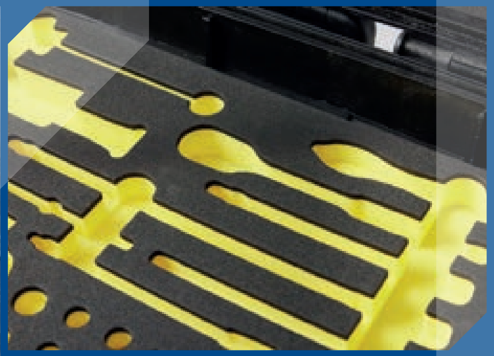
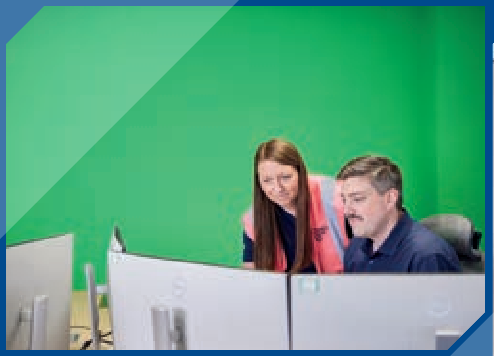
MACFARLANE GROUP

Annual Report and Accounts 2024



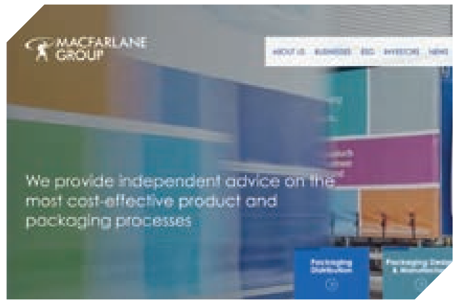


Head Office

Macfarlane Group PLC
First Floor
3 Park Gardens
Glasgow G3 7YE
t. 0141 333 9666
e. investorinfo@macfarlanegroup.com
www.macfarlanegroup.com

Contents

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



2024 Group performance at a glance

Revenue[1]

£270.4m

2023 **£280.7m**

2022 **£290.4m**

Adjusted operating profit[1,2]
(% of revenue)

10.1%

2023 **9.8%**

2022 **8.6%**

Adjusted profit before tax[1,2]

£25.0m

2023 **£25.8m**

2022 **£23.5m**

Gross margin[1]
(% of revenue)

39.0%

2023 **37.6%**

2022 **33.8%**

Operating profit[1]
(% of revenue)

8.6%

2023 **7.9%**

2022 **7.4%**

Profit before tax[1]

£20.9m

2023 **£20.3m**

2022 **£19.9m**

Diluted earnings per share[1]

9.74p

2023 **9.34p**

2022 **9.84p**

Dividend per share

3.66p

2023 **3.59p**

2022 **3.42p**

Carbon intensity
(tCO_2e per £m of revenue – market based)

17.4

2023 **18.1**

2022 **19.0**

Carbon emissions
(market based)

4,703 tCO_2e

2023 **5,083 tCO_2e**

2022 **5,504 tCO_2e**

Accident Frequency Rate
('AFR')

0.27

2023 **0.22**

2022 **0.23**

1 From continuing operations.
2 See page 98 for reconciliation of alternative profit measures (before amortisation and deferred contingent consideration adjustments) to statutory measures.

Chair's statement

Aleen Gulvanessian

The markets in which Macfarlane Group PLC[1] operates have been challenging throughout 2024 and the management team has responded effectively, enabling the business to produce a profit performance for the year in line with market consensus.

We have also made good progress on implementing our sustainability agenda which has resulted in a further reduction in our carbon footprint.

The performance of the Group in 2024 has been achieved through the hard work and commitment of our people and I thank them for all their efforts, energy and enthusiasm.

Financial

The Group has delivered resilient financial results through improvement in new-business development, the completion of two high-quality acquisitions and effective control of operating costs. These actions have enabled us to offset sales price deflation and weaker demand. Management's effective response to the difficult trading conditions is demonstrated through the improvement in the operating profit margin.

The Group's strong operating cash flows enabled the continued allocation of capital to invest in the business, fund good-quality acquisitions, progressive dividend payments as well as maintaining a low level of net bank debt.

The Group has negotiated an improved borrowing facility of £40m with Bank of Scotland PLC and HSBC UK Bank plc. This facility, which is available until November 2027, provides options to extend it by a further two years and by an additional £20m. It will support the continuing investment in the Group's organic growth and acquisition strategy in the medium term.

The pension scheme remains in surplus and, following conclusion of the latest triennial valuation, the Company is no longer making contributions to the scheme.

Sustainability

In 2024, the Group achieved a reduction in its Scope 1 and 2 carbon emissions and completed the mapping of its Scope 3 emissions. The Group is committed to reducing its direct impact on the environment through further electrification of our delivery fleet and expanding the use of renewable energy.

We continue to support our customers to help them navigate packaging regulations and to ensure their products are effectively protected using the minimum amount of packaging, made from the most sustainable materials and packed using the most cost-effective processes.

Board changes

On 1 January 2025, David Stirling was appointed to the Board as an independent Non-Executive Director following the retirement of Bob McLellan on 31 December 2023. Having previously been Group CEO of Zotefoams plc, David brings extensive listed-company and protective packaging industry experience which will be of significant benefit to the Board.

Proposed dividend

The Board proposes a final dividend of 2.70 pence per share, amounting to a full-year dividend of 3.66 pence per share (2023: 3.59 pence per share), an increase of 2% on 2023. Subject to the approval of shareholders at the Annual General Meeting on Tuesday 13 May 2025, the final dividend will be paid on Friday 13 June 2025 to those shareholders on the register on Friday 16 May 2025 (ex-dividend date 15 May 2025).

