior management levels, to document and assess the design and operation of key and potentially material controls.
- enhancing our internal risk-assessment processes, including regular risk-register reviews and stress-testing of key business unit controls under different scenarios.

During 2025, internal audit completed a walkthrough of all material controls to review their documentation and design including their coverage in mitigating the identified Principal Risks and Uncertainties.

As a result of these measures, the Board was satisfied that it has taken appropriate preparatory measures in relation to Provision 29 of the UK Corporate Governance Code.

Remuneration report

Remuneration Committee Chair's summary statement

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for Macfarlane.

This Chair's statement summarises the main areas of activity for the Remuneration Committee in the year and introduces the other sections of the Directors' Remuneration Report. It comprises both this statement and the Annual Report on Remuneration, which sets out the remuneration arrangements and incentive outcomes for the year under review and how the Remuneration Committee intends to implement our Policy in 2026.

Remuneration in 2025

Group results for 2025 are set out in our Strategic Report. We believe the financial results in the year are appropriately reflected in the remuneration of our Executive Directors, as follows:

- Annual bonus outcomes for the CEO and Finance Director for 2025 of 0% and 0% of maximum amounts available respectively (maximum being 100% of base salary) reflecting the disappointing business performance in the year;
- Performance Share Plan ('PSP') awards made in September 2025, subject to three-year earnings per share ('EPS') and total shareholder return ('TSR') growth targets, which the Committee regards as aligned with the Group's strategic priorities and appropriately stretching; and
- The 2023 PSP awards (measured to 31 December 2025) will not vest.

Under the Deferred Bonus Share Plan ('DBSP') the 25% deferred element of the 2022 bonus awards vested in 2025. The 25% deferred element of the 2023 bonus award will vest in 2026.

We have disclosed the performance measures for our 2025 annual bonus plan on page 72.

In 2025 our Board maintained its focus on our obligations to our workforce and to other stakeholders, with 44% of our employees receiving a bonus (2024: 40%).

The Remuneration Committee exercised what it regards as normal commercial judgement in respect of Directors' remuneration throughout the year (and in all cases in line with the approved remuneration policy) including in relation to:

- setting performance metrics for normal course annual bonuses and PSP awards in the year; and
- confirming the outcome of performance metrics for annual bonuses and PSP awards in the year.

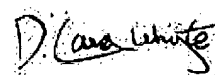
There were no other exercises of judgement or discretion by the Remuneration Committee save as detailed in this report.

Remuneration in 2026

The key components of executive remuneration at Macfarlane in 2026 are unchanged, with no major changes to salary, bonus or pension arrangements.

The table below summarises the Committee's proposed remuneration for 2026.

I do hope that you will feel able to support the resolution to approve this Directors' Remuneration Report at the AGM in May 2026. We are happy to receive feedback from shareholders at any time in relation to our remuneration policies and I will also be available at the AGM to answer any questions you may have and look forward to meeting those attending.



Laura Whyte
Chair of the Remuneration Committee
26 February 2026

Element	2025 position	Proposed for 2026
Base salary	CEO – £452,400 CFO – £235,000	Subject to normal annual review. As noted in last year's Annual Report the Remuneration Committee are conscious that Ivor Gray's salary has not kept pace with the wider market. They have reviewed this in light of his contribution and performance and have applied an increase of £25,000 (10.6%) to £260,000 and we will revisit this in 2027 to ensure his salary is in line with his comparator set.
Pensions	5% base salary pension contribution.	No change.
Benefits	Car allowance and private medical insurance.	No change.
Annual bonus	Bonus maximum at up to 100% salary p.a. 25% of all bonus outcomes for any year will be deferred in shares for 2 years.	No change.
PSP award/vesting	Annual award – 150% base salary. Group performance underpin, 3-year vesting period and 2-year post-vesting holding period. Metrics 60% EPS, 40% TSR vs the constituents of the FTSE SmallCap (ex IT).	No change.

Remuneration report (cont)

Annual report on remuneration

The details set out on pages 72 to 73 of this report have been audited by Deloitte LLP.

Single total figure of remuneration for each Director

	Salary and fees £000	Taxable benefits £000	Pension costs £000	Fixed pay £000	Bonus £000	LTIP vesting £000	Variable pay £000	Total pay £000
2025								
Chair								
A. Gulvanessian	86	–	–	86	–	–	–	86
Executive Directors								
P.D. Atkinson	452	25	23	500	–	–	–	500
I. Gray	235	4	12	251	–	–	–	251
Non-Executive Directors								
J.W.F. Baird	49	–	–	49	–	–	–	49
D.L. Whyte	49	–	–	49	–	–	–	49
D.B. Stirling	49	–	–	49	–	–	–	49
Total	920	29	35	984	–	–	–	984
2024								
Chair								
A. Gulvanessian	86	–	–	86	–	–	–	86
Executive Directors								
P.D. Atkinson	452	25	23	500	–	502	502	1,002
I. Gray	235	3	12	250	–	265	265	515
Non-Executive Directors								
J.W.F. Baird	49	–	–	49	–	–	–	49
D.L. Whyte	49	–	–	49	–	–	–	49
Total	871	28	35	934	–	767	767	1,701

Taxable benefits relate to provision of a Company car (or equivalent allowance) and private medical insurance.

Directors' pension entitlements

P.D. Atkinson received a cash allowance which equates to 5% of his base salary. I. Gray is a member of one of the Group's defined contribution pension schemes, with an employer contribution of 5% of base salary, consistent with other employees in that scheme.

Annual bonus for the year ended 31 December 2025

The 2025 annual bonus plan is based on performance against financial targets and personal objectives as set out in the Remuneration Policy and is paid in cash and deferred shares following Board approval of the Group Accounts. The minimum financial target was not achieved in 2025 and, as a result, an annual bonus of 0% of salary will be payable to the CEO and 0% of salary will be payable to the Finance Director. The original financial targets for 2025 are shown below:

	2025 Adj PBT	
Threshold	25% of incentive	£25.9m
Target	50% of incentive	£26.9m
Maximum	100% of incentive	£27.8m
Actual performance		£15.6m¹
% of PBT element payable		0%
% of base salary		0%

¹ Actual performance as shown above is before charging/crediting of deferred contingent consideration adjustments, amortisation and goodwill impairment in the year of £0.3m, and before the non-recurring pension charge for historic pension equalisation of £1.9m, which the Remuneration Committee consider to be accounting adjustments uncorrelated to the operating performance of the business in 2025.

A bonus of up to 25% of base salary is also payable for achievement of personal performance objectives with the Remuneration Committee also being required to consider financial and overall performance before this element is paid. Personal performances objectives were set for the Executive Directors at the beginning of the year in a range of areas including operational efficiency, sustainability and cash generation.

Despite a number of the objectives being attained in the year, as detailed above no amounts are being paid for any element of 2025 bonus. The Committee will continue to ensure that the evaluation of any future payments are fully set out with achievements against objectives detailed in the report.

As the minimum PBT target was not achieved the total bonus payable for 2025 to P.D. Atkinson was £0 (0% of salary), and I. Gray £0 (0% of salary).

Long term incentives for the year ended 31 December 2025

The Company operates a PSP under which shares are awarded which vest subject to performance over a three-year period.

Vesting outcomes for 2022 PSP awards

Award	Performance measure	Target range	Performance achieved	Vesting outcome	% of total award vesting
2022 PSP	Earnings per share growth (100%)	Target range between 10.16p (25% vests) and 12.19p (100% vests)	9.40p ¹	0%	0%

¹ The EPS achieved in 2024 of 9.74p was adjusted to 9.40p to reflect the add back of the deferred consideration adjustment of £0.5m which the Remuneration Committee approved after considering the accounting adjustment relating to the initial acquisition to be unrelated to the operating performance of the business in 2024. The Committee confirmed that the EPS performance condition was below the lowest threshold in the year ending 31 December 2024 and therefore no LTIPs vested.

PSP awards made in 2025

Awards were granted on 25 September 2025 over shares worth 150% of salary to each of the Executive Directors (using the three months average market price of 102.51p to the last trading day prior to grant). PSP awards are granted in the form of conditional share awards and are subject to an EPS performance condition, as shown in the below table of existing awards, and for the first time in 2025, a TSR performance condition. The element of the 2025 award applicable for TSR is up to 40% and EPS is up to 60%. 2023 and 2024 awards are up to 100% based on EPS.

EPS is measured by dividing the adjusted profit after tax from total operations by the weighted average number of ordinary shares used to calculate adjusted EPS. The TSR Performance Condition is based on the Company's TSR performance against the FTSE Small-Cap Ex Investment Trust Index over a three-year period from the date of the award and with threshold vesting (25% of this part) at median ranking and full vesting (100% of this part) at upper quartile or higher ranking.

Grant of PSP Award	Threshold (25%)	Maximum (100%)	Year end target date
2025	11.93p	14.31p	31 December 2027
2024	11.30p	13.56p	31 December 2026
2023 ¹	10.80p	12.95p	31 December 2025

¹ The 2023 PSP awards will not vest.

Vesting of the awards above will also be subject to an underpin assessment by the Remuneration Committee that it must be satisfied regarding overall Group performance before vesting is confirmed. The awards are subject to a two-year post-vesting holding period.

Summary of PSP awards held

	Awards held at 1 January 2025	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Awards held at 31 December 2025
P.D. Atkinson	1,064,021	724,484	–	(313,953)	1,474,552¹
I. Gray	526,706	376,335	–	(155,465)	747,576¹

¹ Includes 412,322 and 195,798 shares for Peter Atkinson and Ivor Gray respectively related to 2023 PSP awards which will not vest.

Shareholdings and share interests of the Directors in office at 31 December 2025 were as set out below:

	2025 Beneficial	2025 Options	2024 Beneficial	2024 Options
P.D. Atkinson	1,513,456	1,553,701	1,477,988	1,204,028
I. Gray	303,324	784,394	287,364	593,067
J.W.F. Baird	68,268	–	66,605	–
A. Gulvanessian	15,533	–	15,553	–
D.L. Whyte	18,500	–	9,200	–
D.B. Stirling	15,900	–	–	–

Options above are subject to performance conditions being satisfied, except for the deferment of bonus from 2023 as detailed below. Executive Directors are expected to build up a prescribed level of shareholding equivalent to 150% of base salary, as per the approved remuneration policy. P.D. Atkinson materially exceeds this requirement, with shares worth £1,089,688 at 31 December 2025. I. Gray is not yet compliant with this new policy with shares worth £218,393.

Options held by P.D. Atkinson and I. Gray are in respect of the PSP awards made in 2023, 2024 and 2025. These are unvested and subject to the achievement of performance targets described earlier.

Options also include the share equivalent of 25% deferment of annual bonus from 2023 for P.D. Atkinson of 79,149 shares and I. Gray of 36,818 shares.

The share price ranged from 62.80p to 120.50p during 2025. The closing share price on 31 December 2025 was 72.00p (2024: 107.50p).

The remainder of the Annual Report on Remuneration is not subject to audit.

Remuneration report (cont)

Performance graph and table

The graph below shows Macfarlane Group's performance, measured by Total Shareholder Return, compared with the performance of the FTSE Smallcap Ex IT Index and the FTSE All-Share Index for General Industrials also measured by Total Shareholder Return for the period since 1 January 2016. Macfarlane Group is a constituent part of the General Industrial Index. The Index for Smallcap Ex IT has also been selected because it is the benchmark for the TSR metric of PSP awards from 2025 onwards.

Total shareholder return index

- Macfarlane Group
- FTSE All Share General Industrials
- FTSE SmallCap Ex IT

Source: Datastream
(a LSEG product)

CEO single figure

		Single figure of total remuneration £000	Annual variable element award vs. maximum opportunity	Long term incentive vesting against maximum opportunity
2025	P.D. Atkinson	500	0%	0%
2024	P.D. Atkinson	1,002 ¹	0%	100%
2023	P.D. Atkinson	1,361 ¹	92%	100%
2022	P.D. Atkinson	1,161 ¹	60%	100%
2021	P.D. Atkinson	649	100%	n/a
2020	P.D. Atkinson	484	15%	n/a
2019	P.D. Atkinson	530	46%	n/a
2018	P.D. Atkinson	440	0%	n/a
2017	P.D. Atkinson	514	48%	0%
2016	P.D. Atkinson	516	55%	n/a

¹ This includes £411,000 vesting of 2019 PSP in 2022, £470,000 vesting of 2020 PSP in 2023 and £502,000 vesting of 2021 PSP in 2024.

Percentage change in remuneration of Directors and employees

The following table shows the percentage change in remuneration of the Directors and employees of the business between the 2024 and 2025 financial years.

			Executive Directors		Non-Executive Directors			
			P.D. Atkinson	I. Gray	A. Gulvanessian	J.W.F. Baird	D.L. Whyte	D.B. Stirling
2024/25	Employee average							
	Salary/fees	4%	0%	0%	0%	0%	0%	–
	Benefits	5%	0%	0%	–	–	–	–
2023/24	Bonus	167%	0%	0%	–	–	–	–
	Salary/fees	4%	4%	14% ¹	4%	4%	4%	–
	Benefits	7%	(14%)	(31%)	–	–	–	–
2022/23	Bonus	(84%)	(100%)	(100%)	–	–	–	–
	Salary/fees	7%	7%	3%	3%	31% ²	31% ²	–
	Benefits	35%	(30%)	(8%)	–	–	–	–
2021/22	Bonus	(3%)	50%	44%	–	–	–	–
	Salary/fees	3%	10%	5%	3%	3%	–	–
	Benefits	2%	(17%)	3%	–	–	–	–
2020/21	Bonus	(33%)	44%	35%	–	–	–	–
	Salary/fees	2%	2%	2%	2%	2%	–	–
	Benefits	(12%)	0%	27%	–	–	–	–
	Bonus	296%	580%	7,188% ³	–	–	–	–

¹ The increase in base salary reflected the Finance Director's contribution and performance since appointment in January 2021 and in setting the new salary level, the Remuneration Committee consulted relevant market data for CFO pay levels in comparable FTSE SmallCap companies.

² Following a thorough review, including consideration of relevant external benchmarks and consultation with our external remuneration advisors.

³ I. Gray became an Executive Director in November 2020, therefore the bonus payable in 2020 was for one month of service, capped at 7.5%.

The legal requirement is only to provide details of employees of the parent company, Macfarlane Group PLC. However, we have decided to voluntarily disclose the comparison in respect of details for all Group employees.

Relative importance of spend on pay

The change in remuneration for all employees compared to dividends to shareholders is shown below:

	2025 £000	2024 £000	Change
Total employee pay	48,939	41,206	18.8%
Dividend	5,822	5,750	1.3%

CEO to employee pay ratio

The table below shows the ratio of total CEO remuneration to that of the lower quartile, median and upper quartile paid employee.

Financial year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2025	Option B	18.7:1	15.5:1	12.4:1
2024	Option B	40.1:1	31.8:1	25.2:1
2023	Option B	54.1:1	46.3:1	36.0:1
2022	Option B	46.2:1	41.5:1	15.8:1
2021	Option B	31.4:1	24.0:1	17.5:1

Notes to CEO to employee pay ratio

The reduction in CEO to employee pay ratio in 2025 compared to 2024 is due to a lower pay increase and lower outcomes on variable pay for 2025 for the CEO.

Option B, using the gender pay gap reporting data to identify the individuals who represent the three quartiles, was chosen as the methodology as this data was readily available on a Group-wide basis and is consistent with 2024.

Total remuneration for the CEO and for the individuals who represent the three quartiles was determined for the year to 31 December 2025. The three individuals are all full-time employees and are considered to be representative of the 25th percentile, median and 75th percentile pay levels in the Group. Median pay ratios are reflective of Macfarlane Group's policy of not paying excessive salaries to Executive Directors. The ratio this year reflects no vesting of the 2022 PSP award and the ratio for 2024 reflected the vesting of the 2021 PSP award.

The table below shows the total pay and benefits and the salary component of total pay for the three quartiles.

Financial year	Salary component of total pay and benefits			Total pay and benefits		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
2025	£25,510	£28,634	£38,242	£26,786	£32,254	£40,271

Statement of implementation of remuneration policy in 2026

As stated in the Remuneration Committee Chair's summary statement on page 71, the salary of P.D. Atkinson for 2026 will be reviewed ahead of April 2026 with any percentage increase in line with the rate of increase for the wider workforce and the salary of I. Gray will increase 10.6% to align to the wider market.

Executive Directors will be eligible to receive an annual bonus of up to 100% of base salary (2025: 100%), with 75% of salary based on PBT targets and 25% of salary based on personal objectives. 25% of the bonus will also be deferred, payable in shares, subject to a minimum of £10,000. A bonus of up to 25% of base salary is also payable for achievement of personal performance objectives with the Remuneration Committee also being required to consider financial and overall performance before this element is paid. The precise PBT targets for 2026 are considered by the Board to be commercially sensitive and will therefore be disclosed in the Annual Report 2026. The main focus of the personal objectives are: cash generation, health and safety; business growth; leadership development and capital allocation.

Benefits will operate in an unchanged way from 2025.

The Remuneration Committee intends to make awards under the PSP based on the following principles:

- an annual award over shares with a face value of up to 150% of salary (as per the approved policy);
- a fixed three-year performance period (with no re-testing);
- a two-year post-vesting holding period; and
- a performance condition based 60% on EPS performance and 40% on relative TSR (measured vs the constituents of the FTSE SmallCap (ex IT)). Vesting is also subject to an 'underpin' assessment by the Remuneration Committee that it must be satisfied regarding overall Group performance before vesting is confirmed.

The precise targets for the EPS component will be set by the Committee at the time of the award and will be disclosed in next year's Directors' Remuneration Report. As in past years, the EPS targets will allow 25% vesting of this part at threshold performance and 100% vesting of this part at a stretch performance level.

The TSR component will be measured in a market-normal way relative to the constituents of the comparator group with threshold vesting (25% of this part) at median ranking and full vesting (100% of this part) at upper quartile or higher ranking.

Remuneration report (cont)

Details of the Remuneration Committee, advisers to the Committee and their fees

The Remuneration Committee currently comprises three independent Non-Executive Directors and the Company Chair. Details of the Directors who were members of the Committee during the year are disclosed on page 66. During the year under review, the Committee, where appropriate, sought advice and assistance from the Executive Directors in connection with carrying out its duties. The Company Secretary acts as the secretary to the Committee.

The Remuneration Committee used the services of FIT Remuneration Consultants LLP to advise on certain aspects of remuneration during 2025 and fees of £13,960 (2024: £11,603) were charged during the year for that advice. FIT's fees were charged on the basis of that firm's standard terms of business for advice provided. The Directors consider FIT Remuneration Consultants LLP to be independent of the Group, its Directors and objective in their advice. FIT were appointed to advise the Committee in 2016 following a competitive tender process. FIT is a signatory to the Remuneration Consultants Group's Code of Conduct.

Remuneration Committee's reporting obligations

The Remuneration Committee considered its obligations under the 2024 UK Corporate Governance Code and concluded that for 2025:

- the Directors' Remuneration Policy, approved by shareholders in May 2025, and our implementation of the Policy (including the use of PBT and personal performance measures for the annual bonus and EPS and TSR performance measures for the PSP) supported the Company's strategy.
- the use of PBT, EPS and TSR measures reflected the Company's focus on growing profits and our aims of motivating the Executive Directors to achieve a level of profitability that supports the Company paying an attractive level of dividend, balanced against the need to retain funds in the business to finance growth, fund acquisitions, share buybacks and meet capital expenditure requirements.
- remuneration for the Executive Directors remains appropriate and consistent with our policy of not paying excessive salaries. The Remuneration Policy operated as intended.