Outlook

We expect 2025 to be another challenging year within the markets in which we operate, particularly with increased employment costs resulting from the recent UK budget and the introduction by the UK Government of Extended Producer Responsibility ('EPR') fees. Management is taking actions to mitigate these incremental costs and we are working with our customers to help them manage the impact of EPR.

We start 2025 with new-business momentum as customers increasingly recognise the added-value we can offer both on an environmental and cost-savings basis. The recently-announced purchase of The Pitreavie Group Limited ('Pitreavie') demonstrates our continued ability to identify and execute high-quality acquisitions and we have a strong pipeline of opportunities.

We are well positioned to continue our profitable growth in 2025.

Aleen Gulvanessian, Chair

27 February 2025

1 Macfarlane Group PLC ('Macfarlane Group', 'the Group', 'Macfarlane').

Key financial highlights 2024

The key financial highlights of Macfarlane Group 2024 are set out below:

- Group revenue reduced by 4% to £270.4m (2023: £280.7m).
- Group profit before tax increased by 3% to £20.9m (2023: £20.3m).
- Group adjusted operating profit as a percentage of revenue improved to 10.1% (2023: 9.8%).
- Basic and diluted earnings per share were 9.76p per share (2023: 9.44p per share) and 9.74p per share (2023: 9.34p per share) respectively.

Packaging Distribution

- Packaging Distribution revenue decreased by 7% to £228.8m (2023: £244.9m).
- Continued weak customer demand and selling price deflation have been partially offset by a strong new-business performance and the benefit of the acquisitions of Gottlieb in April 2023 and Allpack Direct in March 2024.
- Gross margins increased to 37.1% (2023: 35.7%) reflecting effective management of input-price changes.
- Operating expenses reduced by 3% through management action.
- Adjusted operating profit decreased by 4% to £20.2m (2023: £21.0m).
- Operating profit increased by 5% to £17.3m (2023: £16.5m) due to the net effect of changes to the fair value of deferred contingent consideration related to acquisitions.

Manufacturing Operations

- Manufacturing Operations achieved revenue growth of 16% to £41.7m (2023: £35.8m) reflecting:
  - contributions from B&D Group, Suttons and Polyformes, acquired across 2023 and 2024; and
  - marginally lower organic sales due to selling price deflation.
- Gross margins have remained strong at 43.2% (2023: 44.5%) with some attrition due to selling price deflation.
- Operating expenses are being well controlled with the 14% increase due to the impact of acquisitions.
- Adjusted operating profit increased 10% to £7.2m (2023: £6.6m).
- Operating profit increased 13% to £6.3m (2023: £5.6m).

Group

- Net cash inflow from operating activities of £25.4m (2023: £33.5m) reflects the unwinding of opening working capital through 2023 due to the easing of supply chain constraints and stability through 2024.
- Net bank debt was £1.9m on 31 December 2024, following a net cash outflow of £2.4m in the year, after £15.0m (2023: £16.6m) of investment in acquisitions and capital expenditure.
- The Group negotiated an improved banking facility of £40.0m during 2024 which is committed until November 2027, with options to extend to November 2029.
- The pension scheme surplus was £9.6m at 31 December 2024 (31 December 2023: £9.9m) with the Group not required to make further contributions.
- Board proposes a final dividend of 2.70p per share (2023: 2.65p per share) payable on 13 June 2025, taking the total dividend for 2024 to 3.66p per share (2023: 3.59p per share) up 2% on 2023.

Group performance

	2024 £000	2023 £000	**Increase/ (decrease) %**
Statutory measures			
Revenue	**270,437**	280,714	**(4%)**
Gross profit	**105,372**	105,681	**0%**
Operating profit	**23,597**	22,068	**7%**
Profit before tax	**20,896**	20,280	**3%**
Profit for the year	**15,530**	14,974	**4%**
Interim and proposed final dividend (pence)	**3.66p**	3.59p	**2%**
Diluted earnings per share (pence)	**9.74p**	9.34p	**4%**
Alternative performance measures[1]			
Adjusted operating profit	**27,402**	27,637	**(1)%**
Adjusted profit before tax	**24,969**	25,849	**(3)%**
Adjusted diluted earnings per share (pence)	**11.56p**	12.21p	**(5%)**

1 See page 98 for reconciliation of Alternative Performance Measures to Statutory Measures.

Our business model and strategic focus

How we create value from innovative packaging solutions

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.

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
- > 1,000 global suppliers of protective packaging
- Effective in-house specialist manufacturing supply

> 1,000 global suppliers of protective packaging

39 sites

> 20,000 customers throughout the UK

Creating value

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

Financial
Improving operating margins and strong cash generation.

10.1%
adjusted operating profit[1]

- 39.0% gross margin (2023: 37.6%)
- Adjusted operating profit[1] down 1% to £27.4m
- £6.8m in taxes paid
- £5.8m in dividends paid to our shareholders
- £25.4m cash generated from operations

Operations
Leading UK protective packaging distributor, with 27 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 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

Value and quality
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 62 (2023: 60)

Human
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.

32%
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

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

89%
of our sites are now FSC certified (FSC® C149407)

- Reduced our absolute CO_2 footprint by 7%
- Achieved Ecovadis silver rating (top 10% of all companies)
- Supporting local communities through > 400 volunteering hours
- 40% female representation on Board including Chair

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

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

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

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

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 information on our people development see pages 43 to 44.

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

For more information on our environmental excellence see pages 34 to 42.

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 (tCO_2e), Carbon Intensity (tCO_2e per £m of revenue) and Accident Frequency Rate.