In addition, the Committee has applied the principals of the Section 5 of the 2024 code when determining the Executive Directors' remuneration. It ensures that the remuneration framework supports the Company's long-term sustainable success, aligned to our strategy and culture, and incorporates clear and effective malus and clawback arrangements.

Robust recovery and withholding provisions (i.e. 'clawback' and 'malus') operate for our annual bonus plan, deferred bonus share awards and LTIP. In summary, the relevant provisions will apply as follows:

- prior to the payment of an annual bonus or vesting of a deferred bonus award or LTIP award, the Committee may operate malus to lapse the bonus or the relevant unvested award in full or in part;
- for up to three years following the payment of an annual bonus in cash, the Committee may operate clawback to require the repayment of any cash amount paid in full or in part;
- for up to two years after the vesting of a LTIP award (or during an extended period for an ongoing investigation), the Committee may operate clawback to cancel or reduce the number of vested shares during the holding period (or require repayment of the value of vested LTIP awards exercised but subject to the holding period).

The circumstances in which malus and clawback may be operated are as follows:

- there has been a material misstatement of the Company's accounts;
- there has been a significant deterioration in the underlying financial health of the Company;
- the participant has deliberately misled the Company, the market or shareholders regarding the Company's financial performance;
- any circumstances which would have had a significant impact upon the reputation of any member of the Group;
- the calculation of any performance condition was based on an error or miscalculation which results in greater vesting or payment that would have otherwise applied; or
- circumstances which have (or could have) warranted the participant's summary dismissal as a result of gross misconduct.

The Remuneration Committee receives a report on pay and benefits across the Group which it considers when setting remuneration for Executive Directors. While employees are not directly consulted when setting Executive Directors' remuneration, Laura Whyte acts as designated Non-Executive Director for employee engagement in addition to her role as Remuneration Committee Chair, and so the Remuneration Committee is fully updated on any views on remuneration which arise from the engagement process.

Whenever the Board has engaged with shareholders during the year, it has received supportive feedback, including on remuneration matters.

The Directors' Remuneration Report received the following votes from shareholders.

	Total number of votes	% votes cast
For	90,840,273	99.91%
Against	77,440	0.09%
Total votes cast (for or against)	90,917,713	100.00%
Votes withheld	290,263	
Total	91,207,976	

Votes received on 13 May 2025 (including votes withheld) amounted to 57.15% of the issued share capital.

Statement of voting at the Annual General Meeting on 13 May 2025

The Directors' Remuneration Policy received the following votes from shareholders.

	Total number of votes	% votes cast
For	86,817,460	95.25%
Against	4,329,253	4.75%
Total votes cast (for or against)	91,146,713	100.00%
Votes withheld	61,263	
Total	91,207,976	

Votes received on 13 May 2025 (including votes withheld) amounted to 57.15% of the issued share capital.

Directors' remuneration policy

The Directors' Remuneration Policy for Executive and Non-Executive Directors for the three-year period expiring at the Company's 2028 AGM, and which was approved by shareholders at the 13 May 2025 AGM, can be found within the Company's Annual Report and Accounts for 2024 which is available on the Company's website at www.macfarlanegroup.com/investors/accounts.

Report of the Directors

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2025. Pages 1 to 80 inclusive comprise the Directors' Report, which in turn includes the Chair's Statement and the Strategic Report on pages 1 to 60 (together the 'Reports'). The Reports have been drawn up and presented in accordance with, and in reliance upon, applicable laws, and any liability of the Directors in connection with them shall be subject to the limitations and restrictions provided by such laws.

The Company has chosen to disclose the following information in other sections of the Annual Report.

- Details of the use of financial instruments and financial risk management by the Group (page 18).
- Details of important events affecting the Group which have occurred since the end of the financial year (page 119).
- Details of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard on the principal decisions taken by the Group during the financial year (pages 20 to 25).
- An indication of likely future developments in the business of the Group (pages 6 to 15).
- Details of the Group's overseas branches (page 132).

Corporate governance

The information required for the Corporate Governance Statement is set out in the Corporate Governance Report on pages 64 to 70 and is incorporated into this report by reference, except for the information referred to in the Financial Conduct Authority Disclosure and Transparency Rules 7.2.6, which is located within this report.

Report on greenhouse gas emissions

Details of the Group's emissions and policies are contained within the Sustainability Report on pages 36 to 40. The Group's Taskforce on Climate-related Financial Disclosures are set out in detail on pages 51 to 59.

Basis of Statement

The Chair's Statement and the Strategic Report have been prepared to provide additional information to members of the Company to assess the Group's strategy and the potential for the strategy to succeed. They should not be relied on by any other party or for any other purpose. This report and the financial statements contain certain forward-looking statements relating to the operations, performance and financial status of the Group. By their

nature, such statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors, including economic and business risk factors, which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Nothing in this report and the financial statements should be considered or construed as a profit forecast for the Group.

Results and dividends

The Group's profit before tax from continuing activities was £8,050,000 (2024: £20,896,000). This resulted in a profit for the year of £6,316,000 (2024: £15,530,000).

The Directors declared an interim dividend of 0.96p per share totalling £1,520,000, which was paid on 9 October 2025 (2024: 0.96p per share; totalling £1,529,000). The proposed final dividend of 2.70p per share totalling £4,246,000 (2024: 2.70p per share; totalling £4,302,000) is subject to approval by shareholders at the AGM in May 2026 and has not been included as a liability in these financial statements.

Capital structure

The Group funds its operations from a number of sources of cash, namely operating cash flow, bank borrowings, lease borrowings and shareholders' equity, comprising share capital, reserves and retained earnings. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in immediate and medium-term funding to accommodate any material investment requirements and growth opportunities, both organic and through acquisition. All major investment decisions reflect capital allocations which are designed to maintain the Group's objective.

As at 31 December 2025 the Company's issued share capital was 157,274,491 ordinary shares of 25 pence, each credited as fully paid. There are no shares held in treasury.

The Company has one class of ordinary share, which carries no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. There are no restrictions on the size of shareholdings nor on the transfer of shares, which are both governed by the Articles of Association of the Company ('the Articles') and prevailing legislation. The Directors are not aware of any agreements between the Company's shareholders that may result in restrictions on the transfer of securities or on voting rights.

The rights attached to the ordinary shares of the Company are defined in the Company's Articles. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The Company is governed by the Articles, the UK Corporate Governance Code (2024) and the Companies Act 2006 with regard to the appointment and replacement of Directors. The Articles may be amended by special resolution of the shareholders. The powers of the Directors are detailed in the Corporate Governance report.

The Directors will propose an ordinary resolution at the 2026 AGM seeking authority to allot shares in the Company under section 551 of the Companies Act 2006 up to an aggregate nominal amount of £13,106,208.

At the 2025 AGM, the Directors were given authority to allot further ordinary shares, disapplying any pre-emption rights, beyond those committed to the share option schemes or long-term incentive plans up to an aggregate nominal value of £3,990,000, which expires at the conclusion of the 2026 AGM. Resolutions at the 2026 AGM will seek to renew for a further year the authority over the existing unissued and uncommitted ordinary share capital of £3,931,862 – being 10% of the current share capital.

The Company purchased 2,325,509 of its own shares during the year at a total cost of £2,083,234. No shares were acquired by forfeiture or surrender or made subject to a lien or charge.

95,953 shares were vested during the year by an Employee Benefit Trust ('EBT') in relation to the executive deferred bonus share plan, and 44,525 shares were also purchased by the EBT and remain held as at 31 December 2025. The 278,640 shares held by the EBT at 31 December 2025 represents 0.2% of the total shares in issue.

The Company's banking facilities may, at the discretion of the lender, be repayable on a change of control.

Engagement with key stakeholders

Details of how the Company engages with key stakeholders are set out in the s172 Statement on pages 20 to 25.

Employees and employee share schemes

The Company's policies for employees and employee engagement are set out in the s172 Statement on pages 20 to 25 and the Sustainability Report on pages 45 and 46. Option awards are detailed in the Directors' Remuneration Report with those awards outstanding at 31 December 2025 set out on pages 73.

The Remuneration Committee supervises the award of long-term share incentives and specifies the performance conditions

Substantial holdings

	Number of shares held	Percentage
Funds managed or advised by Aberforth Partners	18,638,381	11.76%
Funds managed or advised by Charles Stanley	9,258,200	5.84%
Funds managed by Charles Jobson	8,820,427	5.56%
Funds managed by Fritz Robert Hauser	7,965,922	5.02%
Funds managed or advised by BGF Investment Management	6,985,420	4.41%
Funds managed or advised by Jupiter Asset Management	6,437,647	4.06%
Funds managed or advised by Hargreaves Lansdown	5,855,324	3.69%
Funds managed or advised by Interactive Investor	5,741,482	3.62%

at the time of the award, having regard to the objectives of the Company and market practice at that time. Further details are given in the Directors' Remuneration Report.

Substantial holdings of shares in the Company

The Company has received notification prior to 26 February 2026 in accordance with Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the above voting rights of 3% or more as a shareholder of the Company at 31 December 2025.

Directors

The names of the Directors in office at 31 December 2025 and to the date of this report, together with short biographical details, are set out on page 63. The Board considers its three Non-Executive Directors to be independent.

All Directors retire by rotation at the AGM in May 2026 and offer themselves for re-election. P.D. Atkinson and I. Gray have service contracts dated 6 October 2003 and 23 December 2020 respectively, with notice periods of twelve months. A. Gulvanessian has a letter of appointment dated 1 October 2025 with a notice period of six months. J.W.F. Baird, L. Whyte and D. Stirling each have letters of appointment dated 8 January 2024, 1 October 2025, and 1 January 2025 for periods of three years, with notice periods of three, six and six months respectively.

No Director, either during or at the end of the financial year, had an interest in any contract relating to the business of the Company or any of its subsidiaries. The statement of Directors' interests in the ordinary share capital of Macfarlane Group is contained in the Directors' Remuneration Report on page 73. 278,640 shares are held in an Employee Benefit Trust at 31 December 2025, for which the Executive Directors are beneficiaries subject to the vesting of future PSP or deferred bonus plans. There are no agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs in the event of change of control.

The Company has maintained Directors' and Officers' liability insurance cover throughout the financial year.

Political donations

It is the Group's policy not to make donations for political purposes.

Significant agreements

On 10 January 2025 the Company entered into an agreement to acquire 100% of the share capital of The Pitreavie Group Limited for a total potential consideration of £18.0m less completion adjustments of £3.4m, including an earn-out of up to £4.0 million over two years.

On 15 May 2025 the Company entered into an agreement with its house broker, Shore Capital, in relation to a £4m share buyback programme commencing on 2 June 2025. The programme will be completed in four quarterly tranches, each with an aggregate value of up to £1 million. Taking into account the Company's capital allocation policy, the Company is entitled for the duration of the Programme, within five business days of the end of any quarterly tranche, to instruct Shore Capital to suspend or terminate purchases of ordinary shares by Shore Capital pursuant to the programme. Furthermore, should the share price of the Ordinary Shares reach or exceed 130 pence per Ordinary Share, the programme will be suspended.

Special business

A special resolution will be put to shareholders to renew for a further year the authority in relation to the disapplication of pre-emption rights over the existing unissued and uncommitted ordinary share capital. This authority is limited to a maximum nominal amount of £3,930,000, representing 10% of the current share capital.

Disclosure of information to Auditor

The Directors holding 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 (being information needed by the auditor in connection with preparing their Audit Report). Each Director has taken all the steps that they ought reasonably 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditor

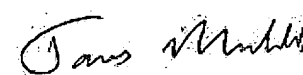
A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the AGM in 2026.

Company information

The Company is registered in Scotland (SC004221) and its registered office is at 3 Park Gardens, Glasgow, G3 7YE.

Approval

The Strategic Report on pages 1 to 60 and the Directors' Report on pages 1 to 80 were both approved by the Board on 26 February 2026.



James Macdonald
Company Secretary
26 February 2026

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards and have also chosen to prepare the parent Company financial statements in accordance with Financial Reporting Standard 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 Group and parent Company and of their profit or loss for that period.

In preparing the parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company and Group's ability to continue as a going concern.

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 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.

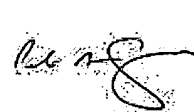
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

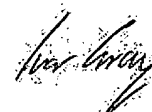
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board on 26 February 2026 and signed on its behalf by:



Peter D. Atkinson
Chief Executive
26 February 2026



Ivor Gray
Finance Director
26 February 2026

Independent auditor's report to the members of Macfarlane Group PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Macfarlane Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the material accounting policy information;
- the related notes 1 to 41.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Business combinations: valuation and allocation of acquired intangible assets and valuation of deferred contingent consideration for the acquisition of The Pitreavie Group Limited ('Pitreavie'). • Impairment: valuation of goodwill and intangible assets within the Pitreavie cash-generating unit ('CGU').
Materiality	The materiality that we used for the Group financial statements was £0.78m which was determined on the basis of 5% of adjusted profit before tax.
Scoping	Our Group audit scoping resulted in 80% of revenue, 80% of profit before tax and 97% of net assets being subject to audit procedures.
Significant changes in our approach	We have identified a new key audit matter for the current year in relation to the valuation of goodwill and intangible assets within the Pitreavie CGU. The impairment assessment involves significant management judgement in the application of valuation models and assumptions. The other key audit matter, whilst consistent in nature with prior year, relates to the acquisition made in the current year and the valuation of the deferred contingent consideration relating to Pitreavie, which was acquired in January 2025. As a result of this acquisition, Pitreavie was included in audit scope for the period for the first time.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the relevant controls over the Directors' process for evaluating the Group's and parent company's ability to continue as a going concern;
- Comparing the underlying data and key assumptions to past performance on the assumptions applied; key assumptions include revenue growth, gross margin, operating costs, finance costs and working capital management;

Independent auditor's report to the members of Macfarlane Group PLC (cont)

- Assessing the financing facilities that are in place in the year including the repayment terms and covenants that are in place, and assessing whether these have been appropriately reflected in the cash flow forecast model;
- Evaluating the sophistication of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts and considering the historical accuracy of the forecasts prepared by the Directors;
- Assessing the likelihood of the downside scenarios and sensitivities performed by the Directors; and
- Assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Business combinations: valuation and allocation of acquired intangible assets and valuation of deferred contingent consideration for the acquisition of The Pitreavie Group Limited

Key audit matter description	In January 2025, Macfarlane Group UK Ltd acquired The Pitreavie Group Limited ('Pitreavie') for a maximum cash consideration of £14.6m, including an earn-out of up to £4.0m over two years. Management's estimate of the fair value of deferred contingent consideration at the acquisition date was £1.6m. In line with IFRS 3 Business Combinations, the Directors have performed a purchase price allocation exercise to allocate consideration in excess of the net assets acquired to goodwill and other intangibles. Given the judgement inherent in the assumptions involved in valuing acquired intangible assets and in forecasting post-acquisition performance, we have identified a potential for fraud in relation to the valuation and allocation of acquired intangible assets, and of the valuation of deferred contingent consideration, related to the attrition rate which is a driver of the valuation and allocation of acquired intangible assets and the valuation of deferred contingent consideration. As required by IFRS 9 Financial Instruments, the Directors have performed a reassessment of the fair value of deferred contingent consideration at the balance sheet date. This resulted in a revision to the initial estimate made as part of the purchase price allocation exercise at acquisition date, reducing the deferred contingent consideration to a £nil balance at the balance sheet date, following a reduction in Pitreavie's post-acquisition performance largely based on adverse market conditions, compounded by a fatal incident at its core Cumbernauld site. The Directors did not revise the purchase price allocation on the grounds that the poor post-acquisition performance was not reasonably foreseeable at the acquisition date. Business combinations are included within note 22 to the financial statements with relevant accounting policies disclosed on page 95. The assessment of the fair value of deferred contingent consideration has been included as a key source of estimation uncertainty on pages 93 and 94. The Audit Committee's consideration in respect of this risk is included on page 68.
How the scope of our audit responded to the key audit matter	In response to the identified risk, we performed the following procedures: • Obtained an understanding of the process and relevant controls over the price allocation and deferred contingent consideration calculation; • Reviewed share purchase agreements to assess whether the acquisition has been accounted for correctly in the financial statements; • Involved our valuation specialists to understand the inputs and methodology, notably on attrition rates, and assess the key assumptions used by the Directors in valuing the split between identified intangible assets and goodwill; • Evaluated how the requirements of IFRS 3 have been considered by the Directors in accounting for the business combination; • Assessed the likelihood of achievement of forecast revenues used in the calculations and the determination of the fair value of deferred contingent consideration at the acquisition date; • Challenged the completeness of intangible assets identified in the Directors' assessment; • Assessed the forecast of post-acquisition performance and valuation of the deferred contingent consideration at the balance sheet date, in accordance with IFRS 9; and • Evaluated the disclosures in note 22 relating to business combinations.
Key observations	Based on the work performed, we concluded that the valuation and allocation of acquired intangible assets, and the valuation of deferred contingent consideration are appropriate.

5.2. Impairment: valuation of goodwill and intangible assets within the Pitreavie CGU

Key audit matter description	The Pitreavie CGU, made up solely of The Pitreavie Group Limited, has goodwill of £6.6m and other intangible assets of £6.2m as at 31 December 2025. As required by IAS 36 Impairment of Assets, the Directors perform an impairment review for all goodwill balances on an annual basis, and for other intangible assets whenever an indication of impairment is identified. The Directors assessed for impairment by using a Value in Use model and concluded that there is an impairment charge of £1.6m required in the current year against the carrying amount of goodwill of Pitreavie. The valuation of goodwill and intangible assets within the Pitreavie CGU has been identified as a key audit matter as the impairment assessment involves significant management judgement in the application of valuation models and assumptions. This is an area where we have directed significant levels of audit resource to understand and challenge the revenue growth rate, long-term (terminal) growth rate and including using valuation specialists to assist in the understanding and challenge of the discount rate within the Pitreavie CGU. Goodwill and other intangible assets are included within note 9 to the financial statements with relevant accounting policies disclosed on page 96. The assessment of goodwill impairment has been included as a key source of estimation uncertainty on page 94. The Audit Committee's consideration in respect of this risk is included on page 68.
How the scope of our audit responded to the key audit matter	In response to the identified risk, we performed the following procedures: • Obtained an understanding of the goodwill impairment assessment process and the relevant controls over its underlying calculations and assumptions; • Assessed management's identification of Pitreavie as a standalone CGU against the requirements of IAS 36. We considered the level at which the Board monitor goodwill and the independence of cash inflows between Pitreavie and the remainder of the Group; • Considered whether a Fair Value Less Cost to Dispose model could result in a higher carrying value than management's Value in Use model; • Involved our valuation specialists to assess the discount rate used in management's calculation; • Benchmarked the terminal growth rate against wider economic expectations and industry forecast data; • Assessed the reasonableness of management's budget for FY26 which included examining the pipeline of new business, the forecast increase in arms length intercompany trading with the wider Macfarlane Group and considering the risk of customer attrition following the fatal incident in October 2025; • Considered the appropriateness of management's assumed revenue and terminal growth rates for 2027-2030. This included comparing to growth rates achieved in previous acquisitions, and considering the significant capital expenditure made in advance of year-end; • Tested the mechanical and arithmetical accuracy of management's model and assessed compliance with the requirements of IAS 36; and • Assessed the appropriateness of the IAS 1 estimation uncertainty disclosures around the recoverable value and associated impairment charge.
Key observations	Based on the work performed, we concluded that the impairment charge for the Pitreavie acquisition and the resulting valuation of goodwill and intangible assets and the related disclosures were appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£0.78m (2024: £1.04m)	£0.39m (2024: £0.52m)
Basis for determining materiality	5% of adjusted profit before tax (2024: 5.0% of profit before tax).	Parent company materiality was determined on a net asset basis which is capped at 50% (2024: 50%) of Group materiality and equates to 0.3% (2024: 0.8%) of net assets.
Rationale for the benchmark applied	We have used adjusted profit before tax as the benchmark for our determination of materiality as we consider this to be the key performance metric for the Group and a key metric to analysts and investors given the prominence in the annual report. Adjusted profit before tax is defined as profit before tax, customer relationships and brand values amortisation, goodwill impairment, deferred contingent consideration adjustments and IAS 19 past service costs – this is consistent with management's definition on page 94.	The parent company holds the investments in the Group subsidiaries, the value of which is the key metric for the users of the financial statements.