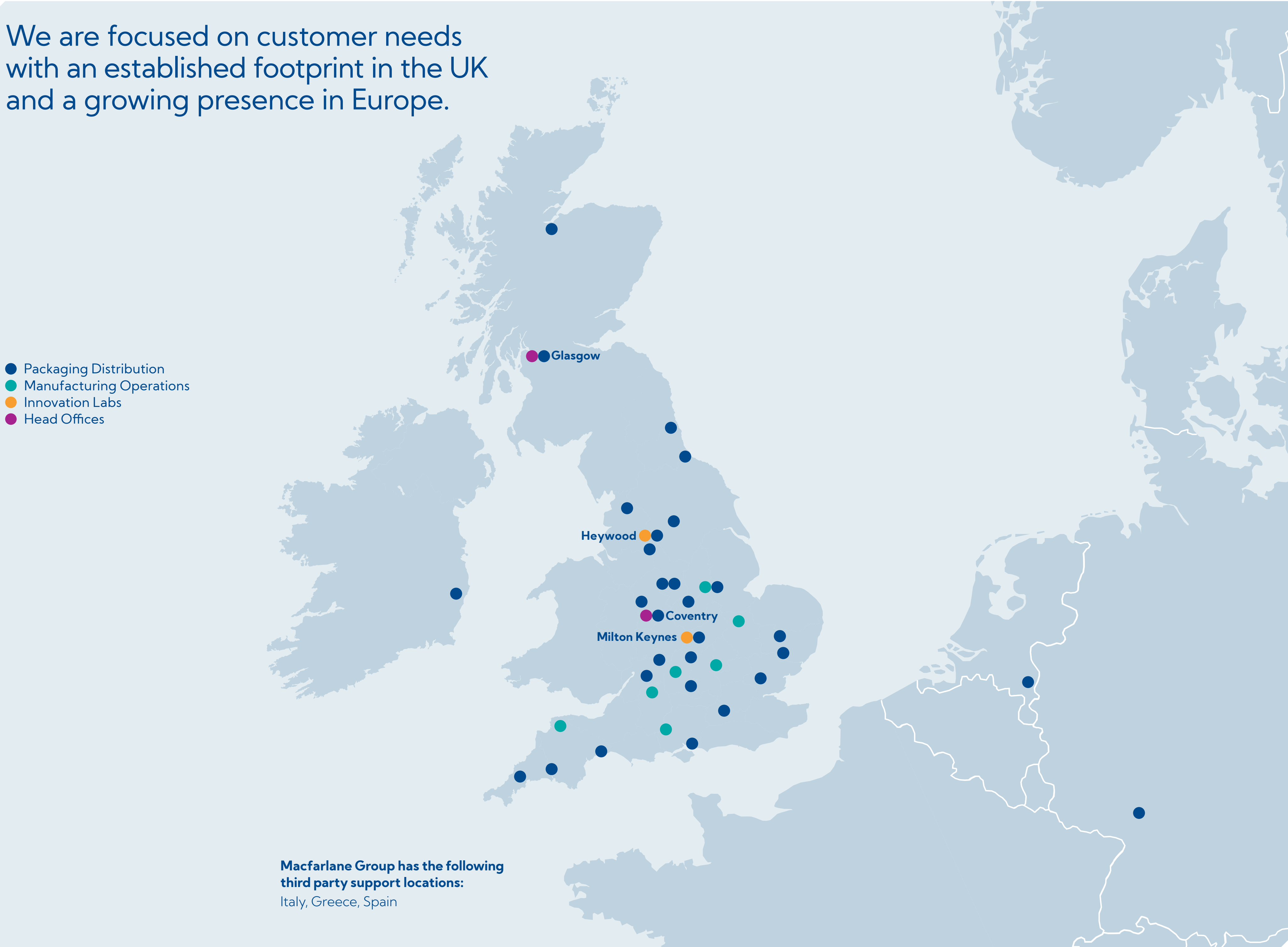
1 See page 98 for reconciliation of alternative profit measures (before amortisation and deferred contingent consideration adjustments) to statutory measures.

Our business at a glance

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

E-commerce retail | Logistics | Electronics | Aerospace | Automotive | Medical | Homeware | General industrial | Food | Hospitality

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



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

Revenue by business segment (%)

2024

Packaging Distribution (£228.8m) **85%**

Manufacturing Operations (£41.7m) **15%**

2023

Packaging Distribution (£244.9m) **87%**

Manufacturing Operations (£35.8m) **13%**

Revenue by region (%)

2024

UK (£248.5m) **92%**

Europe (£21.9m) **8%**

2023

UK (£258.5m) **92%**

Europe (£22.2m) **8%**

Employees by business segment (%)

2024

Packaging Distribution (771) **69%**

Manufacturing Operations (350) **31%**

2023

Packaging Distribution (777) **72%**

Manufacturing Operations (306) **28%**

Employees by region (%)

2024

UK (1,077) **95%**

Europe (54) **5%**

2023

UK (1,042) **95%**

Europe (51) **5%**

Group

Peter Atkinson

Group revenue reduced by 4% and adjusted operating profit by 1% in 2024 with continued weak demand from customers, sales price deflation and inflation in operating costs being offset by an improved new business performance, effective management of changes in input prices and the execution of two good quality acquisitions.

Operating profit grew by 7% due to the net effect of changes in the fair value of deferred contingent consideration related to acquisitions (2024: credit £0.8m; 2023 charge £1.5m). The Group has also made good progress against its ESG objectives, details of which are set out on pages 31 to 48.

2025 outlook

The Group continues to invest in actions to grow sales both organically and through acquisitions. Despite the challenging market conditions the Group is well positioned to benefit from improvements in the macroeconomic outlook.