Independent auditor’s report to the members of Macfarlane Group PLC (cont)

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 70%) of Group materiality	70% (2024: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: - our risk assessment, including our assessment of the Group’s overall control environment which remains consistent with the prior year; and - the level of corrected and uncorrected misstatements identified in the prior year audit.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.04m (2024: £0.05m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by developing an audit plan for each significant account. Through discussion with internal audit, the Company’s IT team, and the Group and component finance teams and by performing walkthroughs of processes across each of these areas, including Group-wide controls, and assessing the risk of material misstatement at a Group level, we assessed the qualitative and quantitative characteristics of each financial statement line item and considered the relative contribution of each component to these line items. Based on this assessment, we have scoped in components for audit procedures on one or more classes of transactions and account balances that together represent 80% of revenue (2024: 87%), 80% of profit before tax (2024: 76%) and 97% of net assets (2024: 86%). We performed audit procedures to performance materiality levels applicable to each component, which was lower than the Group performance materiality level and ranged from £0.27m to £0.33m (2024: £0.23m to £0.58m).

The components that we performed audit procedures on are as follows:

- Macfarlane Group Plc (UK)
- Macfarlane Group UK Limited (UK)
- GWP Holdings Limited (UK)
- Pitreavie Packaging Limited (UK)
- Nelsons for Cartons and Packaging Limited (UK)
- Polyformes Limited (UK)

The remaining components were subject to analytical reviews at Group level. At the Group level, we also tested the consolidation process. All work was performed directly by the Group engagement team.

Revenue	Profit before tax	Net assets
		● Subject to audit procedures ● Review at Group level

7.2. Our consideration of the control environment

With the involvement of our IT specialists, we obtained an understanding of the relevant IT environment and relevant general IT controls. We obtained an understanding of the processes and relevant controls over the key business cycles, being revenue, cost of sales and financial reporting cycle in addition to certain manual controls over complex and judgemental areas such as business combinations and impairment. Consistent with the prior year, in the current year we did not rely on controls (automated or otherwise).

This strategy reflected our historical knowledge of the control environment.

The Group continues to invest in its internal controls as part of its ongoing control improvement activities and its preparations for the introduction of the Directors' declaration over the effectiveness of material internal controls set out in the 2024 UK Corporate Governance Code.

The Audit Committee discusses their review of the effectiveness of risk management and internal control on page 70.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. We have considered management's own assessment of the related risks and opportunities as described on pages 54 and 55, together with our cumulative knowledge and experience of the Group and environment in which it operates. The Directors have assessed that climate change does not have a significant impact on the financial statements as disclosed within the accounting policies. We performed our own risk assessment including inspecting the Group's risk register and Board minutes and did not identify any additional risks of material misstatement.

We have reviewed the climate related disclosures on pages 51 to 59. We further considered those disclosures related to climate made in the strategic report within the annual report and assessed whether the disclosures are materially consistent with the financial statements and our knowledge obtained during our audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations, whether they were aware of any instances of non-compliance, and their assessment of the tragic incident at the Pitreavie facility;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Independent auditor's report to the members of Macfarlane Group PLC (cont)

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the accounting for business combinations: valuation and allocation of acquired intangible assets and valuation of deferred contingent consideration for the acquisition of The Pitreavie Group Limited and the valuation of goodwill and intangible assets within the Pitreavie CGU. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, UK Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included UK employment and labour laws, health and safety laws, and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified business combinations: valuation and allocation of acquired intangible assets and valuation of deferred contingent consideration for the acquisition of The Pitreavie Group Limited and the valuation of goodwill and intangible assets within the Pitreavie CGU as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and describes the specific procedures performed in response to the key audit matters. In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;
- in addressing the risk of potential non-compliance with regulations in respect of the tragic incident at the Pitreavie facility: enquiring of management and external legal counsel over their assessment of potential non-compliance with Health and Safety regulations; evaluating the actions undertaken by management to investigate the matter and prevent further risk; assessing information available to management in their assessment of potential financial impact; and evaluating the disclosure presented in the financial statements; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The UK Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 65;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 19;
- the Directors' statement on fair, balanced and understandable set out on page 80;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 26;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 70; and
- the section describing the work of the Audit Committee set out on pages 66 and 67.

14. Matters on which we are required to report by exception**14.1. Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address**15.1. Auditor tenure**

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 12 July 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2019 to 31 December 2025.

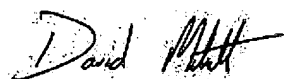
15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.



David Mitchell CA
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
26 February 2026

Consolidated income statement

For the year ended 31 December 2025

	Note	2025 £000	2024 £000
Continuing operations			
Revenue	1	300,810	270,437
Cost of sales		(188,639)	(165,065)
Gross profit		112,171	105,372
Distribution costs		(13,464)	(11,165)
Administrative expenses		(86,212)	(70,610)
Operating profit	2	12,495	23,597
Net finance costs	4	(4,445)	(2,701)
Profit before tax		8,050	20,896
Tax	5	(1,734)	(5,366)
Profit for the year		6,316	15,530
Earnings per share from continuing operations	7		
Basic		3.99p	9.76p
Diluted		3.98p	9.74p

Consolidated statement of comprehensive income

For the year ended 31 December 2025

	Note	2025 £000	2024 £000
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences on overseas subsidiaries	19	282	(150)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of pension scheme surplus	23	(1,943)	(362)
Tax recognised in other comprehensive income			
Tax on remeasurement of pension scheme surplus	17	486	91
Other comprehensive expense for the year, net of tax		(1,175)	(421)
Profit for the year		6,316	15,530
Total comprehensive income for the year		5,141	15,109

Consolidated statement of changes in equity

For the year ended 31 December 2025

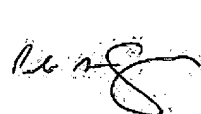
	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Own shares £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 January 2024		39,738	13,981	–	70	(16)	171	60,632	114,576
Comprehensive income									
Profit for the year		–	–	–	–	–	–	15,530	15,530
Foreign currency translation differences on overseas subsidiaries	19	–	–	–	–	–	(150)	–	(150)
Remeasurement of pension scheme surplus	23	–	–	–	–	–	–	(362)	(362)
Tax on remeasurement of pension scheme surplus	17	–	–	–	–	–	–	91	91
Total comprehensive income		–	–	–	–	–	(150)	15,259	15,109
Transactions with shareholders									
Dividends	6	–	–	–	–	–	–	(5,750)	(5,750)
New shares issued	18/19	162	515	–	–	(21)	–	(656)	–
Purchase of own shares	19	–	–	–	–	(392)	–	–	(392)
Share-based payments	24	–	–	–	–	–	–	(270)	(270)
Total transactions with shareholders		162	515	–	–	(413)	–	(6,676)	(6,412)
At 31 December 2024		39,900	14,496	–	70	(429)	21	69,215	123,273
Comprehensive income									
Profit for the year		–	–	–	–	–	–	6,316	6,316
Foreign currency translation differences on overseas subsidiaries	19	–	–	–	–	–	282	–	282
Remeasurement of pension scheme surplus	23	–	–	–	–	–	–	(1,943)	(1,943)
Tax on remeasurement of pension scheme surplus	17	–	–	–	–	–	–	486	486
Total comprehensive income		–	–	–	–	–	282	4,859	5,141
Transactions with shareholders									
Dividends	6	–	–	–	–	–	–	(5,822)	(5,822)
Purchase of own shares	19	(581)	–	581	–	(47)	–	(2,083)	(2,130)
Share-based payments	24	–	–	–	–	116	–	(16)	100
Total transactions with shareholders		(581)	–	581	–	69	–	(7,921)	(7,852)
At 31 December 2025		39,319	14,496	581	70	(360)	303	66,153	120,562

Consolidated balance sheet

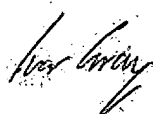
At 31 December 2025

	Note	2025 £000	2024 £000
Non-current assets			
Goodwill and other intangible assets	9	104,933	97,970
Property, plant and equipment	10	14,945	10,607
Right-of-use assets	11	56,257	41,077
Trade and other receivables	13	35	35
Deferred tax assets	17	276	145
Retirement benefit surplus	23	6,036	9,636
Total non-current assets		182,482	159,470
Current assets			
Inventories	12	21,234	19,049
Trade and other receivables	13	58,193	55,015
Current tax asset		1,502	469
Cash and cash equivalents	14	14,383	12,928
Total current assets		95,312	87,461
Total assets	1	277,794	246,931
Current liabilities			
Trade and other payables	15	55,592	50,263
Provisions	20	138	1,044
Current tax liabilities		604	1,035
Lease liabilities	16	9,904	7,223
Bank borrowings	14	30,544	14,846
Total current liabilities		96,782	74,411
Net current (liabilities)/assets		(1,470)	13,050
Non-current liabilities			
Deferred tax liabilities	17	11,092	10,937
Deferred contingent consideration	15	–	2,330
Provisions	20	441	327
Lease liabilities	16	48,917	35,653
Total non-current liabilities		60,450	49,247
Total liabilities	1	157,232	123,658
Net assets	1	120,562	123,273
Equity			
Share capital	18	39,319	39,900
Share premium	19	14,496	14,496
Capital redemption reserve	19	581	–
Revaluation reserve	19	70	70
Own shares	19	(360)	(429)
Translation reserve	19	303	21
Retained earnings	19	66,153	69,215
Total equity		120,562	123,273

The financial statements of Macfarlane Group PLC, Company registration number SC004221, were approved by the Board of Directors on 26 February 2026 and signed on its behalf by



Peter D. Atkinson
Chief Executive



Ivor Gray
Finance Director

Consolidated cash flow statement

For the year ended 31 December 2025

	Note	2025 £000	2024 £000
Profit before tax		8,050	20,896
Adjustments for:			
Amortisation of intangible assets	9	5,238	4,610
Depreciation of property, plant and equipment	10	2,605	1,879
Depreciation of right-of-use assets	11	10,226	8,878
Deferred contingent consideration adjustments	15	(1,532)	(805)
Goodwill impairment	9	1,625	–
Loss on disposal of property, plant and equipment		229	39
Share-based credit		–	(270)
Net finance costs	4	4,445	2,701
Operating cash flows before movements in working capital		30,886	37,928
Increase in inventories		(929)	(646)
Decrease in receivables		1,297	1,883
Increase/(decrease) in payables		1,345	(2,233)
Decrease in provisions		(980)	(359)
Other non-cash movements		325	(150)
Pension scheme administration costs and past service charge		2,180	361
Cash generated from operations		34,124	36,784
Deferred contingent consideration paid		–	(1,492)
Income taxes paid		(4,878)	(6,773)
Net finance costs paid		(4,466)	(3,091)
Net cash inflow from operating activities		24,780	25,428
Investing activities			
Acquisitions	22	(12,897)	(10,600)
Proceeds from disposal of property, plant and equipment		187	45
Purchase of software development		(81)	–
Purchase of property, plant and equipment		(4,573)	(2,925)
Cash outflow from investing activities		(17,364)	(13,480)
Financing activities			
Dividends paid	6	(5,822)	(5,750)
Purchase of own shares	19	(2,130)	(392)
Drawdown of bank borrowings		68,500	8,386
Repayment of bank borrowings		(57,243)	–
Repayment of lease obligations		(9,266)	(8,251)
Cash outflow from financing activities		(5,961)	(6,007)
Net increase in cash and cash equivalents		1,455	5,941
Cash and cash equivalents at beginning of year		12,928	6,987
Cash and cash equivalents at end of year		14,383	12,928

There is no material impact of foreign exchange rate differences on the cash and cash equivalents balance at the end of the current or preceding financial year.

Accounting policies

For the year ended 31 December 2025

Material accounting policy information

Macfarlane Group PLC is a public company listed on the London Stock Exchange ('the Company'), incorporated and domiciled in the United Kingdom and registered in Scotland. The Company's registered office is 3 Park Gardens, Glasgow, G3 7YE.

Basis of accounting

The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 60. The 2025 financial statements have been prepared in accordance with United Kingdom adopted international accounting standards. These consolidated financial statements are presented in Sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The financial statements have been prepared on the historical cost basis except for certain financial instruments where fair value has been applied in line with IFRS 9 and IAS 19. The revaluation reserve relates to a period before transition to IFRS.

Going concern

The Directors, in their consideration of going concern, have reviewed the Group's future cash flow forecasts and profit projections, which they believe are based on an appropriate assessment of the market and past experience. The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report on pages 1 to 60.

The Group's principal financial risks in the medium term relate to liquidity and credit risk. Liquidity risk is managed by ensuring that the Group's day-to-day working capital requirements are met by having access to banking facilities with suitable terms and conditions to accommodate the requirements of the Group's operations. The Group has a committed borrowing facility of £40m with Bank of Scotland PLC and HSBC UK Bank plc in place until November 2028. The facility bears interest at normal commercial rates and carries standard financial covenants in relation to interest cover and leverage. Credit risk is mitigated by applying considerable rigour in managing the Group's trade receivables. The Directors believe that the Group is adequately placed to manage its financial risks effectively, despite any economic uncertainty.

The Directors are of the opinion that the Group's cash flow forecasts and profit projections, which they believe are based on a prudent assessment of the market and past experience taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the Group should be able to operate within the current facility and comply with its banking covenants. The Directors have modelled a range of scenarios, including a base case, a downside scenario, a severe but plausible downside and a reverse stress test, over a three-year horizon. Details are set out in the Viability Statement on page 19.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period extending at least for the next twelve months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Critical judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Due to the nature of estimation, the actual outcomes may well differ from these estimates.

Critical judgements

Property provisions

As detailed in note 20, property provisions of £0.6m have been recognised as at 31 December 2025 (2024: £1.4m), representing the Directors' best estimate of dilapidations on property leases. The Directors have made the judgement that no provision is required for certain property leases where there is no intention to exit, having considered a number of factors including the extent of modifications to the property, the terms of the lease agreement, and the condition of the property.

Contingent liability – Pitreavie incident

As detailed in note 27 based on information available to date and taking into account there is very limited information from which to estimate the possible magnitude or timing of any resultant payments, management currently believes that the Pitreavie incident is not expected to have a material adverse impact on the Group's Financial Statements. Consequently, no provision has been recognised in these financial statements in respect of this matter.

Cash generating units ('CGUs')

Goodwill and other intangible assets acquired through business combinations have been allocated, for impairment testing purposes, to groups of CGUs. The identification of the groups of CGUs used for impairment testing is considered a critical accounting judgement. The grouped CGUs are Distribution, Manufacturing (excluding Pitreavie), and Pitreavie. This is also the lowest level at which the Group monitors the value of goodwill and other intangible assets for internal management purposes. Changes to the Group's organisational structure, integration of acquisitions, or changes in management reporting may require the reassessment of CGU groups.

No other significant critical judgements have been made in the current or prior year.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that could have significant effect on the carrying amounts of assets and liabilities in the next twelve months are discussed below:

Retirement benefit obligations

The determination of any defined benefit pension scheme asset or liability, including the adjustment for historic pension equalisation, is based on assumptions determined with independent actuarial advice. The key assumptions used include discount rate, inflation rate and mortality assumptions, for which a sensitivity analysis is provided in note 23. The Directors consider that those sensitivities represent reasonable sensitivities which could occur in the next financial year.

Accounting policies (cont)

For the year ended 31 December 2025

Valuation of deferred contingent consideration

The valuation of deferred contingent consideration at both acquisition date and the balance sheet date is measured at fair value. This involves the assessment of forecast future cash flows against earn-out targets agreed with the sellers of acquired businesses over a period of up to two years. This assessment is based on the Directors' best estimate using the information available at the relevant dates. However, there remains a risk that the actual payment differs from the amount assumed as consideration within the PPA accounting as detailed in note 22 and from the amount recorded as a liability at the balance sheet date as detailed in note 15. Deferred contingent considerations are recognised as a liability in trade and other payables in note 15 and are remeasured to fair value of £2.5m at the balance sheet date, all due within one year, based on a range of outcomes between £Nil and £3.6m. Trading in the post-acquisition period supports the remeasured value of £2.5m.

Goodwill impairment

The determination of the value in use of the Pitreavie CGU is based on assumptions that have inherent uncertainty. The key assumptions used include revenue growth, discount rate and growth in perpetuity, for which a sensitivity analysis is provided in note 9. The Directors consider that those sensitivities represent reasonable sensitivities which could occur in the next financial year.

Alternative performance measures

In measuring the financial performance and position, the financial measures used in certain limited cases are derived from the reported results in order to eliminate factors which due to their unusual nature and size distort year-on-year comparisons to a material extent and/or provide useful information to stakeholders. Where such items arise, the Directors will classify such items as separately disclosed and provide details of these items to enable users of the accounts to understand the impact on the financial statements.

To the extent that a measurement under Generally Accepted Accounting Principles ('GAAP') is adjusted for a separately disclosed item, this is referred to as an Alternative Performance Measure ('APM'). We believe that the APMs defined below, and the comparable GAAP measurement, provides a useful basis for measuring the underlying financial performance and position of the Group and its businesses when compared to similar companies.

Adjusted operating profit is defined as operating profit before customer relationships and brand values amortisation, goodwill impairment, deferred contingent consideration adjustments and IAS 19 past service costs.

Adjusted profit before tax is defined as profit before tax, customer relationships and brand values amortisation, goodwill impairment, deferred contingent consideration adjustments and IAS 19 past service costs.

Adjusted diluted earnings per share is defined as diluted earnings per share before, customer relationships and brand values amortisation per share, goodwill impairment per share, deferred contingent consideration adjustments per share, IAS 19 past service costs per share and related tax per share.

	Alternative performance measures £000	Amortisation £000	Goodwill impairment £000	Deferred contingent consideration adjustments £000	IAS 19 past service cost adjustment £000	Tax £000	Statutory measures £000	
Year to 31 December 2025								
Adjusted operating profit	19,689	(5,171)	(1,625)	1,532	(1,930)	-	12,495	Operating profit
Adjusted profit before tax	15,573	(5,171)	(1,625)	1,203	(1,930)	-	8,050	Profit before tax
Adjusted diluted earnings per share (pence)	7.62p	(3.26)p	(1.03)p	0.76p	(1.22)p	1.11p	3.98p	Diluted earnings per share (pence)
Year to 31 December 2024								
Adjusted operating profit	27,402	(4,610)	-	805	-	-	23,597	Operating profit
Adjusted profit before tax	24,969	(4,610)	-	537	-	-	20,896	Profit before tax
Adjusted diluted earnings per share (pence)	11.56p	(2.89)p	-	0.34p	-	0.73p	9.74p	Diluted earnings per share (pence)

Net bank funds/(debt) also represents an APM as defined and reconciled to the statutory measure in note 21.

Changes in accounting policies in 2025

There are no new accounting policies applied in 2025 which have had a material effect on these accounts. In addition, the Directors do not consider that the adoption of new and revised standards and interpretations issued by the IASB in 2025 has had any material impact on the financial statements of the Group.

New accounting standards and interpretations

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2025. The adoption of the following amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IAS 21 – *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- Amendments to IFRS 9 and IFRS 7 – *Amendments to the Classification and Measurement of Financial Instruments*
- Annual Improvements to IFRS Accounting – *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments*

- Standards – Volume 11 – *Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows*
- Amendments to IFRS 9 and IFRS 7 – *Contracts Referencing Nature-dependent Electricity*
- IFRS 18 – *Presentation and Disclosures in Financial Statements*
- IFRS 19 – *Subsidiaries without Public Accountability: Disclosures*

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 *Earnings per Share*.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The Directors of the Company anticipate that the application of these amendments will have an impact on the Group's consolidated financial statements in future periods. In the Annual Report 2027, the prior year comparatives for 2026 will be restated in compliance with IFRS 18.

Summary of significant accounting policies

The following accounting policies have been applied consistently for items which are considered to be material in relation to the financial statements.

The consolidated financial statements include the financial statements of the parent company and its subsidiaries, all of which are wholly-owned, to the end of the financial year. The Group does not have any associates or other joint arrangements as defined by IFRS 10 '*Consolidated Financial Statements*'.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Business combinations

The acquisition of subsidiaries is accounted for under the acquisition method. The acquired business is measured at the effective date of acquisition, defined as the date control is acquired, as the aggregate fair value of assets, liabilities and contingent liabilities as required under IFRS 3 '*Business Combinations*'. Any excess of the cost of acquisition over the fair value of the separately identifiable net assets of the acquired business is represented as goodwill. Deferred contingent consideration classified as a liability is subsequently remeasured through the consolidated income statement.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The consolidated gain or loss on disposal of a subsidiary is the difference between the net proceeds of sale and the Group's share of the subsidiary's net assets together with the carrying value of any related goodwill at the effective date of disposal.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated on consolidation.

Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Accounting policies (cont)

For the year ended 31 December 2025

(b) Goodwill and other intangible assets

Goodwill

Goodwill arising on a business combination is recognised as an asset and represents the excess of the cost of acquisition over the net fair values of the separately identifiable assets and liabilities of the acquired business or subsidiary at the effective date of acquisition. Where the cost of an acquisition includes contingent consideration, this is based on our best assessment of the fair value of deferred contingent consideration payable based on the conditions and information available at the date of acquisition and then subsequently reviewed at each balance sheet date.

Goodwill is allocated to cash generating units ('CGUs') expected to benefit from the synergies of the combination for the purpose of impairment testing. The carrying value of goodwill for each CGU is not amortised but is considered annually and also reviewed where management has reason to believe that a change in circumstances may give rise to any impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Customer relationships and brand value intangible assets

Other intangible assets comprise separately identifiable intangible assets recognised on the acquisitions of businesses or subsidiary companies. They are recorded at fair value on acquisition less any amortisation and subsequent impairment. These are primarily brand values, which are calculated on the relief from royalty method, and customer relationship values, which are calculated on the excess earnings method based on the net anticipated earnings stream. Brand values are amortised on a straight-line basis of up to five years and customer relationships are amortised on a straight-line basis of up to fifteen years and are expensed through administrative expenses in the income statement. The amortisation charge is recorded in administrative expenses.

Software development

Software is stated at historical cost less accumulated amortisation and impairment. Amortisation is charged to the income statement on a straight-line basis over the estimated useful economic lives which range from 3 to 10 years.

Impairment

The carrying values of the Group's assets are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable values are calculated as the present value of the estimated future cash flows, discounted at appropriate pre-tax discount rates. Impairment losses are recognised when the carrying value of an asset or CGU exceeds recoverable value. Impairment losses are recognised in the consolidated income statement.

(c) Revenue recognition

The Group is engaged in the delivery of packaging materials and packing machinery to customers. Revenue is not recognised if there is significant uncertainty regarding the recovery of the revenue consideration. Revenue represents amounts receivable for goods provided to third parties in the normal course of business, net of discounts, customer rebates, VAT and other sales related taxes.

IFRS 15 'Revenue from Contracts with Customers' requires the Group to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied. The Group's revenue is generated from the delivery of the goods to customers and the Group considers this to be a single performance obligation. The Group does not enter into any repurchase agreements. It is therefore appropriate to recognise revenue at the point of transfer of goods to the customer, consistent with the revenue recognition framework in IFRS 15.

(d) Leasing

The Group recognises a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets below £4,000. For these short-term or low value leases, the Group recognises the lease payments as an operating expense disclosed in administrative expenses on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses appropriate incremental borrowing rates.

Lease liabilities are presented on two separate lines in the balance sheet for amounts due within one year and amounts due beyond one year. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the liability by payments made. The Company remeasures the lease liability (and adjusts the related right-of-use asset) whenever the lease term has changed or a lease contract is modified and the modification is not accounted for as a separate lease.

Right-of-use ('ROU') assets comprise the initial measurement of the corresponding lease liability and are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Company expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the asset. Depreciation starts on the commencement date of the lease.

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

The Group's incremental borrowing rates applied to lease liabilities in 2025 ranged between 2.75% and 8.75%, with the average rate applied across all leases being 6.01%.

ROU assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

Movements in ROU assets and lease liabilities are set out in note 11 and note 16 respectively.

(e) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities, measured at historical cost in a foreign currency, are translated using the exchange rates at the date of the transaction. Non-monetary assets and liabilities, stated at fair value in a foreign currency, are retranslated to the functional currency at the exchange rates ruling at the dates the fair value was determined.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at the exchange rates ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

(f) Retirement benefits

Defined contribution schemes

A defined contribution scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the consolidated income statement in the periods during which services are rendered by employees.

Defined benefit schemes

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Group's net retirement benefit obligation in respect of its defined benefit pension scheme is calculated by estimating the amount of future benefits that employees have earned in return for their service in current and prior periods. These benefits are then discounted to determine the present value, and the fair values of any scheme investments, at bid price, are deducted. The net interest on the net retirement benefit obligation for the year is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the year.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating to the average duration of the Group's retirement benefit obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, returns on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). Remeasurements are recognised in the statement of other comprehensive income and all other expenses related to defined benefit schemes charged in staff costs in the consolidated income statement.

When the benefits of a scheme are changed, or when a scheme is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the consolidated income statement when the scheme amendment or curtailment occurs.

The calculation of the retirement benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of the present value of any minimum funding requirements.

The Group's defined benefit pension scheme covers Macfarlane Group PLC and Macfarlane Group UK Limited at December 2025. The net defined benefit cost of the scheme is apportioned to these participating entities based on the employment history of scheme members, who are allocated to the relevant subsidiary, with any remaining members allocated to the parent company.

(g) Taxation

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

Current tax is payable based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and excludes items that are never taxable or deductible. The current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and any adjustments in respect of prior years.

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. Deferred tax assets and liabilities are not discounted.

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 consolidated income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recorded in the consolidated statement of other comprehensive income.

Accounting policies (cont)

For the year ended 31 December 2025

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, with assets revalued before the date of transition to IFRS recorded at deemed cost.

No depreciation is provided on land. Depreciation is recognised so as to write off the cost of the property, plant and equipment, less their estimated residual values, by equal annual instalments over their estimated useful lives. The rates of depreciation use the straight-line method and vary between 2% and 5% per annum on buildings and 7% and 33% per annum on plant and equipment. Rates of depreciation are reviewed annually to ensure they remain relevant and residual values are reviewed to ensure they remain appropriate once in each calendar year.

(i) Inventories

Inventories are consistently stated at the lower of cost and net realisable value. Cost represents purchase price. In the case of work in progress and finished goods, cost comprises direct materials, direct labour costs and attributable overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling price, less any further costs expected to be incurred to completion and disposal. Inventories are stated less provisions required for slow-moving and obsolete items, where appropriate.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Other financial assets comprise trade and other receivables that have fixed or determinable recoveries. The classification takes account of the nature and purpose of the financial assets and is determined on initial recognition. The entity always recognises lifetimes expected credit losses (ECL) for trade receivables as estimated using a provision matrix based on the Group's historic credit loss experience. In accordance with IFRS 9 'Financial Instruments' changes in the carrying value of the provision are recognised in the consolidated income statement.

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 in accordance with the substance of the contractual arrangements.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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.

(k) Provisions

Property provisions

The Group has a number of property leases. Under IAS 37 an entity must recognise a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be estimated reliably. Where it is probable at the balance sheet date that there is a liability in respect of restoring the property to its original condition a provision is made for the best estimate of the cost of fulfilling any residual repairing obligation for that property lease.

The Group may make the determination to exit a property lease before the expiry date, when it does not have a commercial rationale to continue to occupy the property. In this case the Group could have surplus properties and it would seek to attract a new tenant to obtain rental income from a sub-lease to cover its ongoing liabilities under the remaining period of the head lease. If there is likely to be a rental void for a period of time, then a provision is made at each balance sheet date to cover the best estimate of the future cost of the likely void period.

(l) Share-based payments

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Details of the determination of the fair value of equity-settled share-based transactions are set out in note 24.

(m) Climate accounting policy

In preparing these consolidated financial statements, management have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 51 to 59. There has been no material impact identified on the financial reporting judgements and estimates. In particular, management considered the impact of climate change in respect of the following areas:

- Assessment of impairment of goodwill, other intangible and tangible assets
- Assessment of impairment of financial assets
- Going concern and viability disclosures
- Impact on useful economic lives of assets
- Preparation of budgets and cash flow forecasts

Given the nature of the short to medium term risk assessment in the TCFD report, no material climate change related impact was identified in the above areas. Management are however, aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

(n) Deferred contingent consideration

Deferred contingent consideration is measured at fair value as set out in page 111. The settlement of the amount initially recognised upon acquisition is reflected in cash flows from investing activities, with the element of the payment relating to any subsequent remeasurement included within cash flows from operating activities.

Notes to the financial statements

For the year ended 31 December 2025

1. Business and geographical segments

(a) Business segments

The Group's principal business segment is Packaging Distribution, comprising the distribution of packaging materials in the UK, Ireland and Europe. This segment accounts for 76% of Group revenue and 53% of Group operating profit.

The Manufacturing Operations segment comprises the design, manufacture and assembly of timber, corrugated and foam-based packaging materials in the UK. This segment accounts for 24% of Group revenue and 47% of Group operating profit.

	2025 £000	2024 £000
External revenues from major products and services		
Packaging Distribution	229,150	228,763
Manufacturing Operations	71,660	41,674
External revenues	300,810	270,437

(b) Segmental information

	Packaging Distribution £000	Manufacturing Operations £000	2025 Total £000	Packaging Distribution £000	Manufacturing Operations £000	2024 Total £000
Revenue						
Total revenue	229,150	78,472	307,622	228,763	47,458	276,221
Inter-segment revenue	–	(6,812)	(6,812)	–	(5,784)	(5,784)
External revenue	229,150	71,660	300,810	228,763	41,674	270,437
Cost of sales	(148,372)	(40,267)	(188,639)	(143,890)	(21,175)	(165,065)
Gross profit	80,778	31,393	112,171	84,873	20,499	105,372
Net operating expenses	(69,405)	(23,077)	(92,482)	(64,715)	(13,255)	(77,970)
Adjusted operating profit	11,373	8,316	19,689	20,158	7,244	27,402
Amortisation	(2,803)	(2,368)	(5,171)	(3,082)	(1,528)	(4,610)
Deferred contingent consideration adjustments	(128)	1,660	1,532	255	550	805
Goodwill impairment	–	(1,625)	(1,625)	–	–	–
IAS 19 past service cost	(1,764)	(166)	(1,930)	–	–	–
Operating profit	6,678	5,817	12,495	17,331	6,266	23,597
Net finance costs			(4,445)			(2,701)
Profit before tax			8,050			20,896
Tax			(1,734)			(5,366)
Profit for the year			6,316			15,530
Capital additions	10,466	17,156	27,622	16,887	12,331	29,218
Depreciation/amortisation	12,588	5,481	18,069	12,258	3,109	15,367
Segment assets	193,825	83,969	277,794	189,768	57,163	246,931
Segment liabilities	(131,331)	(25,901)	(157,232)	(110,832)	(12,826)	(123,658)
Net assets	62,494	58,068	120,562	78,936	44,337	123,273

Inter-segment revenues are charged at prevailing market prices.

(c) Geographical segments

The Group's operations are primarily located in the UK and Europe. No individual country in Europe accounts for more than 10% of Group external revenue. Europe revenue below originates from the Group's subsidiaries in Germany (4%), the Netherlands (3%) and Ireland (1%). Europe non-current assets below relates to the Group's subsidiaries in Germany (100%).

Packaging Distribution activities are primarily in the UK, with some activity in Europe.

Manufacturing Operations are primarily in the UK.

	Continuing operations		2025 Total £000	Continuing operations		2024 Total £000
	UK £000	Europe £000		UK £000	Europe £000	
External revenue	277,301	23,509	300,810	248,503	21,934	270,437
Operating profit	11,629	866	12,495	20,849	2,748	23,597
Non-current assets ¹	171,852	4,318	176,170	144,763	4,926	149,689
Capital additions	27,619	3	27,622	29,205	13	29,218

¹ Excludes deferred tax assets and retirement benefit surplus.

(d) Information about major customers

No single customer accounts for more than 10% of the Group's external revenues. Customer dependencies are regularly monitored.

2. Operating profit

	2025 £000	2024 £000
Operating profit from continuing operations has been arrived at after charging:		
Cost of inventories recognised as an expense in the consolidated income statement	176,595	157,956
Amortisation of other intangible assets (note 9)	5,238	4,610
Depreciation of property, plant and equipment (note 10)	2,605	1,879
Depreciation of right-of-use assets (note 11)	10,226	8,878
Goodwill impairment (note 9)	1,625	–
Acquisition related costs	179	198
Staff costs (note 3)	59,256	48,614

The detailed analysis of auditor's remuneration is provided below:

Audit services

Fees payable to the auditor for the audit of these financial statements	90	84
Fees payable to auditor for the audit of the Company's subsidiaries	335	306
Total audit fees	425	390

The Audit Committee reviews and approves non-audit work which the auditor performs, including the fees paid for such work, to ensure that the auditor's objectivity and independence is not compromised. There were no non-audit fees payable in 2024 and 2025.

3. Staff costs

The average monthly number of employees (including Directors) was:	2025 No.	2024 No.
Production	342	273
Sales and distribution	578	553
Administration	341	305
	1,261	1,131

The costs incurred in respect of these employees were:	2025 £000	2024 £000
Wages and salaries	50,523	41,206
Social security costs	6,023	4,218
Pension costs		
Contributions to defined contribution schemes	3,958	3,460
Share-based payments (note 24)	–	(270)
	60,504	48,614

4. Net finance costs

	2025 £000	2024 £000
Interest on bank borrowings	1,767	950
Interest on leases	2,872	1,921
Finance income relating to defined benefit scheme (note 23)	(523)	(438)
Finance charge relating to deferred contingent consideration (note 15)	329	268
Net finance costs	4,445	2,701

Notes to the financial statements (cont)

For the year ended 31 December 2025

5. Tax

	2025 £000	2024 £000
Current tax		
United Kingdom corporation tax	3,540	5,363
Foreign tax	276	795
Adjustments in respect of prior years	(215)	(58)
Current tax charge	3,601	6,100
Deferred tax		
Current year	(1,867)	(899)
Adjustments in respect of prior years	–	165
Deferred tax charge (note 17)	(1,867)	(734)
Total tax charge	1,734	5,366

The standard rate of tax, based on the UK average rate of corporation tax is 25% (2024: 25%). Taxation for other jurisdictions is calculated at the rates prevailing in these jurisdictions.

The actual tax charge varies from the standard rate of tax on the results in the consolidated income statement for the reasons set out below.

	2025 £000	2024 £000
Profit before tax from total operations	8,050	20,896
Tax on profit at 25% (2024: 25%)	2,012	5,224
Factors affecting tax charge for the year:		
Deferred contingent consideration adjustments not allowable for tax	(301)	(134)
Goodwill impairment not deductible for tax	406	–
Non-deductible expenses	224	100
Non-taxable income	(398)	–
Difference on overseas tax rates	6	69
Changes in estimates related to prior years	(215)	107
Tax charge for the year	1,734	5,366
Weighted average effective tax rate for the year	21.5%	25.7%

Macfarlane Group's corporate tax structure is such that the effective corporation tax rate should be relatively close to the prevailing tax rate with non-deductible expenses usually the principal reason for any variation.

Deferred tax assets and liabilities at 31 December 2025 have been calculated based on the long-term corporation tax rate of 25%.

6. Dividends

	2025 £000	2024 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for 2024 of 2.70p per share (2023: 2.65p per share)	4,302	4,221
Interim dividend for 2025 of 0.96p per share (2024: 0.96p per share)	1,520	1,529
	5,822	5,750

A proposed final dividend of 2.70p per share totalling £4,246,000 will be paid on 12 June 2026 to shareholders on the register at 15 May 2026 (ex-dividend date 14 May 2026). This is subject to approval by shareholders at the Annual General Meeting on 12 May 2026 and therefore is not included as a liability in these financial statements.

7. Earnings per share

	2025 £000	2024 £000
Earnings for the purposes of calculating earnings per share		
Profit for the year	6,316	15,530
Number of shares in issue	2025 Number of shares '000	2024 Number of shares '000
Weighted average number of shares in issue	158,774	159,461
Less shares held by the EBT	(287)	(278)
Weighted average number of ordinary shares to calculate basic earnings per share	158,487	159,183
Dilutive effect of Long-Term Incentive Plan awards in issue	116	340
Weighted average number of ordinary shares to calculate diluted earnings per share	158,603	159,523
Basic earnings per share	3.99p	9.76p
Diluted earnings per share	3.98p	9.74p

8. Subsidiary companies

Subsidiary companies, with names, countries of incorporation and registered offices, are shown on page 132.

The Group has agreed to exempt the thirteen companies, GWP Group Holdings Limited (Company number 14170976), GWP Group Limited (Company number 05459368), Allpack Packaging Supplies Limited (Company number 02351822), Polyformes Limited (Company number 01296564), B&D 2010 Group Limited (Company number SC370599), Barum & Dewar Limited (Company number SC168649), B&D Foam Limited (Company number SC370617), A.E. Sutton Limited (Company number 00712221), A and G Holdings Limited (Company number 11829544), Gottlieb Packaging Materials Limited (Company number 04229648), Carters Packaging (Cornwall) Limited (Company number 12994605), Carters Packaging Limited (Company number 04691446) and Nelsons for Cartons & Packaging Limited (Company number 03655833) from the provisions of the Companies Act relating to the audit of individual accounts by virtue of section 479A.