Our strategy and business model have proved to be resilient and we expect 2025 to be another year of growth for the Group, underpinned by the acquisition of Pitreavie at the start of 2025 which enhances both our Packaging Distribution and Manufacturing operations, the strong new business pipeline building on the progress made in 2024 and planned mitigation actions to offset the pending increases in employment and regulatory costs impacting the UK.

Peter D. Atkinson, Chief Executive

27 February 2025

A resilient business

We have a resilient business model, as outlined in the areas below.

- **Breadth of customers and markets served**
- **Range of long established supplier relationships**
- **Focus and depth of expertise in protective packaging**
- **Performance driven culture**
- **Value added proposition**
- **Bespoke product and service range**

Group performance

	Revenue 2024 £000	**Adjusted operating profit[1] 2024 £000**	**Operating profit 2024 £000**	Revenue 2023 £000	Adjusted operating profit[1] 2023 £000	Operating profit 2023 £000
Segment						
Packaging Distribution	**228,763**	**20,158**	**17,331**	244,938	21,044	16,511
Manufacturing Operations	**41,674**	**7,244**	**6,266**	35,776	6,593	5,557
Group total	**270,437**	**27,402**	**23,597**	280,714	27,637	22,068
% of revenue		**10.1%**	**8.7%**		9.8%	7.9%

1 See page 98 for reconciliation of Alternative Performance Measures to Statutory Measures.

Q&A with the Macfarlane Group Chief Executive, Peter Atkinson

Some 'quick fire' questions for Macfarlane's CEO, Peter Atkinson, from corporate communications specialist, Callum Spreng.

Macfarlane is generally seen as a resilient business. Why is this?

The breadth of markets we serve means we're not over exposed to the fortunes of any particular industry. This, coupled with our experienced team, our added value customer proposition and a blend of organic and acquisition growth plans, means that our performance has been resilient across a range of economic cycles.

Where do you see the key opportunities for future growth?

We have already seen significant new business wins in 2024 and our customer proposition – based on the 'Significant Six' factors for making protective packaging choices – adds value for customers. The protection of high value and fragile items is an important growth opportunity, particularly in the medical, aerospace and space markets, and our Manufacturing Division is well positioned to grow in these sectors. We will continue to grow our European presence in response to customer demand and with many further acquisition opportunities in the UK and Europe.

What cost pressures do you see for Macfarlane in 2025?

In common with many businesses, the standout cost increase that Macfarlane faces in 2025 is the increase in employers National Insurance contributions. It's not something we can influence so we're evaluating a number of options to offset this increase.

How are you managing the need for more sustainable packaging?

All companies have a responsibility to operate efficiently and sustainably and the recently-introduced Extended Producer Responsibility ('EPR') legislation brings that into sharp focus for our retail customers. Our role is to help all customers cost effectively protect their products in storage and transit using the least amount of packaging that is made from sustainable materials.

What are you doing to reduce the carbon footprint of Macfarlane Group?

We've devoted significant resource to addressing Macfarlane's sustainability. Key initiatives are: 8% of our delivery fleet and 42% of our car fleet are fully electric; we are rolling out the installation of LED lighting and solar panels within our estate; and meanwhile 86% of the electricity we use comes from renewable sources. Macfarlane holds an EcoVadis silver accreditation too. We'll continue to focus on reducing our Scope 1 and 2 emissions and we've now completed the mapping of our Scope 3 emissions.

How important is Europe to Macfarlane's future?

It is critically important that we 'follow the customer' and this has driven our growth in Europe. Some of our larger customers want to source their protective packaging products in a consistent way across a broader geographic footprint and they want Macfarlane to be there to support them.

Can you talk a little about the recent Pitreavie acquisition?

Pitreavie is an excellent example of our acquisition criteria in action. It's a strong, profitable business, with a good management team. It will be earnings-enhancing from the outset and it mirrors the larger Macfarlane business closely, being both a distributor and a manufacturer of protective packaging. There are potential synergies which we can build on and it improves our access to the important Scottish food and drink sector.

What will be different for Macfarlane in the next few years?

We've a well-developed strategy and we'll continue to implement this, focusing our Packaging Distribution and Manufacturing businesses on both organic development and acquisitive growth. We'll support our retail customers through the challenges of the EPR legislation. We will see more business being transacted online as we roll out our new website. I also expect our presence in Europe to grow as we increase support for our customers.

You lead an experienced leadership team. Do you have sufficient strength in depth?

The experience of the leadership team and their understanding of the markets in which we operate is critical. Recently we have added to our leadership strength with the recruitment of two new MDs for our Packaging Distribution business – one covering the UK and the other, Europe.

We will continue to grow our European presence in response to customer demand and with many further acquisition opportunities in the UK and Europe.

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

Packaging Distribution

Revenue

£228.8m

2023 **£244.9m**

2022 **£259.7m**

Operating profit

£17.3m

2023 **£16.5m**

2022 **£17.1m**

Return on sales

7.6%

2023 **6.7%**

2022 **6.6%**

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 27 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, and national 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'[1] 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.

2024 trading

The main features of Packaging Distribution's performance in 2024 were:

- Organic revenue reduced by 8% compared to 2023 due to:
  – Weak demand environment and selling price deflation; offset by
  – New business 23% higher than 2023, with continued success from our Innovation Labs and Significant Six programme.
- Revenue growth of £4.0m from the acquisitions of Allpack Direct in March 2024 and Gottlieb in April 2023.
- Effective management of input prices resulting in an improvement in gross margin to 37.1% (2023: 35.7%).
- Operating costs decreased by 3%, despite inflation in property and labour costs, and represented 28.3% of revenue (2023: 27.1%).
- Improvement in adjusted operating profit as a percentage of revenue to 8.8% (2023: 8.6%).
- Adjusted operating profit decreased by 4% in 2024 due the factors above whilst operating profit increased by 5% due to the net effect of changes to the fair value of deferred contingent consideration related to acquisitions.