On the date of approval and signing of the consolidated financial statements, as set out on page 91, the outstanding liabilities at the Statement of Financial Position date, 31 December 2025, of the named subsidiaries, except Nelsons for Cartons & Packaging Limited, were guaranteed by the parent undertaking Macfarlane Group UK Limited (registered number 01630389) and Nelsons for Cartons & Packaging Limited, was guaranteed by the parent undertaking Macfarlane Group PLC (registered number SC004221) pursuant to s479A to s479C of the Companies Act.

9. Goodwill and other intangible assets

	Packaging Distribution £000	Manufacturing Operations £000	Pitreavie £000	2025 Total £000	2024 Total £000
Goodwill	51,831	17,752	4,932	74,515	69,583
Other intangible assets	8,780	15,294	6,344	30,418	28,387
Goodwill and other intangible assets	60,611	33,046	11,276	104,933	97,970
Goodwill	Packaging Distribution £000	Manufacturing Operations £000	Pitreavie £000	2025 Total £000	2024 Total £000
Fair value on acquisition					
At 1 January	51,831	17,752	–	69,583	63,941
Additions (note 22)	–	–	6,557	6,557	5,642
At 31 December	51,831	17,752	6,557	76,140	69,583
Accumulated impairment losses					
At 1 January	–	–	–	–	–
Impairment	–	–	(1,625)	(1,625)	–
At 31 December	–	–	(1,625)	(1,625)	–
Carrying amount					
At 31 December 2025	51,831	17,752	4,932	74,515	
At 31 December 2024	51,831	17,752			69,583

Notes to the financial statements (cont)

For the year ended 31 December 2025

9. Goodwill and other intangible assets (cont)

At 31 December 2025, the Group had three CGU Groupings to which goodwill had been ascribed namely:

- (i) Packaging Distribution, comprising goodwill arising on all acquisitions in this segment since 2001;
- (ii) Manufacturing Operations, excluding The Pitreavie Group Limited ('Pitreavie') acquired on 10 January 2025, comprising goodwill arising on all acquisitions in this segment since 2021; and
- (iii) Pitreavie CGU comprising goodwill arising on the Pitreavie acquisition.

These CGUs generate largely independent cash inflows and represent the lowest level at which management monitor impairment of goodwill and intangible assets. The recoverable amount of each CGU Grouping is determined using 'value in use' calculations with key assumptions relating to discount rates, revenue growth rates, projected gross margin and overhead costs. A pre-tax discount rate of 12.25% (2024: 12.20%) is used for the three CGUs reflecting the Group's weighted average cost of capital adjusted for appropriate market risk, which is considered to be the most definitive basis for arriving at a discount rate. The Group believes the risk profiles across the markets in which it operates are not significantly different and has therefore deemed it appropriate to apply the same discount rate for all CGUs.

Revenue growth rates, changes in gross margin and overhead costs are based on our expectation of future performance in the markets in which we operate. The assumptions are used to extrapolate cash flows for five years after which a terminal value is calculated assuming 1% growth.

Furthermore, in preparing this assessment we have considered the potential impact of climate change. In particular, we have considered the impact of climate change on the useful economic lives of assets, disruption to key sites and supply chain, and potential asset impairments. These considerations did not have a material impact on the goodwill impairment assessment.

The Directors believe the assumptions used are appropriate. In addition, they have conducted a sensitivity analysis to determine the changes in assumptions that would result in an impairment of the carrying amount of goodwill. Based on this analysis the Directors believe that any reasonable changes in the key assumptions would maintain a value for each CGU Grouping that exceeds its carrying amount, with the exception of Pitreavie. No impairment charge is required for the Packaging Distribution or Manufacturing Operations CGUs.

At 31 December 2025 the under performance of the business post-acquisition has resulted in an impairment charge of £1.6m against the carrying amount of goodwill of Pitreavie. The Directors have identified the following assumptions as key sources of uncertainty within the Pitreavie CGU.

Assumption	Used at 31 December 2025	Sensitivity
2026 revenue growth rate ¹	11.3%	Increase or decrease of 1% in the 2026 revenue growth rate would decrease or increase the impairment charge by £0.9m respectively
2027 to 2030 revenue growth rate	4.0%	Increase or decrease of 1% in the 2027 to 2030 revenue growth rate would decrease or increase the impairment charge by £1.6m and £2.5m respectively
Growth rate in perpetuity	1.0%	Increase or decrease of 1% in the growth in perpetuity would decrease or increase the impairment charge by £1.2m and £1.0m respectively
WACC rate	12.25%	Increase in the WACC rate by 1% would increase the impairment charge by £1.4m

¹ The 2026 revenue growth of 11.3% reflects the recovery of the Pitreavie CGU post the incident (note 27) supported by £1.2m of investment in new equipment due to be installed and commissioned in Q1 2026.

	Software development £000	Brand values £000	Customer relationships £000	2025 Total £000	2024 Total £000
Other intangible assets					
Fair value on acquisition					
At 1 January	–	1,722	55,010	56,732	47,289
Additions (note 22)	332	658	6,279	7,269	9,443
At 31 December	332	2,380	61,289	64,001	56,732
Amortisation					
At 1 January	–	1,318	27,027	28,345	23,735
Charge for year	67	315	4,856	5,238	4,610
At 31 December	67	1,633	31,883	33,583	28,345
Carrying amount					
At 31 December 2025	265	747	29,406	30,418	
At 31 December 2024	–	404	27,983		28,387

Other intangible assets comprise separately identifiable intangible assets recognised on the acquisitions of businesses and subsidiary companies between 2014 and 2025. They are recorded at fair value on acquisition less subsequent amortisation.

These are primarily brand values, which are calculated on the relief from royalty method and a valuation of customer relationships, which is calculated on the excess earnings method based on the net anticipated earnings stream. Brand values are calculated on royalty rates of 0.5%, consistent with an assessment of what would be charged in a typical franchise agreement. The valuation of customer relationships is calculated using our best estimates of customer attrition rates, and returns based on assessments of

performance levels in the markets in which we operate. Brand values and customer relationship valuations are amortised on a straight-line basis over periods up to five and fifteen years respectively.

At 31 December 2025, the Group retained values in respect of:

Year of acquisition	Company/Business acquired	Brand £000	Customer Relationships £000
2016	Packaging business of Colton Packaging Teesside	–	17
2016	Packaging business of Edward McNeil Limited	–	30
2016	Nelsons for Cartons & Packaging Limited	–	163
2017	Packaging business of Greenwoods Stock Boxes Limited and Nottingham Recycling Limited	–	1,584
2018	Tyler Packaging (Leicester) Limited	–	206
2018	Harrisons Packaging Limited	–	320
2019	Ecopac (U.K.) Limited	–	503
2019	Leyland Packaging Company (Lancs) Limited	–	631
2020	Packaging business of Armagrip	–	116
2021	GWP Group Limited	–	3,810
2021	Carters Packaging Limited	–	1,013
2022	PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH	68	559
2023	A.E. Sutton Limited	57	3,189
2023	A and G Holdings Limited	–	1,462
2023	B&D 2010 Group Limited	–	1,827
2024	Allpack Packaging Supplies Limited	2	1,841
2024	Polyformes Limited	136	6,275
2025	The Pitreavie Group Limited	484	5,860
		747	29,406

10. Property, plant and equipment

	Note	Property £000	Plant, machinery & vehicles £000	Total £000
Cost				
At 1 January 2024		8,722	25,645	34,367
Acquisitions		–	3,267	3,267
Additions		1,443	1,482	2,925
Exchange movements		–	(31)	(31)
Disposals		(13)	(822)	(835)
At 31 December 2024		10,152	29,541	39,693
Acquisitions	22	849	4,559	5,408
Additions		1,297	3,276	4,573
Transfers from right of use assets		–	280	280
Exchange movements		–	35	35
Disposals		(166)	(4,317)	(4,483)
At 31 December 2025		12,132	33,374	45,506
Accumulated depreciation				
At 1 January 2024		5,038	20,119	25,157
Acquisitions		–	2,827	2,827
Charge for year		482	1,397	1,879
Exchange movements		–	(26)	(26)
Disposals		(13)	(738)	(751)
At 31 December 2024		5,507	23,579	29,086
Acquisitions	22	615	2,012	2,627
Charge for year		711	1,894	2,605
Exchange movements		–	29	29
Transfers from right of use assets		–	280	280
Disposals		(165)	(3,901)	(4,066)
At 31 December 2025		6,668	23,893	30,561
Carrying amount				
At 31 December 2025		5,464	9,481	14,945
At 31 December 2024		4,645	5,962	10,607
At 1 January 2024		3,684	5,526	9,210

Notes to the financial statements (cont)

For the year ended 31 December 2025

10. Property, plant and equipment (cont)

The main components of property, plant and equipment are:

- (i) Two properties owned in our Manufacturing Operations and tenant's improvements at a number of short and medium-term leases in Packaging Distribution, categorised as property.
- (ii) A significant investment in plant and machinery in Manufacturing Operations, typically corrugated case-making machinery, as well as investments in our IT hardware systems throughout the Group, which are all categorised under the combined heading of plant, machinery and vehicles.
- (iii) Assets under construction totalling £1.3m at 31 December 2025 not depreciated during 2025.

	2025 £000	2024 £000
Property at net book value comprises:		
Freeholds	1,303	1,139
Long leaseholds	4,161	3,418
Short leaseholds	-	88
	5,464	4,645

Contractual commitments for capital expenditure for which no provision has been made in these accounts amount to £317,000 (2024: £593,000).

11. Right of use assets

	Note	Property £000	Plant, machinery & vehicles £000	Total £000
Cost				
At 1 January 2024		45,761	10,384	56,145
Acquisitions		1,709	-	1,709
Additions		9,171	2,037	11,208
Lease modifications		1,499	410	1,909
Exchange movements		(99)	(1)	(100)
Disposals		(2,049)	(1,013)	(3,062)
At 31 December 2024		55,992	11,817	67,809
Acquisitions	22	2,882	2,367	5,249
Additions		3,524	5,873	9,397
Lease modifications		7,136	(46)	7,090
Exchange movements		112	-	112
Transfer to property, plant & equipment		-	(280)	(280)
Disposals		(2,299)	(3,223)	(5,522)
At 31 December 2025		67,347	16,508	83,855
Accumulated depreciation				
At 1 January 2024		16,326	4,818	21,144
Charge for year		6,392	2,486	8,878
Lease modifications		(146)	(158)	(304)
Exchange movements		(33)	-	(33)
Disposals		(2,049)	(904)	(2,953)
At 31 December 2024		20,490	6,242	26,732
Acquisitions	22	-	540	540
Charge for year		7,261	2,965	10,226
Lease modifications		(4,923)	(255)	(5,178)
Exchange movements		60	-	60
Transfer to property, plant & equipment		-	(280)	(280)
Disposals		(1,416)	(3,086)	(4,502)
At 31 December 2025		21,472	6,126	27,598
Carrying amount				
At 31 December 2025		45,875	10,382	56,257
Carrying amount				
At 31 December 2024		35,502	5,575	41,077

The property portfolio comprises a number of property leases for periods from one to twenty years, which are subject to rent reviews. The Group also leases the majority of its commercial vehicles, motor vehicles and forklift trucks on leases, with the leases running for periods of up to seven years.

12. Inventories

	2025 £000	2024 £000
Raw materials and consumables	1,614	1,171
Work in progress	270	226
Finished goods and goods for resale	19,350	17,652
	21,234	19,049

Inventories represent raw materials, work in progress and finished goods held at the year-end in our businesses to respond to customers' requirements. These comprise large numbers of comparatively small balances.

Local teams review inventory levels, older and obsolete inventories and provide against exposures throughout the year. The Group's executive management then reviews these local judgements to ensure they properly reflect movements in absolute inventory levels, ageing of holdings and known obsolescence.

Movement in the provisions for slow-moving and obsolete inventories	2025 £000	2024 £000
At 1 January	2,030	2,015
Additional provisions	765	616
Inventories written off during the year	(621)	(601)
At 31 December	2,174	2,030

13. Trade and other receivables

	2025 £000	2024 £000
Current		
Trade receivables	50,223	47,820
Loss allowance	(380)	(179)
	49,843	47,641
Other receivables	3,247	3,554
Prepayments	4,058	3,200
Other taxation and social security	1,045	620
	58,193	55,015
Non-current		
Other receivables	35	35

Trade receivables represent amounts owed by customers in respect of revenues for goods or services provided prior to the year end. The Group's credit risk is primarily attributable to trade receivables. The average credit period taken at the reporting date is 51 days (2024: 53 days). No interest is charged on overdue receivables.

The Group uses external credit scoring systems to assess new customers' credit quality and set credit limits for each customer.

The Group has a substantial customer base covering a wide range of business segments. No individual customer represents more than 5% of total trade receivables. Receivables balances greater than £25,000 are reviewed by the Board twice in each year.

Since the inception of IFRS 9 'Financial Instruments', the Group has applied a simplified approach to measuring the ECL level.

This uses a provision matrix which takes into account historical credit loss experience based on the past-due status of receivables, adjusted to reflect current conditions and management's estimates of future economic conditions and known recoverability issues as a means of measuring the loss allowance.

The Group writes off trade receivables when there is no realistic prospect of recovery with the amount written off against the loss allowance held. The credit risk profile of these receivables is presented based on their past due status and the calculated loss ratios applied to the profiled receivables to give the ECL.

Risk profile category (ageing)	2025 £000	ECL rate	2025 ECL allowance £000	2024 £000	ECL rate	2024 ECL allowance £000
Current	37,206	0.45%	169	34,665	0.25%	85
Overdue						
0-30 days	10,498	0.80%	84	11,468	0.42%	48
30-60 days	1,632	1.43%	23	1,128	0.74%	8
60-90 days	649	4.51%	29	359	2.37%	9
Over 90 days	238	31.32%	75	200	14.39%	29
	50,223		380	47,820		179

Notes to the financial statements (cont)

For the year ended 31 December 2025

13. Trade and other receivables (cont)

The ECL allowance reflects the Group's prior experience and assessment of the current economic environment. In determining the recoverability of trade receivables and the level of loss allowance, known changes in credit quality or expected credit loss from the date credit was originally granted are taken into account.

	2025 £000	2024 £000
ECL allowance		
At 1 January	179	458
Change in loss allowance	385	161
Amounts written off as uncollectible (net of recoveries)	(184)	(440)
At 31 December	380	179

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

14. Financial instruments

The Group funds its operations from a number of sources of finance, namely operating cash flows, bank borrowings, finance leases and shareholders' equity, which comprises share capital, reserves and retained earnings. The objective is to achieve a capital structure with an appropriate cost of capital, whilst providing flexibility in immediate and medium-term funding to accommodate any material investment requirements.

The Group's principal financial instruments comprise borrowings, cash and short-term deposits, and other items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations. Throughout the period under review, the Group's policy is that no trading in financial instruments is undertaken for speculative purposes.

There has been no significant change to the Group's exposure to market risks during 2025. Principal risks arising are liquidity risk and credit risk, with secondary risks being interest rate risk and currency risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below and have remained unchanged since the beginning of 2026.

Liquidity risk

The Group's liquidity requirements are met by ensuring adequate access to funds by maintaining appropriate levels of committed bank facilities, which are reviewed regularly. The Group bank borrowing facility with Bank of Scotland PLC and HSBC UK Bank plc of £40m is available until November 2028 with the option to extend a further one year to November 2029. The facility bears interest at normal commercial rates and carries standard financial covenants in relation to interest cover and leverage. The maturity profile is set out in this note.

Credit risk

The Group's exposure to credit risk is managed by dealing only with banks and financial institutions with good credit ratings and by applying considerable rigour in managing trade receivables. The Group's principal credit risk is primarily attributable to its trade receivables. Amounts presented in the balance sheet are shown net of an ECL allowance, as estimated by the Group's management with details set out in note 13.

Interest rate risk

The Group borrows in currencies at floating rates of interest. It was not considered necessary to cover interest rate exposures by the use of financial instruments during 2025.

A sensitivity analysis has been prepared based on bank interest rate exposures at the year-end date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. If interest rates had been 50 basis points higher and all other variables held constant, the Group's profit before tax would have decreased by £125,000 (2024: £47,000).

Currency risk

The Group had three overseas subsidiaries in 2025, one operating in Ireland, one operating in the Netherlands and one operating in Germany. Revenues and expenses are denominated exclusively in Euros. Movements in the Euro to sterling exchange rates could affect the Group's sterling balance sheet. The Group's policy during 2025 has been to review the need to hedge currency exposures on a regular basis and it was not considered necessary to cover existing currency exposures by the use of financial instruments. The Group continues to review the need to hedge exposures on a regular basis.

The Sterling value of foreign currency denominated assets and liabilities at the year-end is as follows:

	Assets		Liabilities	
	2025 £000	2024 £000	2025 £000	2024 £000
Euros	9,891	8,334	3,424	2,964

The sterling value of the Group's foreign currency denominated profit before tax from continuing operations is as follows:

	2025 £000	2024 £000
Euros	1,078	2,902

The following table details the sensitivity to a 5% reduction in Sterling against the respective foreign currencies. The sensitivity of the Group's exposure to foreign currency risk is determined based on the exposure at the year-end and on the change taking place at the beginning of the financial year and held constant throughout the year.

	Result 2025 £000	Result 2024 £000	Other equity 2025 £000	Other equity 2024 £000
Euros	41	106	283	162
			2025 £000	2024 £000
Cash and cash equivalents				
Currency – Sterling			12,969	11,110
– Euros			1,411	1,776
– US Dollars			3	42
Cash and cash equivalents			14,383	12,928
Bank borrowings				
Currency – Sterling			30,544	14,846
Bank borrowings			30,544	14,846
Net bank debt			(16,161)	(1,918)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with an original maturity of three months or less. Bank borrowings comprise £28.0m drawn down on the Group revolving credit facility and £2.5m drawn down on the Pitreavie invoice discounting facility.

Effective from 28 November 2024 the Group has had a revolving credit facility with Bank of Scotland PLC and HSBC UK Bank plc of £40m which is available until November 2028, with the option to extend a further year. Under this facility, the Group requires to provide over 85% guarantor coverage for Revenue, EBITDA and Gross Assets. At 31 December 2025, the guarantor group consisted of Macfarlane Group PLC and its UK subsidiaries. The facility bears interest at normal commercial rates and carries standard financial covenants in relation to interest cover and leverage.

Pitreavie Packaging Limited ('Pitreavie'), a subsidiary of the Group since January 2025, has an invoice discounting facility with Clydesdale Bank PLC of £3.25m. Under this facility the trade receivables of Pitreavie are assigned to Clydesdale Bank PLC who then fund Pitreavie in advance of the collection of the receivables. Pitreavie retains the credit risk associated with collecting the receivables which is partly mitigated by third party credit insurance. This facility bears interest at normal commercial rates and carries standard financial covenants in relation to levels of headroom over trade receivables.

The Group and Pitreavie have been in compliance with all conditions in relation to the revolving credit and invoice discounting facilities throughout 2025 and have remained in compliance in 2026 to date.