Future

The priorities for Packaging Distribution in 2025 are focused on growing revenue and improving profitability through the following actions:

- Accelerate new business momentum through effective use of our leading sales tools and processes – 'Packaging Optimiser'[2], Significant Six and our Innovation Labs.
- Accelerate the progress we have made in Europe through our 'Follow the Customer' programme and the PackMann acquisition.
- Realise the benefits of the new distribution centre in the East Midlands.
- Progress further high-quality acquisitions in the UK and Europe.
- Support our customers to manage the impact of Extended Producer Responsibility legislation and reduce their carbon footprint through offering more sustainable packaging solutions.
- Continue to effectively manage input price changes.
- Strengthen our key supplier relationships.
- Develop both sales and cost synergies through the relationship with our Manufacturing Operations, including the recent acquisition of Pitreavie.
- Achieve benefits from our information technology investments.
- Relaunch our web-based solutions offer to provide customers with more effective online access to our full range of products and services.
- Reduce operating costs through efficiency programmes in sales, logistics and administration and, where possible, mitigate the impact of increases in National Insurance Contributions and National Minimum Wage.
- Maintain our focus on working capital management to facilitate future investment and manage effectively the ongoing bad debt risk within the current 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.
2 Packaging Optimiser is a Macfarlane developed software tool that measures the financial and carbon benefits of the Significant Six selling approach.

New business is 23% higher than 2023, with continued success from our Innovation Labs and Significant Six programme.

Packaging Distribution performance

	2024 £000	2023 £000	2024 change
Revenue	**228,763**	244,938	**(7%)**
Cost of sales	**(143,890)**	(157,458)	**(9%)**
Gross margin	**84,873**	87,480	**(3%)**
Operating expenses	**(64,715)**	(66,436)	**(3%)**
Adjusted operating profit*	**20,158**	21,044	**(4%)**
Amortisation	**(3,082)**	(2,983)	
Deferred contingent consideration adjustment	**255**	(1,550)	
Operating profit	**17,331**	16,511	**5%**

* See page 98 for reconciliation of Alternative Performance Measures to Statutory Measures.

Delivering sustainable packaging solutions for our customers

We are constantly looking at ways to support our customers to deliver against their sustainability goals without compromising on quality.

Childrensalon is an award-winning, British childrenswear retailer that provides clothing from fine designers around the world. Alongside their core values of family, creativity, innovation and heritage, Childrensalon is dedicated to helping build a fairer, greener and brighter future for today's children.

Macfarlane has been working with Childrensalon for over ten years, continually improving their packaging, to reduce its environmental impact and help ensure a great overall customer experience.

Childrensalon challenged Macfarlane with a new project to provide gift and transit packaging for their products that reduces the amount of packaging material used, increases parcel security and recyclability, enhances customer experience, lowers transport costs and cuts emissions associated with packaging manufacture.

Macfarlane's packaging solution removed 54 tonnes of material, increased the amount of recycled content and made the entire package fully recyclable through existing household collection services. Through smarter design the new packaging also helped improve operational efficiency and reduced the need for logistics vehicles in transportation.

> Working on this packaging project with Macfarlane has been an incredibly rewarding experience. Macfarlane's commitment to innovation and environmental responsibility made it possible to achieve these impressive results.

Head of Logistics – Outbound, Childrensalon

59 tonnes
reduction in carbon emissions

54 tonnes
of material removed

Manufacturing Operations

Revenue

£47.5m

2023 **£40.9m**

2022 **£35.0m**

Operating profit

£6.3m

2023 **£5.6m**

2022 **£4.4m**

Return on sales

15.0%

2023 **15.5%**

2022 **14.3%**

Manufacturing Operations comprises our Macfarlane Packaging Design and Manufacture business, GWP acquired in February 2021, Suttons acquired in March 2023, B&D Group acquired in September 2023 and Polyformes acquired in July 2024.

Manufacturing Operations designs, manufactures, assembles, and distributes bespoke protective packaging solutions for customers requiring cost-effective methods of protecting high value products in storage and transit. The primary components we use are corrugate, timber, foam and specialist cases. The businesses operate from six manufacturing sites, in Grantham, Westbury, Swindon, Salisbury, Chatteris and Leighton Buzzard, and a sales/design office in Barnstaple supplying both directly to customers and through the national RDC network of the Packaging Distribution business.

Key market sectors are aerospace, space, medical equipment, electronics, automotive, e-commerce retail and household equipment. 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.

2024 trading

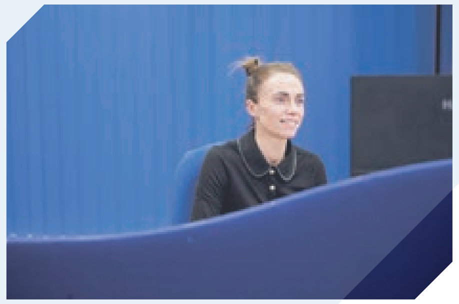
The main features of Manufacturing Operations performance in 2024 were:

- Increase in revenue of £6.5m, with growth from Suttons and B&D Group acquired in 2023 and Polyformes acquired in 2024 being offset by selling price deflation.
- As expected, selling price deflation caused the gross margin to weaken slightly compared to 2023.
- Higher operating expenses, due to the impact of the acquisitions.
- Increase in adjusted operating profit of 10% but decrease in adjusted operating profit as a percentage of revenue to 15.3% (2023: 16.1%) due to selling price deflation.