Interest rates

Bank borrowings are held at floating rates of interest. The average effective interest rate on these borrowings approximates to 6.33% per annum (2024: 8.96%).

Fair value of financial instruments

Current assets and liabilities are all held at floating rates. The fair values of cash and cash equivalents and bank borrowings at 31 December 2025 all materially equate to book values.

Borrowing facilities

The Group's committed borrowing facilities, for which all conditions precedent had been met, are as follows:

	2025 £000	2024 £000
Drawn down	30,544	14,846
Undrawn	12,706	25,154
Committed borrowing facilities	43,250	40,000

Notes to the financial statements (cont)

For the year ended 31 December 2025

14. Financial instruments (cont)

The Group's borrowing profile is as follows:	2025 £000	2024 £000
At amortised cost		
Bank borrowings – secured	30,544	14,846
Lease liabilities	9,904	7,223
Current borrowings	40,448	22,069
Non-current lease liabilities	48,917	35,653
Total borrowings	89,365	57,722
Equity	120,562	123,273
Gearing (net debt to equity) ratio	74%	47%

Financial instruments carried at fair value

IFRS 7 requires that all financial instruments carried at fair value be analysed under certain levels. The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

Financial instruments which are designated at fair value through profit or loss (note 15)	Carrying amount 2025 £000	Fair value 2025 £000	Level 1 2025 £000	Level 2 2025 £000	Level 3 2025 £000
Deferred contingent consideration	(2,487)	(2,487)	–	–	(2,487)
	Carrying amount 2024 £000	Fair value 2024 £000	Level 1 2024 £000	Level 2 2024 £000	Level 3 2024 £000
Deferred contingent consideration	(5,542)	(5,542)	–	–	(5,542)

The following table shows the valuation techniques used for Level 3 fair values, and significant unobservable inputs used for Level 3 items.

Financial instruments measured at fair value	Valuation technique	Significant unobservable inputs (Level 3 only)
Contingent consideration	The expected payment reflects calculated cash outflows under possible earn-out scenarios discounted to present value.	Trading performance of acquired subsidiary companies in a period of 12-24 months following acquisition.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements.

Non-derivative financial instruments	2025 Contractual cash flows			
	Total £000	Due within one year £000	Due from 1-5 years £000	Due after five years £000
Secured bank borrowings	30,544	30,544	–	–
Lease liabilities	58,821	9,904	28,132	20,785
Trade payables	37,928	37,928	–	–
Accruals and deferred income	9,598	9,598	–	–
Deferred contingent consideration	2,487	2,487	–	–
	139,378	90,461	28,132	20,785

	2024 Contractual cash flows			
	Total £000	Due within one year £000	Due from 1-5 years £000	Due after five years £000
Non-derivative financial instruments				
Secured bank borrowings	14,846	14,846	–	–
Lease liabilities	42,876	7,223	20,606	15,047
Trade payables	34,432	34,432	–	–
Accruals and deferred income	7,977	7,977	–	–
Deferred contingent consideration	5,542	3,212	2,330	–
	105,673	67,690	22,936	15,047

15. Trade and other payables

	2025 £000	2024 £000
Due within one year		
Trade payables	37,928	34,432
Other taxation and social security	4,653	3,929
Deferred contingent consideration	2,487	3,212
Other payables	926	713
Accruals and deferred income	9,598	7,977
	55,592	50,263
Due after more than one year		
Deferred contingent consideration	–	2,330
	–	2,330

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs in all the Group's businesses. No interest is charged on overdue trade payables. The Directors consider that the carrying amounts for trade and other payables approximate to their fair value.

The movements in deferred contingent consideration related to the acquisitions of A & G Holdings Limited ('Gottlieb'), Allpack Packaging Supplies Limited ('Allpack Direct'), Polyformes Limited ('Polyformes') and The Pitreavie Group Limited ('Pitreavie') are set out below.

	Gottlieb £000	Allpack Direct £000	Polyformes £000	Pitreavie £000	Total £000
At 31 December 2024	538	516	4,488	–	5,542
Acquisition	–	–	–	1,577	1,577
Adjustments charged to operating expenses	–	128	–	(1,660)	(1,532)
Adjustments charged to net financing expenses	12	5	229	83	329
Payment (note 22)	(550)	(649)	(2,230)	–	(3,429)
At 31 December 2025	–	–	2,487	–	2,487

Contingent considerations are recognised as a liability in trade and other payables and are remeasured to fair value of £2,487,000 at the balance sheet date, all due within one year, based on a range of outcomes between £Nil and £3,570,000. Trading in the post-acquisition period supports the remeasured value of £2,487,000 which relates solely to the acquisition of Polyformes Limited.

The Group has commercial credit card facilities of £4m with Lloyds Bank plc which it uses to pay certain suppliers. The credit terms on the facilities are 60 days. The facility was used during 2025 and 2024 to pay two suppliers who benefited through early payment of their invoices by 30 days.

	2025 £000	2024 £000
Trade payables	37,928	34,432
of which suppliers have received payment	1,769	1,447
Liabilities that are part of the arrangement	25-35 days	25-35 days
Comparable trade payables that are not part of the arrangements	55-65 days	55-65 days

Notes to the financial statements (cont)

For the year ended 31 December 2025

16. Lease liabilities

	2025 £000	2024 £000
Amounts payable under leases		
Within one year	9,904	7,223
Between one and five years	28,132	20,606
After more than five years	20,785	15,047
Present value of lease liabilities	58,821	42,876
Due for settlement within 12 months (current liabilities)	(9,904)	(7,223)
Due for settlement after more than 12 months (non-current liabilities)	48,917	35,653
	2025 £000	2024 £000
At 1 January	42,876	36,176
New leases	9,397	11,208
Acquisitions (note 22)	4,477	1,709
Disposals	(990)	(107)
Lease modifications	12,271	2,210
Exchange movements	56	(69)
Interest	2,872	1,921
Repayments under leases	(12,138)	(10,172)
At 31 December	58,821	42,876

The Directors consider that the carrying amounts for lease liabilities approximate to their fair value. Repayment of lease obligations in the cash flow statement of £9,266,000 consists of repayments under leases of £12,138,000 less interest of £2,872,000.

17. Deferred tax

	Timing differences/ Accelerated capital allowances £000	Other intangible assets £000	Retirement benefit obligations £000	Total £000
At 1 January 2024	(737)	(5,919)	(2,481)	(9,137)
Acquisition	(119)	(2,361)	–	(2,480)
Credited/(charged) in income statement	(405)	1,158	(19)	734
Credited in other comprehensive income				
Deferred tax on remeasurement of pension scheme liability	–	–	91	91
At 31 December 2024	(1,261)	(7,122)	(2,409)	(10,792)
Acquisition (note 22)	(686)	(1,691)	–	(2,377)
Credited in income statement	179	1,274	414	1,867
Credited in other comprehensive income				
Deferred tax on remeasurement of pension scheme liability	–	–	486	486
At 31 December 2025	(1,768)	(7,539)	(1,509)	(10,816)
2025 Deferred tax assets due outwith one year	276	–	–	276
2025 Deferred tax liabilities due outwith one year	(2,044)	(7,539)	(1,509)	(11,092)
	(1,768)	(7,539)	(1,509)	(10,816)
2024 Deferred tax assets due outwith one year	145	–	–	145
2024 Deferred tax liabilities due outwith one year	(1,406)	(7,122)	(2,409)	(10,937)
	(1,261)	(7,122)	(2,409)	(10,792)

Deferred tax balances represent 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. Deferred tax assets and liabilities at 31 December 2025 have been calculated based on a corporation tax rate of 25%.

18. Share capital

	Number of 25p shares	2025 £000	2024 £000
Allotted, issued and fully paid:			
At 1 January	159,600,000	39,900	39,738
Issued during the year	–	–	162
Cancelled during the year	(2,325,509)	(581)	–
At 31 December	157,274,491	39,319	39,900

The Company has one class of ordinary shares, which carry no right to fixed income.

Each ordinary share carries one vote in any General Meeting of the Company.

The decrease in share capital relates to the £4,000,000 share buyback programme launched on 15 May 2025 with the programme to be completed in four quarterly tranches of £1,000,000 starting from 2 June 2025 and all shares purchased being cancelled. In the period to 31 December 2025 £2,083,234 was spent on purchasing of 2,325,509 shares, at an average price per share of 89.58p.

19. Reserves

	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Own shares £000	Translation reserve £000	Retained earnings £000
Balance at 1 January 2024	13,981	–	70	(16)	171	60,632
Profit for the year	–	–	–	–	–	15,530
Dividends paid (see note 6)	–	–	–	–	–	(5,750)
Issue of new shares	515	–	–	(21)	–	(656)
Purchase of own shares	–	–	–	(392)	–	–
Foreign currency translation differences – foreign operations	–	–	–	–	(150)	–
Share-based payments	–	–	–	–	–	(270)
Remeasurement of pension scheme liability taken direct to equity	–	–	–	–	–	(362)
Deferred tax taken direct to equity	–	–	–	–	–	91
Balance at 31 December 2024	14,496	–	70	(429)	21	69,215
Profit for the year	–	–	–	–	–	6,316
Dividends paid (see note 6)	–	–	–	–	–	(5,822)
Purchase of own shares	–	581	–	(47)	–	(2,083)
Foreign currency translation differences – foreign operations	–	–	–	–	282	–
Share-based payments	–	–	–	116	–	(16)
Remeasurement of pension scheme liability taken direct to equity	–	–	–	–	–	(1,943)
Deferred tax taken direct to equity	–	–	–	–	–	486
Balance at 31 December 2025	14,496	581	70	(360)	303	66,153

Exchange differences arising in the consolidated accounts on the retranslation at closing rates of the Group's net investments in foreign subsidiary companies are recorded as movements on the translation reserve.

44,525 shares were purchased and 95,953 shares were sold during 2025 by an Employee Benefit Trust ('EBT'). The total shares held by the EBT totalled 278,640 at 31 December 2025 (330,068 at 31 December 2024) representing 0.2% of shares in issue.

Notes to the financial statements (cont)

For the year ended 31 December 2025

20. Provisions

	Property £000
At 1 January 2024	1,730
Additions in the year	16
Releases	(128)
Payments	(247)
At 31 December 2024	1,371
Additions in the year	138
Acquisitions	188
Releases	(315)
Payments	(803)
At 31 December 2025	579
2025 – Due within one year	138
– Due after more than one year	441
At 31 December 2025	579
2024 – Due within one year	1,044
– Due after more than one year	327
At 31 December 2024	1,371

Property provisions relate to sums due in respect of dilapidations. Of the £441,000 due after more than one year £366,000 is due between one and five years and £75,000 is due after five years.

21. Analysis of changes in net debt

	Cash & cash equivalents £000	Bank borrowing £000	Lease liabilities £000	Net debt £000
At 1 January 2024	7,691	(7,164)	(36,176)	(35,649)
Non-cash movements				
New leases	–	–	(11,208)	(11,208)
Acquisitions	2,483	–	(1,709)	774
Disposals	–	–	107	107
Lease modifications	–	–	(2,210)	(2,210)
Exchange movements	–	–	69	69
Cash movements	2,754	(7,682)	8,251	3,323
At 31 December 2024	12,928	(14,846)	(42,876)	(44,794)
Non-cash movements				
New leases	–	–	(9,397)	(9,397)
Acquisitions	1,093	(4,441)	(4,477)	(7,825)
Disposals	–	–	990	990
Lease modifications	–	–	(12,271)	(12,271)
Exchange movements	–	–	(56)	(56)
Cash movements	362	(11,257)	9,266	(1,629)
At 31 December 2025	14,383	(30,544)	(58,821)	(74,982)
	Cash & cash equivalents £000	Bank borrowing £000	Net bank debt £000	
Net bank debt 2025	14,383	(30,544)	(16,161)	
Net bank debt 2024	12,928	(14,846)	(1,918)	

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

Total financing liabilities are equal to £89,365,000 (2024: £57,722,000).

The movement in net bank debt is inclusive of the net cash outflow in respect of acquisitions set out in note 22.

22. Acquisitions

On 10 January 2025, MGUK acquired 100% of The Pitreavie Group Limited ('Pitreavie'), for £10.6m as set out below. In addition, there is potential contingent consideration of £4.0m payable in the first quarters of 2026 and 2027, subject to certain trading targets being met in the twelve-month period ending on 31 December 2025 and 31 December 2026 respectively.

The impact of the acquisition of Pitreavie on 2025 results and if the acquisitions had been completed on the first day of 2025 are set out below:

	From date of acquisition		If completed 1 January 2025	
	Revenue £000	Loss £000	Revenue £000	Loss £000
Pitreavie	25,164	(668)	25,533	(668)

Fair values assigned to net assets acquired and consideration paid and payable are set out below:

	Pitreavie £000	Prior year acquisitions (note 15) £000	2025 Total £000
Net assets acquired			
Other intangible assets (note 9)	6,937	–	6,937
Tangible assets (inc. ROU assets)	7,490	–	7,490
Inventories	1,256	–	1,256
Trade and other receivables	4,475	–	4,475
Current tax asset	111	–	111
Cash and bank balances (note 21)	1,093	–	1,093
Bank borrowings (note 21)	(4,441)	–	(4,441)
Trade and other payables	(4,486)	–	(4,486)
Lease liabilities (note 16)	(4,477)	–	(4,477)
Deferred tax liabilities (note 17)	(2,377)	–	(2,377)
Net assets acquired	5,581	–	5,581
Goodwill arising on acquisition (note 9)	6,557	–	6,557
Total consideration	12,138	–	12,138
Contingent consideration on acquisitions			
Current year	(1,577)	–	(1,577)
Prior years	–	3,429	3,429
Total cash consideration	10,561	3,429	13,990
Net cash outflow arising on acquisitions			
Cash consideration	(10,561)	(3,429)	(13,990)
Cash and bank balances acquired	1,093	–	1,093
Net cash outflow – acquisitions	(9,468)	(3,429)	(12,897)
Per cash flow statement			
Net cash outflow from investing activities	(9,468)	(3,429)	(12,897)

23. Retirement benefit obligations

Introduction

Macfarlane Group PLC sponsors a defined benefit pension scheme for former UK employees – the Macfarlane Group PLC Pension & Life Assurance Scheme (1974) ('the Scheme'). One of the trading subsidiaries, Macfarlane Group UK Limited is also a sponsoring employer of the Scheme. Macfarlane Labels Limited was a sponsoring employer until 31 December 2021 when the company was sold and ceased to be a sponsoring member. The Scheme is currently in surplus and disclosure of the respective proportions of the Group surplus are included and disclosed in the financial statements of each of the two participating employers.

The Scheme is an HMRC registered pension scheme, administered by a Board of Trustees composed of employer-nominated representatives and member-nominated Trustees which is legally separate from the Group. The Scheme's investments 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 administration of benefits. Macfarlane Group PLC, based on legal opinion provided, has an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a wind up of the Scheme. Furthermore, in the ordinary course of business the trustees have no rights to unilaterally wind up the Scheme, or otherwise augment the benefits due to members of the Scheme. Based on these rights, any net surplus in the Scheme is recognised in full.

Notes to the financial statements (cont)

For the year ended 31 December 2025

23. Retirement benefit obligations (cont)

The Scheme provides qualifying employees with an annual pension of 1/60 of pensionable salary for each completed years' 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. The Scheme was closed to new entrants during 2002. The Scheme was closed to future accrual on 30 November 2022 with the 3 remaining active members transferring to the Group's defined contribution pension scheme.

On leaving active service a deferred member's pension is revalued from the time of withdrawal until the pension is drawn. Revaluation in deferment is statutory and since 2010 has been revalued on the Consumer Price Index ('CPI') measure of inflation. Revaluation of pensions in payment is a blend of fixed increases and inflationary increases depending on the relevant periods of accrual of benefit. For pensions in payment, the inflationary increase is currently based on the Retail Price Index ('RPI') measure of inflation or based on Limited Price Indexation ('LPI') for certain defined periods of service.

During 2012, Macfarlane Group PLC agreed with the Board of Trustees to amend benefits for pensioner, deferred and active members in the Scheme by offering a Pension Increase Exchange ('PIE') option to pensioner members and a PIE option to all other members at retirement after 1 May 2012.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and other ('the Virgin Media case') relating to the validity of certain historical pension changes. The ruling was upheld at the Court of Appeal in July 2024. After seeking external legal advice in 2024 the Group concluded that they are not aware of any issues that would require any adjustment to the defined benefit obligations and no further action is required at this stage. Further, the Department of Work and Pensions announced in 2025 that it will introduce legislation to allow retrospective confirmation of historic benefit changes which will significantly reduce the impact of the Virgin Media case on pension schemes. The legislation is expected to be enacted during 2026.

Balance sheet disclosures at 31 December 2025

The Scheme's qualified actuary from Aon carries out triennial valuations using the Projected Unit Credit Method to determine the level of surplus/deficit. For the most recent triennial valuation at 1 May 2023, the results of this valuation showed that the market value of the relevant investments of the Scheme was £71,900,000 and represented 109% of the actuarial value of benefits that had accrued to members.

The Trustees review the scheme's investments on a regular basis and consult with the Company regarding any proposed changes to the investment profile. During 2025 the Trustees maintained the overall allocations in line with the strategic asset allocation in the Trustees' Statement of Investment Principles.

Liability-driven investment funds provide a match of 100% against the impact of inflation movements on pension liabilities and against the impact of movements in interest rates on pension liabilities.

The ability to realise the Scheme's investments at, or close to, fair value was considered when setting the investment strategy. 100% (2024: 100%) of the Scheme's investments can be realised at fair value on a daily or weekly basis. The remaining investments have monthly or quarterly liquidity. However, whilst the regular income from these helps to meet the Scheme's cash flow needs, they are not expected to be realised at short notice from a strategic perspective. The present value of the Scheme liabilities is derived from cash flow projections and the expected return of the assets over a long period and is thus inherently uncertain.

The investment classes held by the Scheme and the Scheme surplus, based on the results of the actuarial valuation as at 1 May 2023, updated to the year-end are as shown below:

Investment class	Valuation 2025 £000	Asset allocation	Valuation 2024 £000	Asset allocation	Valuation 2023 £000	Asset allocation
Equities						
Multi-asset diversified growth funds	–	–	2,879	4.5%	10,198	14.1%
Bonds						
Liability-driven investment funds	37,216	59.8%	32,589	50.8%	32,052	44.2%
Other						
Multi-asset credit funds	3,048	4.9%	10,234	16.0%	9,824	13.5%
Securitised credit funds	16,157	26.0%	16,895	26.3%	13,047	18.0%
Cash	5,779	9.3%	1,511	2.4%	7,402	10.2%
Fair value of scheme investments	62,200	100.0%	64,108	100.0%	72,523	100.0%
Present value of scheme liabilities	(56,164)		(54,472)		(62,602)	
Pension scheme surplus	6,036		9,636		9,921	

All investments are quoted except cash.

Assumptions

The Scheme's liabilities at 31 December 2025 were calculated on the following bases as required under IAS 19:

	2025	2024	2023
Discount rate	5.45%	5.50%	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 2.80% for LPI. 1.93% post 5 April 2006	3% or 5% for fixed increases or 3.03% for LPI. 2.03% post 5 April 2006	3% or 5% for fixed increases or 3.03% for LPI. 2.03% post 5 April 2006
Spouse's pension assumption			
– Pensioners (male/female)	84%/60%	84%/60%	84%/60%
– Deferred members (male/female)	87%/76%	87%/76%	87%/76%
PIE take up rate	30%	60%	60%
Inflation assumption (RPI)	2.90%	3.20%	3.20%
Inflation assumption (CPI)	2.60%	2.80%	2.70%
Life expectancy beyond normal retirement age of 65			
Scheme members aged 55			
Male	22.7 years	22.3 years	22.3 years
Female	24.2 years	24.1 years	24.0 years
Scheme members aged 65			
Male	22.2 years	21.8 years	21.8 years
Female	23.5 years	23.4 years	23.3 years
Average uplift for GMP service	0.40%	0.40%	0.40%

Sensitivity to significant assumptions

The Pension scheme exposes the Group to actuarial risks, such as interest rate risk, inflation risk, longevity risk and investment risk. The significant assumptions used for IAS 19 are discount rate, inflation and mortality. If different assumptions were used, then this could have a material effect on the surplus/deficit.

Assuming all other assumptions are held static then a movement in the following key assumptions would affect the level of the Pension scheme surplus/deficit as shown below:

	2025 £000	2024 £000
Assumptions		
Discount rate movement of +1.0%	5,152	4,997
Inflation rate movement of +0.25%	(181)	(176)
Mortality movement of +1 year in age rating	(2,311)	(2,241)

Positive figures reflect a reduction in scheme liabilities and therefore a reduction in the deficit or increase in the surplus. The sensitivity information has been prepared using the same method as adopted when updating the results of the most recent actuarial valuation to the balance sheet date and is consistent with the approach adopted in previous years.

The level of sensitivities shown reflect average movements in the assumptions in the last three years.

The sensitivity information assumes that the average duration of the scheme's liabilities is 12 years.

GMP equalisation

In 2018, the Directors made the judgement that the estimated effect of GMP equalisation on the Group's pension liabilities was a past service cost. The average uplift for GMP service for impacted members was reflected through the consolidated income statement in 2018, with any subsequent changes in the estimate to be recognised in other comprehensive income.

Pre-2012 Barber equalisation

Following the Barber judgement in 1990 to equalise normal retirement ages for men and women the Macfarlane Group Pl C Pension & Life Assurance Scheme (1974) ('the Scheme') initially adopted the service credit method to equalise pensions for those members with service in the Barber window (17 May 1990 and 19 June 1995). After taking legal advice in 2011, the better of the service credit or tranching approach ('better off approach') was adopted for all retirements after 1 June 2012. In preparing the pension scheme for a potential buy-in legal advice was received in 2025 that advised the trustees to correct the benefits of any members who retired prior to 1 June 2012 with service in the Barber window where the better off approach would have resulted in a higher benefit than the service credit approach. As a result, an estimated liability of £1,930,000, comprising £1,360,000 to adjust historic pensions paid and £570,000 to adjust future benefit payments, has been assessed which has been charged as a non-recurring charge in 2025.

Right to surplus

UK pension legislation requires that pension schemes are funded prudently. Following the conclusion of the 2023 actuarial valuation, the Scheme's trustees agreed the Company does not require to provide further contributions to the Scheme. The Group retains an unconditional right to a refund of any surplus, based on and in accordance with the terms and conditions of the defined benefit scheme and minimum funding requirements. Accordingly, IFRIC 14 does not require an adjustment to the net pension surplus.

Following the closure of the Scheme to future accrual on 30 November 2022 there are no active members.

Notes to the financial statements (cont)

For the year ended 31 December 2025

23. Retirement benefit obligations (cont)

	2025 £000	2024 £000
Movement in the scheme surplus during the year		
At 1 January	9,636	9,921
Administration costs incurred	(250)	(361)
Net finance income (note 4)	523	438
Past service cost	(1,930)	–
Remeasurement of pension scheme surplus in the year	(1,943)	(362)
At 31 December	6,036	9,636
Analysis of amounts charged to profit before tax		
Administration costs incurred	(250)	(361)
Past service cost	(1,930)	–
Net finance income	523	438
Pension net income credited to profit before tax	1,657	77
Analysis of the remeasurement of the pension scheme liability recognised in the statement of other comprehensive income		
Return on scheme investments excluding amount shown in interest income	(1,066)	(6,933)
Changes due to scheme experience	(964)	502
Changes in financial assumptions underlying the present value of scheme liabilities	87	6,069
Remeasurement of the pension scheme liability recognised in the statement of other comprehensive income	(1,943)	(362)
Movement in the fair value of scheme investments		
At 1 January	64,108	72,523
Interest income	3,410	3,160
Return on scheme investments (excluding amount shown in interest income)	(1,066)	(6,933)
Administration costs incurred	(250)	(361)
Benefits paid	(4,002)	(4,281)
At 31 December	62,200	64,108
Movement in the present value of scheme liabilities		
At 1 January	(54,472)	(62,602)
Interest cost	(2,887)	(2,722)
Past service cost	(1,930)	–
Changes due to scheme experience	(964)	502
Changes in assumptions underlying the scheme liabilities	87	6,069
Benefits paid	4,002	4,281
At 31 December	(56,164)	(54,472)

The history of experience adjustments and actual returns on scheme assets and scheme liabilities is as follows:

	2025 £000	2024 £000	2023 £000	2022 £000	2021 £000
Present value of defined benefit obligations	(56,164)	(54,472)	(62,602)	(60,287)	(92,156)
Fair value of scheme investments	62,200	64,108	72,523	70,486	100,423
Pension scheme surplus	6,036	9,636	9,921	10,199	8,267
Actual return on scheme investments					
Amount	2,344	(3,773)	4,856	(27,589)	2,605
Percentage of scheme investments	3.8%	(5.9%)	6.7%	(39.1%)	2.6%
Experience adjustment on scheme liabilities					
Amount	(877)	6,571	(3,510)	29,393	6,939
Percentage of scheme liabilities	(1.6%)	12.1%	(5.6%)	48.8%	7.5%
Experience adjustment on scheme investments					
Amount	(1,066)	(6,933)	1,543	(29,475)	1,273
Percentage of scheme investments	(1.7%)	(10.8%)	2.1%	(41.8%)	1.3%

Defined contribution schemes

The Group also operates a number of defined contribution pension arrangements, set up as the Macfarlane Group Personal Pension Plan, including an Auto-enrolment scheme. The assets of these plans are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions paid by the Group to these plans and amounted to £4,092,000 (2024: £3,460,000). Contributions amounting to £254,000 (2024: £266,000) were payable to the plans and are included in trade and other payables at 31 December.

24. Share-based payments

Equity-settled Long-Term Incentive Plans Movements in PSP awards during the year	Number of shares 2025	Average price 2025 £	Number of shares 2024	Average price 2024 £
Outstanding at 1 January	2,072,403	1.22	1,956,238	1.12
Awarded during the year	1,662,250	0.94	744,430	1.34
Vested during the year	–	–	(628,265)	(1.04)
Lapsed during the year	(578,218)	1.29	–	–
Outstanding at 31 December	3,156,435	1.06	2,072,403	1.22

A nil cost option award was granted under The Macfarlane Group PLC Long Term Incentive Plan in September 2025 based on 150% of salary. The performance condition requires EPS (up to 60% of the award) in 2027 to be between 11.93p and 14.31p for between 25%-100% of this part of the award to vest, working on a straight-line basis and TSR (up to 40% of the award) to exceed the median index (FTSE Small-Cap Ex IT) performance in order for this target to trigger an award with linear increase between the median and upper quartile of the index.

A nil cost option award was granted under The Macfarlane Group PLC Long Term Incentive Plan in March 2024 based on 100% of salary. The performance condition requires EPS in 2026 to be between 11.30p and 13.56p for between 25%-100% of this part of the award to vest, working on a straight-line basis.

A nil cost option award was granted under The Macfarlane Group PLC Long Term Incentive Plan in March 2023 based on 100% of salary. The performance condition requires EPS in 2025 to be between 10.80p and 12.95p for between 25%-100% of this part of the award to vest, working on a straight-line basis.

All awards are subject to an underpin based on the Remuneration Committee's view of overall performance in the three-year periods to 31 December 2025, 2026 and 2027 respectively. No re-setting of either award is allowed. Vesting periods are three years and awards vesting then have a holding period of two years after vesting.

The Group recognised an expense of £Nil (2024: credit of £270,000) in 2025 relating to equity-settled long-term incentive plan awards on the basis that the 2023 awards had an estimated probability of vesting of 0% (2024: 0%), the 2024 awards had an estimated probability of vesting of 0% (2024: 0%) and the 2025 awards had an estimated probability of vesting of 0%.

25. Post balance sheet event

There are no post balance sheet events to be disclosed.

26. Related party transactions

The Group has related party relationships with

- (i) its subsidiaries, listed on page 132,
- (ii) its Directors who comprise the Group Board; and
- (iii) the Macfarlane Group PLC sponsored pension schemes (see note 23).

Transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed.

Key management personnel comprise the Group Board. Their remuneration is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2025 £000	2024 £000
Directors' remuneration	984	1,701
Employer's national insurance contributions	135	231
	1,119	1,932

Further details of Directors' individual and collective remuneration are set out in the Directors' Remuneration Report on page 72. The details provided in the Directors' Remuneration Report address the Companies Act disclosure requirements relating to Directors' remuneration.

Details of Directors' shareholdings in the Company are shown on page 73 and total dividends of £70,000 were paid in respect of these shareholdings in 2025 (2024: £67,000).

Disclosures in relation to the pension schemes are set out in note 23.

Notes to the financial statements (cont)

For the year ended 31 December 2025

26. Related party transactions (cont)

The Directors have considered the implications of IAS 24 '*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.

27. Contingent liability

One of the Group's subsidiaries, Pitreavie Packaging Limited ('Pitreavie'), is subject to an ongoing investigation by the authorities in relation to an incident on 7 October 2025 at its Cumbernauld manufacturing facility, which tragically resulted in the death of an employee. The investigation is in its early stages and Pitreavie management has not received any notification or indication of the likely outcome. The authorities have the power to issue enforcement notices or to initiate legal prosecution for breach of health and safety law which, if found to apply in this case, could result in significant fines.

Based on information available to date and taking into account there is very limited information from which to estimate the possible magnitude or timing of any resultant payments, management currently believes that the foregoing is not expected to have a material adverse impact on the Group's Financial Statements.

The Group will continue to monitor the progress of the investigation and will recognise a provision if and when it becomes probable that a material outflow of economic benefits will be required to settle an obligation, and a reliable estimate can be made.

Company balance sheet

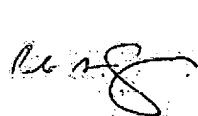
For the year ended 31 December 2025

	Note	2025 £000	2024 £000
Non-current assets			
Property, plant and equipment	28	33	33
Right-of-use assets	29	45	60
Investments	30	28,370	28,370
Retirement benefit obligations	40	2,173	3,469
Trade and other receivables	32	34,971	35,505
Total non-current assets		65,592	67,437
Current assets			
Trade and other receivables	32	4,152	3,914
Cash and cash equivalents		366	194
Total current assets		4,518	4,108
Total assets		70,110	71,545
Current liabilities			
Trade and other payables	33	2,730	2,479
Lease liabilities	35	17	16
Provisions	34	–	825
Total current liabilities		2,747	3,320
Net current assets		1,771	788
Non-current liabilities			
Deferred tax liabilities	31	544	868
Lease liabilities	35	35	53
Total non-current liabilities		579	921
Total liabilities		3,326	4,241
Net assets		66,784	67,304
Equity			
Share capital	36	39,319	39,900
Share premium	37	14,496	14,496
Capital redemption reserve	37	581	–
Own shares	37	(360)	(37)
Profit and loss account	37	12,748	12,945
Total equity	38	66,784	67,304

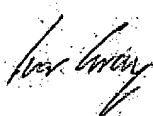
The Company has taken advantage of Section 408 of the Companies Act 2006 and consequently a separate profit and loss account for the parent company is not presented as part of these financial statements.

The Company's profit for the year is £8,252,000. The accompanying notes are an integral part of this Company balance sheet.

The financial statements of Macfarlane Group PLC, Company registration number SC004221, were approved by the Board of Directors on 26 February 2026 and signed on its behalf by



Peter D. Atkinson
Chief Executive



Ivor Gray
Finance Director

Company statement of changes in equity

For the year ended 31 December 2025

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Own shares £000	Retained earnings £000	Total £000
At 1 January 2024		39,738	13,981	–	(16)	11,713	65,416
Comprehensive income							
Profit for the year		–	–	–	–	8,006	8,006
Remeasurement of pension scheme liability	40	–	–	–	–	(131)	(131)
Tax on remeasurement of pension scheme liability	31	–	–	–	–	33	33
Total comprehensive income		–	–	–	–	7,908	7,908
Transactions with shareholders							
Dividends	6	–	–	–	–	(5,750)	(5,750)
New shares issued		162	515	–	(21)	(656)	–
Share-based payments	24	–	–	–	–	(270)	(270)
Total transactions with shareholders		162	515	–	(21)	(6,676)	(6,020)
At 31 December 2024		39,900	14,496	–	(37)	12,945	67,304
Comprehensive income							
Profit for the year		–	–	–	–	8,252	8,252
Remeasurement of pension scheme liability	40	–	–	–	–	(700)	(700)
Tax on remeasurement of pension scheme liability	31	–	–	–	–	175	175
Total comprehensive income		–	–	–	–	7,727	7,727
Transactions with shareholders							
Dividends	6	–	–	–	–	(5,822)	(5,822)
EBT transfers		–	–	–	(323)	(3)	(326)
Shares cancelled		(581)	–	581	–	(2,099)	(2,099)
Total transactions with shareholders		(581)	–	581	(323)	(7,924)	(8,247)
At 31 December 2025		39,319	14,496	581	(360)	12,748	66,784

The accompanying notes are an integral part of this statement of changes in equity.

Notes to the Company financial statements

For the year ended 31 December 2025

Significant accounting policies

Macfarlane Group PLC is a public company listed on the London Stock Exchange, incorporated and domiciled in the United Kingdom and registered in Scotland.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the United Kingdom ('Adopted IFRSs') but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. 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 assets;
- (iii) Disclosures in respect of transactions with wholly owned subsidiaries;
- (iv) The effects of new but not yet effective IFRSs;
- (v) Disclosures in respect of the compensation of Key Management Personnel; and
- (vi) Disclosures in respect of capital management.

As the consolidated financial statements for Macfarlane Group PLC include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of certain disclosures required by;

- (i) IFRS 2 *Share Based Payments* in relation to Group-settled share-based payments;
- (ii) IFRS 3 *Business Combinations* relating to business combinations undertaken by the Company; and
- (iii) IFRS 7 *Financial Instruments*.

Going concern

The Directors, in their consideration of going concern, have reviewed the Company and Group's future cash flow forecasts and revenue projections, which they believe are based on a prudent assessment of the market and past experience as set out on page 19.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next twelve months. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Critical judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Due to the nature of estimation, the actual outcomes may well differ from these estimates.

Critical judgements

No significant critical judgements have been made in the current or prior year.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Retirement benefit obligations

The determination of any defined benefit pension scheme liability is based on assumptions determined with independent actuarial advice. The key assumptions used include discount rate, inflation rate and mortality assumptions, for which a sensitivity analysis for the Group surplus is provided in note 23. The Directors consider that these sensitivities represent reasonable sensitivities which could occur in the next financial year.

Changes in accounting policies and application of revised standards and interpretations

There are no new accounting policies applied in 2025 which have had a material effect on these accounts.

The Directors do not consider that the adoption of new and revised standards and interpretations issued by the IASB in 2023 has had any material impact on the financial statements of the Company.

Accounting policies

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. 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.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated 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 7%-25% per annum. 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 in note 30 at cost less any provision for 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.

Notes to the Company financial statements (cont)

For the year ended 31 December 2025

Significant accounting policies (cont)

Trade and other receivables

Trade and other receivables 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 payables

Trade and other payables 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.

IFRS 16 'Leases'

The Company recognises a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets below £4,000. For these short-term or low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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

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

Right-of-use assets comprise the initial measurement of the corresponding lease liability and are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

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

The Company's incremental borrowing rate applied to lease liabilities in 2025 is 4.0%.

Movements in lease liabilities during 2025 are set out in note 35.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Other financial assets comprise trade and other receivables that have fixed or determinable recoveries. The classification takes account of the nature and purpose of the financial assets and is determined on initial recognition. The entity always recognises lifetimes expected credit losses (ECL) for trade receivables as estimated using a provision matrix based on the Company's historic credit loss experience. In accordance with IFRS 9 'Financial Instruments' changes in the carrying value of the provision are recognised in the consolidated income statement.

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 in accordance with the substance of the contractual arrangements.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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.

Taxation

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

Current tax is payable 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. The current tax liability 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. Deferred tax assets and liabilities are not discounted.

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.

Retirement benefit costs

Defined contribution schemes

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net retirement benefit obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in current and prior periods. These benefits are then discounted to determine the present value, and the fair values of any plan investments, at bid price, are deducted. The Company determines the net interest on the net retirement benefit obligation for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating to the average duration of the Company's retirement benefit obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, returns on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). Remeasurements are recognised in the statement of other comprehensive income and all other expenses related to defined benefit plans charged in staff costs in the profit and loss account.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the profit and loss account when the plan amendment or curtailment occurs.

The calculation of the retirement benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of the present value of any minimum funding requirements.

The net defined benefit cost of the plan is apportioned to participating entities on the basis of the employment history of scheme members, who are allocated to the relevant subsidiary company, with any remaining unallocated members allocated to the parent company.

Property provisions

The Company has obligations for two property leases. Under IAS 37 an entity must recognise a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be estimated reliably. Where it is probable at the balance sheet date, that there is a liability in respect of restoring the property to its original condition a provision is made for management's best estimate of the cost of fulfilling any residual repairing obligation for that property lease.

The Company may make the determination to exit a property lease before the expiry date, when it does not have a commercial rationale to continue to occupy the property. In this case the Company could have surplus properties and it would seek to attract a new tenant to obtain rental income from a sub-lease to cover its ongoing liabilities under the remaining period of the head lease. If there is likely to be a rental void for a period of time, then a provision is made at each balance sheet date to cover management's best estimate of the future cost of the likely void period.

Notes to the Company financial statements (cont)

For the year ended 31 December 2025

Significant accounting policies (cont)

Share-based payments

The fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Details of the determination of the fair value of equity-settled share-based transactions are set out in note 24.

28. Property, plant and equipment

	Plant and equipment £000	Total £000
Cost		
At 1 January 2025 and 31 December 2025	173	173
Depreciation		
At 1 January 2025	140	140
Charge for the year	-	-
At 31 December 2025	140	140
Net book value		
At 31 December 2025	33	33
At 31 December 2024	33	33

29. Right of use assets

Property	£000
Cost	
At 1 January 2025 and 31 December 2025	148
Depreciation	
At 1 January 2025	88
Charge for year	15
At 31 December 2025	103
Net book value	
At 31 December 2025	45
Net book value	
At 31 December 2024	60

30. Investments

	2025 £000	2024 £000
Investment in subsidiaries at cost		
At 1 January and 31 December	28,370	28,370

Details of the principal operating subsidiaries are set out on page 132.