Future

The priorities for Manufacturing Operations in 2025 are to:

- Increase momentum of new business growth in target sectors, e.g. medical, aerospace and space.
- Prioritise new sales activity in our higher added-value bespoke composite pack product range.
- Work with our customers to effectively manage material price changes.
- Continue strengthening the relationship with our Packaging Distribution businesses to create both sales and cost synergies.
- Achieve both sales and cost synergies through closer working with the recently acquired businesses referred to above as well as Pitreavie acquired at the start of 2025.
- Supplement organic growth through progressing further high-quality acquisitions in the UK.



Manufacturing Operations performance

	2024 £000	2023 £000	2024 change
Revenue	**47,458**	40,929	**16%**
Inter-segment revenue	**(5,784)**	(5,153)	**12%**
External revenue	**41,674**	35,776	**16%**
Cost of sales	**(21,175)**	(17,575)	**20%**
Gross margin	**20,499**	18,201	**13%**
Operating expenses	**(13,255)**	(11,608)	**14%**
Adjusted operating profit*	**7,244**	6,593	**10%**
Amortisation	**(1,528)**	(1,051)	
Deferred contingent consideration adjustment	**550**	15	
Operating profit	**6,266**	5,557	**13%**

* See page 98 for reconciliation of Alternative Performance Measures to Statutory Measures.

> We are delighted to continue our growth within the Macfarlane Group, where we can leverage our expertise in foam conversion and bespoke manufacturing to add value for shareholders and customers alike.

Richard Belger, Director, Polyformes Limited

The Polyformes production facility in Leighton Buzzard.

20 years

in partnership with Snap-on UK

Adding capability and expertise to our manufacturing operations

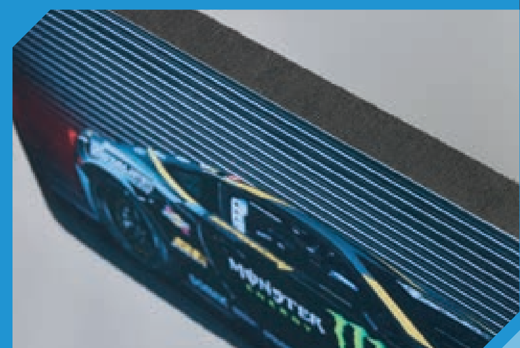
The Polyformes Limited acquisition in July 2024 demonstrates further progress in our 'buy and build' strategy to develop the Group's protective packaging business through a combination of organic and acquisitive growth.

Established in 1977, Polyformes Limited designs and converts foam primarily for specialist protective packaging applications supplying to customers in the aerospace, medical, defence and industrial sectors, throughout the UK. There are significant opportunities for both Polyformes and Macfarlane to benefit from access to their respective industry expertise, ranges of bespoke protective packaging products and common supplier base.

Polyformes has partnered with Snap-on UK for over 20 years. With their unrivalled routing capability and laser etching, they have designed and developed bespoke foam inserts in a ruggedised outer case for the Snap-on loan tool programme. Their expensive specialist tools are hired and shipped between engineers across Europe as well as the UK. The reusable transit solution is virtually indestructible and makes the monitoring of loan tools much easier to control.

To enhance their offering, using the patented Imageforme™ technology, Polyformes has transformed the standard laser cut mechanics mats into a vibrant promotional statement, as well as providing a more durable working surface for the engineers they serve.

An example of a branded mechanics mat produced for Snap-on UK.



Ivor Gray

Trading review

The Group saw a reduction in organic revenue of 8% during 2024, driven by weakness in demand and lower sales pricing to customers, in particular in Packaging Distribution (8% below 2023) with Manufacturing Operations performing more robustly (in line with 2023). This was offset by a strong contribution from the acquisitions made in 2023 and 2024. Group revenue was £270.4m, a decrease of £10.3m from 2023.

Profit before tax for 2024 increased to £20.9m (2023: £20.3m). This was after crediting £0.5m (2023: charge of £1.5m) for changes in the fair value of deferred contingent consideration related to acquisitions.

Adjusted profit before tax[1] decreased by 3% to £25.0m (2023: £25.8m).

Each month our management reporting provides the information to review the productivity of all locations in the Packaging Distribution business using performance against benchmark metrics as a percentage of revenue for gross margin, payroll and related employment costs, property costs, other overheads and adjusted operating profit. The resultant adjusted operating profit by location is also compared to the original budget and prior year performance.

Our Manufacturing Operations also measure relevant operating costs to revenue ratios and adjusted operating profit generated.

Taxation

The tax charge for 2024 was £5.4m, a rate of 25.7%, above the prevailing rate of 25% mainly due to the share option costs, deferred contingent consideration adjustments and acquisition related costs not being deductible for tax purposes. This compared with a tax charge of £5.3m on the 2023 profit before tax, a rate of 26.2%.

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 9.76p (2023: 9.44p) and 9.74p (2023: 9.34p) respectively, broadly reflective of the movement in profitability. The calculations take account of the dilution caused by the issue of LTIP awards and deferred bonus payable in shares.

Dividends

A dividend of 0.96p per share was paid on 10 October 2024. A further dividend of 2.70p per share is subject to approval by shareholders at the AGM in May 2025 and is not included as a liability in these financial statements.

Dividend cover is 2.7 times (2023: 2.6 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, fund acquisitions and meet capital expenditure requirements.

Cash flow and net bank debt

During 2024 the Group negotiated a new £40m revolving credit facility with Bank of Scotland PLC and HSBC UK Bank plc to replace the existing £35m invoiced discount facility which was committed until 31 December 2025. The new facility commenced on 28 November 2024 and comprises a committed borrowing facility of up to £40m to November 2027, with options to extend a further two years and an accordion of £20m. The facility is secured over the assets of Macfarlane Group PLC and its UK subsidiaries, bears interest at normal commercial rates and carries standard financial covenants in relation to interest cover and leverage. The Group has been in compliance with the covenants of both the invoice discounting facility, which terminated on 28 November 2024, and the new revolving credit facility throughout 2024 and 2025 to date.

2024 represents the Group's fifteenth consecutive year of growth in its profit before tax.

Profit before tax (£m) from total operations

£20.9m

The facility accommodates increased working capital requirements from organic growth as well as finance to fund acquisitions. 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 £1.9m at 31 December 2024, a cash outflow of £2.4m in the year as set out in note 21. The Group's cash generation continued to be strong, enabling us to finance growth, fund acquisitions and meet capital expenditure requirements. The Group spent £12.1m on acquisitions in 2024 (2023: £14.5m) and £2.9m on capital expenditure in 2024 (2023: £2.2m).

We will continue to invest where there are needs or opportunities to meet future growth plans. The Group will strive to ensure that in 2025, cash generation from operations is broadly in line with adjusted operating profit. The Group will remain prudent in its assessment of the likely returns from capital expenditure and potential acquisitions.

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.

Acquisitions in 2024 (see note 22)

On 13 March 2024, Macfarlane Group UK Limited ('MGUK') acquired 100% of Allpack Packaging Supplies Limited ('Allpack Direct'), for a total potential consideration of £4.7m and inherited net cash/bank balances of £1.9m. Full potential contingent consideration of £0.75m is payable in the second quarter of 2025, subject to certain trading targets being met in the twelve-month period ending on 28 February 2025.

On 6 July 2024, MGUK acquired 100% of Polyformes Limited ('Polyformes'), for a total potential consideration of £11.6m and inherited net cash/bank balances of £0.6m. Full potential contingent consideration of £4.8m is payable in the third quarters of 2025 and 2026, subject to certain trading targets being met in the two twelve-month periods ending on 30 June 2025 and 2026 respectively.

We expect to pay the full deferred contingent consideration on the Polyformes acquisitions which is supported by the strong trading performance post acquisition. The deferred contingent consideration payable on Allpack Direct will be £0.2m lower than anticipated at acquisition. Despite growing profits, weaker market conditions are resulting in profitability being lower than anticipated at the date of acquisition.

Acquisitions in prior years (see note 22)

Following strong trading performances from PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH ('PackMann') in their first and second-years post acquisition, A.E. Sutton Limited in their first-year post acquisition and A & G Holdings Limited ('Gottlieb') in their first-year post acquisition, contingent consideration payments totalling £3.0m were made in 2024. All payments were in line with the amounts recognised as at 31 December 2023.

After a reassessment of the value of deferred contingent consideration related to the acquisition of B&D Group Limited ('B&D') which was estimated at £0.5m at 31 December 2023, a credit to the income statement of £0.5m has been made in 2024. This reflects a reduction in the financial performance of B&D during 2024 which was not foreseen at the time of the acquisition and the resultant deferred contingent consideration paid in 2024 was £nil.

Market capitalisation and share price movements

The number of shares in issue at 31 December 2024 was 159,600,000, an increase of 648,000 from 31 December 2023. On 19 February 2024, the Company issued 648,000 ordinary shares of 25p to settle 2021 share awards under the Company's 2016 Performance Share Plan.

1 See page 98 for reconciliation of Alternative Performance Measures to Statutory Measures.

20 acquisitions in 11 years

Year	Acquisition	Location
2014	Lane Packaging	Reading
	Network Packaging	Wolverhampton
2015	One Packaging	Bingham
2016	Colton Packaging Teesside	Middlesbrough
	Edward McNeil	Glasgow
	Nelsons for Cartons & Packaging	Leicester
2017	Greenwoods Stock Boxes	Nottingham
2018	Tyler Packaging (Leicester)	Leicester
	Harrisons Packaging	Leyland
2019	Ecopac	Aylesbury
	Leyland Packaging Company (Lancs)	Leyland
2020	Armagrip	Durham
2021	GWP Group	Swindon & Salisbury

Finance review (cont)

Dividend per share

3.66p

2023 **3.59p**

2022 **3.42p**

Diluted earnings per share[1]

9.74p

2023 **9.34p**

2022 **9.84p**

Cash generated from operations

£25.4m

2023 **£33.5m**

2022 **£18.0m**

Pension scheme surplus

£9.6m

2023 **£9.9m**

2022 **£10.2m**

At the year-end the Company's market capitalisation was £171.6m, compared with £186.0m last year. The share price at 31 December 2024 was 107.50p, compared with 117.00p at 31 December 2023. The range of transaction prices for Macfarlane Group shares during 2024 was 104.00p to 145.00p for each ordinary share of 25p.

293,420 shares were purchased during 2024 by an Employee Benefit Trust ('EBT') and remained held by the EBT at 31 December 2024. The Executive Directors are beneficiaries of the EBT subject to the vesting of future PSP or deferred bonus plans. The total shares held by the EBT totalled 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 2024 are set out in note 14 to the financial statements.

Pension schemes

The Group's pension scheme surplus at 31 December 2024 was £9.6m (2023: £9.9m). This is sensitive to movements in bond yields, inflation, longevity assumptions and investment returns. 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 58. The Directors have carried out a detailed scenario analysis over three years to 31 December 2027 as set out in the Viability Statement on page 21.