31. Deferred tax liability

	2025 £000	2024 £000
Deferred tax on pension scheme surplus		
At 1 January	868	894
Credited to reserves	(175)	(33)
(Credited)/charged to profit and loss account	(149)	7
At 31 December	544	868

32. Trade and other receivables

	2025 £000	2024 £000
Due within one year		
Amounts owed by subsidiary undertakings	3,224	3,539
Other receivables	753	203
Prepayments and accrued income	169	136
Deferred tax asset (see below)	6	36
	4,152	3,914
Deferred tax asset – Corporation tax losses/timing differences		
At 1 January	36	234
Charged to profit and loss account	(30)	(198)
At 31 December	6	36
Due after more than one year		
Amounts owed by subsidiary undertakings	34,971	35,505

Amounts owed by subsidiary undertakings attract interest at normal commercial rates.

33. Trade and other payables

	2025 £000	2024 £000
Trade creditors	477	449
Amounts owed to subsidiary undertakings	1,683	985
Other taxation and social security	76	33
Accruals and deferred income	494	1,012
	2,730	2,479

The Company is a party to the Group revolving credit facility with Bank of Scotland PLC and HSBC UK Bank plc, a committed facility of £40m available until November 2028 with the option to extend a further year to November 2029. The facility bears interest at normal commercial rates and carries standard financial covenants in relation to interest cover and leverage.

The Company and its subsidiaries are guarantors to the facility. The drawdown at 31 December 2025 by the subsidiary company, Macfarlane Group UK Limited amounted to £28.0m (2024: £14.8m).

34. Provisions

	Property £000
At 1 January 2025	825
Releases	(188)
Payments	(637)
At 31 December 2025	–

Property provisions relate to sums due in respect of dilapidations.

35. Lease liabilities

	2025 £000	2024 £000
Amounts due under leases		
Within one year	17	16
Between one and five years	35	53
Total amount due	52	69
Due within one year	(17)	(16)
Due after more than one year	35	53
At 1 January	69	84
Repayments under leases	(17)	(15)
At 31 December	52	69

Notes to the Company financial statements (cont)

For the year ended 31 December 2025

36. Share capital

	Number of 25p shares	2025 £000	2024 £000
Called up, allotted and fully paid:			
At 1 January	159,600,000	39,900	39,738
Issued during the year	–	–	162
Cancelled during the year	(2,325,509)	(581)	–
At 31 December	157,274,491	39,319	39,900

The Company has one class of ordinary shares, which carry no right to fixed income.

Each ordinary share carries one vote in any General Meeting of the Company.

The decrease in share capital relates to the £4,000,000 share buyback programme launched on 15 May 2025 with the programme to be completed in four quarterly tranches of £1,000,000 starting from 2 June 2025 and all shares purchased being cancelled. In the period to 31 December 2025 £2,083,234 was spent on purchasing of 2,325,509 shares, at an average price per share of 89.58p.

37. Reserves

	Share premium £000	Capital redemption reserve £000	Own shares £000	Profit and loss account £000	Total £000
Balance at 1 January 2024	13,981	–	(16)	11,713	25,678
Profit for the year	–	–	–	8,006	8,006
Dividends paid (note 6)	–	–	–	(5,750)	(5,750)
Issue of new shares	515	–	(21)	(656)	(162)
Post-tax actuarial loss in pension scheme taken direct to reserves	–	–	–	(98)	(98)
Share-based payments (note 24)	–	–	–	(270)	(270)
Balance at 1 January 2025	14,496	–	(37)	12,945	27,404
Profit for the year	–	–	–	8,252	8,252
Dividends paid (note 6)	–	–	–	(5,822)	(5,822)
EBT transfers	–	–	(323)	(3)	(326)
Shares cancelled	–	581	–	(2,099)	(1,518)
Post-tax actuarial loss in pension scheme taken direct to reserves	–	–	–	(525)	(525)
Balance at 31 December 2025	14,496	581	(360)	12,748	27,465

38. Reconciliation of movements in shareholders' funds

	2025 £000	2024 £000
Profit for the year	8,252	8,006
Dividends to equity holders in the year	(5,822)	(5,750)
Post-tax actuarial loss in pension scheme taken direct to equity	(525)	(98)
Shares cancelled	(2,099)	–
EBT transfer	(326)	–
Share-based payments	–	(270)
Movements in shareholders' funds in the year	(520)	1,888
Opening shareholders' funds	67,304	65,416
Closing shareholders' funds	66,784	67,304

39. Operating profit

	2025 £000	2024 £000
Operating profit for the parent company has been arrived at after charging:		
Depreciation	–	–
Depreciation on right-of-use assets	15	15
Auditor's remuneration – Audit services	90	84
– Non-audit services	–	–

Staff costs

	2025 No.	2024 No.
The average monthly number of employees was:		
Administration	11	10
	2025 £000	2024 £000
The costs incurred in respect of these employees were:		
Wages and salaries	1,321	1,317
Social security costs	185	169
Other pension costs	44	45
Share-based payments (note 24)	–	(270)
	1,550	1,261

40. Retirement benefit obligations**Introduction**

Macfarlane Group PLC sponsors a defined benefit pension scheme for certain active and former UK employees – the Macfarlane Group PLC Pension & Life Assurance Scheme (1974) ('the Scheme'). One of the trading subsidiaries, Macfarlane Group UK Limited is also a sponsoring employer of the Scheme. Macfarlane Labels Limited was a sponsoring employer until 31 December 2021 when the company was sold and ceased to be a sponsoring member. The Scheme is currently in surplus and disclosure of the respective proportions of the Group surplus are included and disclosed in the financial statements of each of the two participating employers.

The Scheme is an HMRC registered pension scheme and is administered by a Board of Trustees composed of employer-nominated representatives and member-nominated Trustees which is legally separate from the Group. The Scheme's investments 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 administration of benefits. Macfarlane Group PLC, based on legal opinion provided, has an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a wind up of the Scheme. Furthermore, in the ordinary course of business the trustees have no rights to unilaterally wind up the Scheme, or otherwise augment the benefits due to members of the Scheme. Based on these rights, any net surplus in the Scheme is recognised in full.

The Scheme provides qualifying employees with an annual pension of 1/60 of pensionable salary for each completed years' 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. The Scheme was closed to new entrants during 2002. The Scheme was closed to future accrual on 30 November 2022 with the 3 remaining active members transferring to the Group's defined contribution pension scheme.

On leaving active service a deferred member's pension is revalued from the time of withdrawal until the pension is drawn. Revaluation in deferment is statutory and since 2010 has been revalued on the Consumer Price Index ('CPI') measure of inflation. Revaluation of pensions in payment is a blend of fixed increases and inflationary increases depending on the relevant periods of accrual of benefit. For pensions in payment, the inflationary increase is currently based on the Retail Price Index ('RPI') measure of inflation or based on Limited Price Indexation ('LPI') for certain defined periods of service.

During 2012, Macfarlane Group PLC agreed with the Board of Trustees to amend benefits for pensioner, deferred and active members in the Scheme by offering a Pension Increase Exchange ('PIE') option to pensioner members and a PIE option to all other members at retirement after 1 May 2012.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and other ('the Virgin Media case') relating to the validity of certain historical pension changes. The ruling was upheld at the Court of Appeal in July 2024. After seeking external legal advice in 2024 the Group concluded that they are not aware of any issues that would require any adjustment to the defined benefit obligations and no further action is required at this stage. Further, the Department of Work and Pensions announced in 2025 that it will introduce legislation to allow retrospective confirmation of historic benefit changes which will significantly reduce the impact of the Virgin Media case on pension schemes. The legislation is expected to be enacted during 2026.

Balance sheet disclosures at 31 December 2025

The Scheme's qualified actuary from Aon carries out triennial valuations using the Projected Unit Credit Method to determine the level of deficit/surplus. For the most recent triennial valuation at 1 May 2023, the results of this valuation showed that the market value of the relevant investments of the Scheme was £71,900,000 and represented 109% of the actuarial value of benefits that had accrued to members.

The Trustees review the Scheme's investments on a regular basis and consult with the Company regarding any proposed changes to the investment profile. During 2025 the Trustees maintained the strategic asset allocation in the Trustees' Statement of Investment Principles.

Liability-driven investment funds provide a match of 100% against the impact of inflation movements on pension liabilities and against the impact of movements in interest rates on pension liabilities.

Notes to the Company financial statements (cont)

For the year ended 31 December 2025

40. Retirement benefit obligations (cont)

The ability to realise the Scheme's investments at, or close to, fair value was considered when setting the investment strategy. 100% (2024: 100%) of the Scheme's investments can be realised at fair value on a daily or weekly basis. The remaining investments have monthly or quarterly liquidity. However, whilst the regular income from these helps to meet the Scheme's cash flow needs, they are not expected to be realised at short notice from a strategic perspective. The present value of the Scheme liabilities is derived from cash flow projections and the expected return of the assets over a long period and is thus inherently uncertain.

The investment classes held by the Scheme and the Scheme surplus, based on the results of the actuarial valuation as at 1 May 2023, updated to the year-end are as shown below:

	2025 £000	2024 £000	2023 £000
Investment class			
Multi-asset diversified funds	–	1,036	3,671
Liability-driven investment funds	13,398	11,732	11,539
Multi asset credit funds	1,097	3,684	3,537
Securitised credit funds	5,817	6,082	4,697
Cash	2,080	545	2,665
Fair value of scheme investments	22,392	23,079	26,109
Present value of scheme liabilities	(20,219)	(19,610)	(22,537)
Pension scheme surplus	2,173	3,469	3,572

All investments are quoted except cash.

The Scheme's liabilities at 31 December 2025 were calculated on the following bases as required under IAS 19:

Assumptions	2025	2024	2023
Discount rate	5.45%	5.50%	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 2.80% for LPI. 1.93% post 5 April 2006	3% or 5% for fixed increases or 3.03% for LPI. 2.03% post 5 April 2006	3% or 5% for fixed increases or 3.03% for LPI. 2.03% post 5 April 2006
Spouse's pension			
– Pensioners (male/female)	84%/60%	84%/60%	84%/60%
– Deferred members (male/female)	87%/76%	87%/76%	87%/76%
PIE take up rate	30%	60%	60%
Inflation assumption (RPI)	2.90%	3.20%	3.20%
Inflation assumption (CPI)	2.60%	2.80%	2.70%
Life expectancy beyond normal retirement age of 65			
Members aged 55			
Male	22.7 years	22.3 years	22.3 years
Female	24.2 years	24.1 years	24.0 years
Members aged 65			
Male	22.2 years	21.8 years	21.8 years
Female	23.5 years	23.4 years	23.3 years
Average uplift for GMP service	0.40%	0.40%	0.40%

Sensitivity to significant assumptions

The Pension scheme exposes the Company to actuarial risks, such as interest rate risk, inflation risk, longevity risk and investment risk. The significant assumptions used for IAS 19 are discount rate, inflation and mortality. If different assumptions were used, then this could have a material effect on the surplus/deficit. The sensitivity analyses for the Scheme as a whole are set out in note 23 with the Company being responsible for 36% of the Group Scheme surplus.

	2025 £005	2024 £000
Movement in scheme surplus during the year		
At 1 January	3,469	3,572
Administration costs incurred	(90)	(130)
Net finance income	189	158
Past service cost	(695)	–
Remeasurement of pension scheme surplus in the year	(700)	(131)
At 31 December	2,173	3,469

	2025 £000	2024 £000
Analysis of amounts charged to operating profit		
Administration costs incurred	(90)	(130)
Pension cost charged to operating profit	(90)	(130)
Analysis of amounts charged to other financial charges		
Expected return on pension scheme investments	1,228	1,138
Interest cost of pension scheme liabilities	(1,039)	(980)
Other financial net income	189	158
Analysis of the remeasurement of the scheme surplus		
Return on scheme assets (excluding amount shown in interest income)	(384)	(2,497)
Changes due to scheme experience	(347)	181
Changes in financial assumptions underlying the present value of scheme liabilities	31	2,185
Remeasurement of the pension scheme surplus	(700)	(131)
Movement in the fair value of scheme assets		
At 1 January	23,079	26,109
Interest income	1,228	1,138
Return on scheme assets (excluding amounts shown in interest income)	(384)	(2,497)
Administration costs incurred	(90)	(130)
Benefits paid	(1,441)	(1,541)
At 31 December	22,392	23,079
Movement in the present value of scheme liabilities		
At 1 January	(19,610)	(22,537)
Interest cost	(1,039)	(980)
Actuarial (loss)/gain in the year	(316)	2,366
Past service cost	(695)	–
Benefits paid	1,441	1,541
At 31 December	20,219	(19,610)

	2025 £000	2024 £000	2023 £000	2022 £000	2021 £000
Present value of defined benefit obligations	(20,219)	(19,610)	(22,537)	(21,100)	(32,254)
Fair value of scheme investments	22,392	23,079	26,109	24,670	35,148
Pension scheme surplus	2,173	3,469	3,572	3,570	2,894
Return on scheme investments	844	(1,359)	2,454	(9,656)	(3,844)
Percentage of scheme investments	3.8%	(5.9%)	9.4%	(39.1%)	(10.9%)
Experience adjustment to scheme investments	(384)	(2,497)	1,261	(10,316)	(4,311)
Percentage of scheme investments	(1.7%)	(10.8%)	4.8%	(41.8%)	(12.3%)
Experience adjustment on scheme liabilities	(316)	2,366	(1,867)	10,321	7,342
Percentage of scheme liabilities	(1.6%)	12.1%	(8.3%)	48.9%	22.8%

Defined contribution schemes

The Company also participated in a defined contribution scheme, the Macfarlane Group Personal Pension Plan. Contributions to the plan for the year were £44,000 (2024: £45,000) with contributions of £10,000 (2024: £10,000) payable to the plan at the balance sheet date.

41. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation in the Group financial statements. The Directors have considered the implications of IAS 24 '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.

Principal operating subsidiaries and related undertakings

Company name	Location	Telephone	Principal activities	Country of registration
Macfarlane Group UK Limited¹	Coventry	02476 511511	Supply and distribution of all forms of packaging materials and equipment. Design and manufacture of specialist packaging.	England
Nelsons for Cartons & Packaging Limited¹	Leicester	0116 2641050	Supply and distribution of all forms of packaging materials and equipment.	England
Carters Packaging Limited¹	Redruth	01209 204777	Supply and distribution of all forms of packaging materials and equipment.	England
GWP Group Limited¹	Swindon	01793 754444	Design and manufacture of specialist packaging.	England
Nottingham Recycling Limited¹	Nottingham	0115 986 7181	Recovery of waste paper and corrugated board for recycling.	England
Macfarlane Group B.V.²	Hoofddorp	00 31 235689207	Supply and distribution of all forms of packaging materials and equipment.	Netherlands
Macfarlane Packaging Ireland Limited³	Wicklow	00 353 1281 0234	Supply and distribution of all forms of packaging materials and equipment.	Ireland
PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH⁵	Eppelheim	00 49-6221 759090	Supply and distribution of all forms of packaging materials and equipment.	Germany
A.E. Sutton Limited⁶	Chatteris	01354 693171	Design and manufacture of specialist packaging.	England
Gottlieb Packaging Materials Limited¹	Manchester	0161 872 0983	Supply and distribution of all forms of packaging materials and equipment.	England
Barum & Dewar Limited⁴	Barnstaple	01271 375197	Design and manufacture of specialist packaging.	Scotland
B&D Foam Limited⁴	Southampton	02380 811180	Design and manufacture of specialist packaging.	Scotland
Allpack Packaging Supplies Limited¹	Bury St Edmunds	01359 242116	Supply and distribution of all forms of packaging materials and equipment.	England
Polyformes limited¹	Leighton Buzzard	01525 852444	Design and manufacture of specialist packaging.	England
Pitreavie Packaging Limited⁷	Cumbernauld	0141 429 8187	Design and manufacture of specialist packaging.	Scotland

All the above subsidiaries are wholly owned either by Macfarlane Group PLC or one of its subsidiary companies and operate in the country of registration. The Group controls 100% of the ordinary share capital of each subsidiary. The Group's other related undertakings are the dormant subsidiary undertakings disclosed below. Dormant subsidiaries are exempt from preparing individual accounts by virtue of s394A of the Companies Act. In all cases the Company listed as owner controls 100% of the issued share capital of the dormant subsidiary undertaking.

Company name	Company number	Country of registration
Owned by Macfarlane Group PLC		
National Packaging Group Limited ¹	01355867	England
Adhesive Labels Limited ¹	00723320	England
Owned by Macfarlane Group UK Limited		
Online Packaging Limited ¹	02903657	England
Macfarlane Packaging Limited ⁴	SC041678	Scotland
Abbott's Packaging Limited ¹	00372831	England
Mitchell Packaging Limited ¹	00535311	England
Greenwoods Stock Boxes Limited ⁴	SC576825	Scotland
Network Packaging Limited ¹	03400627	England
One Packaging Limited ¹	09647045	England
Tyler Packaging (Leicester) Limited ¹	03460830	England
Harrisons Packaging Limited ¹	06999588	England
Leyland Packaging Company (Lancs) Limited ¹	03775077	England
Carnweather Limited ¹	08638532	England
Ecopac (U.K.) Limited ¹	02783546	England
The Pitreavie Group Limited ⁷	SC501026	Scotland
Owned by GWP Group Limited		
Eastman Packaging Limited ¹	03837450	England
The Great Western Packaging Co. Limited ¹	02455095	England
Corstat Containers Limited ¹	02454197	England
Owned by Harrisons Packaging Limited		
Temperature Controlled Packaging Limited ¹	06896225	England
Owned by Network Packaging Limited		
Networkpack Limited ¹	07076439	England

Registered offices

- ¹ Siskin Parkway East, Middlemarch Business Park, Coventry, CV3 4PE
- ² Siriusdreef 17, 2132 WT, Hoofddorp, The Netherlands
- ³ 6th Floor, South Bank House, Barrow Street, Dublin 4
- ⁴ 3 Park Gardens, Glasgow, G3 7YE
- ⁵ Wasserturmstraße 79, 69214 Eppelheim, Germany
- ⁶ Station House, Station Road, Betchworth, Surrey, RH3 7BZ
- ⁷ 6 Grayhill Road, Cumbernauld, Glasgow, G68 9HQ

Financial diary and corporate information

Financial diary

Financial results

Interim: Announced – August

Final: Announced – February

Accounts and Annual General Meeting

Report and financial statements – Posted to shareholders on 10 April 2026

Annual General Meeting – Held in Glasgow on 12 May 2026

Shareholder enquiries

Macfarlane Group PLC's ordinary shares are classified under the 'Industrial – General' section of the Industrial Sector on the London Stock Exchange.

Enquiries regarding shareholdings, dividend payments, dividend mandate instructions, lost share certificates, tax vouchers, changes of address, transfers of shares to another person and other administrative matters should be addressed to the Company's registrars:

Equiniti

Aspect House

Spencer Road

Lancing

West Sussex BN99 6DA

Telephone: 0371 384 2439

Website: www.shareview.co.uk

The Company's website, www.macfarlanegroup.com, provides details of all major Stock Exchange announcements, details of the current share price and information about Macfarlane Group's business.

Corporate information

Registration number

No. SC004221

Registered in Scotland

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James Macdonald

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Nabarro Olswang LLP

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Glasgow G2 1AP

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Glasgow G2 5RZ

Stockbrokers

Shore Capital Stockbrokers Limited

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