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

27 February 2025

20 acquisitions in 11 years (cont)

2021	2022	2023		2024		
Carters Packaging	**PackMann**	**Suttons Performance Packaging**	**Gottlieb**	**B&D Group**	**Allpack Direct**	**Polyformes**
Redruth	Eppelheim, Germany	Chatteris	Manchester	Barnstaple	Bury St Edmunds	Leighton Buzzard

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 30. 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 2025).

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 2027 with options to extend to November 2029. The Group has performed resiliently during 2024, despite the ongoing challenging market conditions, which gives confidence in the strength of the underlying business model. 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 and working capital management. 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 2027 we have assumed the Group will take up the option to extend the existing facility for a further two years 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 10% and gross margin reductions at the rate of 2% in each of the three years, with no reduction in costs. Even under this scenario, and before reflecting any mitigating actions available to Group management, the Group forecasts compliance with all financial covenants throughout the period and would 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 remote, as it requires revenue reductions of c.16% per annum between 2025 and 2027, 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 to 5
- Our strategy: pages 4 to 5
- Task Force on Climate Related Disclosures ('TCFD') report: pages 49 to 57

The interests of the Group's employees

- Stakeholder engagement: page 23
- Diversity, equity and inclusion: page 44
- Sustainability report: pages 31 to 48

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

- Stakeholder engagement: pages 23 to 25
- Sustainability report: pages 31 to 48
- 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 25
- Sustainability report: pages 31 to 48
- TCFD report: pages 49 to 57

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

- Governance report: pages 59 to 85
- Independent auditor's report: pages 86 to 91
- Whistle blowing: page 48
- Non-financial and sustainability information statement: page 58

The need to act fairly as between members of the Company

- Stakeholder engagement: page 23

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 22 to 25 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 2024 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 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.
- Adhoc 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 focus on revenue growth, operating margins and cash flows
- Progress on acquisitions
- Understanding the Group's strategy and resilience of the business model given the current economic environment
- Allocation of capital priorities, including a review of the Group's capital allocation strategy
- Progress on the Group's Environment, Social and Governance ('ESG') agenda
- Impact of environmental regulation

Outcomes of engagement

Shareholders approved the authority for the Group to buyback its own shares at the May AGM giving the Board the option, if required, within the remits of the Group Capital Allocation Strategy which was approved during 2024 (See Key Board Decision 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 including share buybacks, the impact of the Virgin Media case (see note 23) on the obligations of the Pension Scheme and the impact of packaging legislation, particularly the introduction of Extended Producer Responsibility fees in 2025.

Through engagement activities in 2024 the Board found shareholders to be supportive of the Group's progress and actions on strategy, performance, acquisitions and sustainability.

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 software platform 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 2024 to solve our customers' environmental challenges.

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 & safety and wellbeing of our employees.

How we engage

- Annual Colleague Engagement Survey.
- 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 & 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 Colleague Engagement Survey 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 & safety is discussed in detail at every Board meeting with a report being provided by the Group Health & Safety Manager.
- The Group Health & Safety Manager 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 & safety culture.

Stakeholder engagement issues

- Cost of living
- Flexible working
- Health & Safety
- Wellbeing
- Succession planning

Continues overleaf...

Stakeholder engagement s172 statement (cont)

Employees (cont)

Outcomes of engagement

By engaging with our employees, we were able to provide a competitive pay award in 2024, improved benefits including the introduction of a new pension arrangement based on salary exchange, the widening of Death in Service eligibility to all colleagues and continued flexible working practices.

By the end of 2024 80% of all managers had completed the new DEI (Diversity, Equity and Inclusion) training. Online learning modules and new policies were also launched during the year to support engagement and understanding. The provision of wellbeing support where required to both employees and their families through the Group's Employee Assist Programme continued during 2024, offering private counselling support and in-house qualified mental health first aiders available 24/7.

Succession plans are in place for all senior management positions in the Group.

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.

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 Group is supporting the trustees on the actions required to prepare the Scheme for a buy-out should that option be available at an acceptable price.

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
- Assessing the implications of the Virgin Media case on the defined benefit obligations of the Scheme

Outcomes of engagement

The trustees are comforted by the strong financial performance and position of the Group.

Following completion of the latest triennial valuation in February 2024 no further deficit contributions are required by the scheme due to its positive funding position.

The trustees and their advisers were consulted on the Group's refinancing of its banking facilities during 2024 (see Key Board Decision on page 25) which are committed until November 2027 with options to extend a further two years. This gives the trustees comfort that the Group has adequate funding in place to continue to develop the business organically and through acquisition while continuing to support the Scheme.

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.

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.
- 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 progress mapping the Group Scope 3 emissions.

Stakeholder engagement issues

- Reliability of supply
- Management of volatility on pricing
- Environment and social impact of the supply chain

Outcomes of engagement

The Group continued the roll out of its Code of Conduct (available at www.macfarlanegroup.com) to suppliers during 2024.

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 mapped its Scope 3 emissions through engagement with its key suppliers during 2024 and is now developing action plans in partnership to reduce emissions.

Community and the environment

The Group operates businesses throughout the UK and also in Ireland, the Netherlands and Germany, supporting communities through employing local staff, buying from local suppliers and selling to local customers. The Group also has a carbon footprint from its internal warehouse and distribution operations, its outsourced partners and suppliers who are local, national and international.

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 with 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

Stakeholder engagement issues

- Carbon footprint reduction, including Scope 3 emissions
- Waste reduction and increasing circularity
- Supporting local community programmes
- Sourcing from local businesses
- Employing local talent

Outcomes of engagement

The Board undertook a detailed review of progress against the Group's Sustainability Strategy (see Key Board Decision on page 25) in 2024. See details of actions taken to support the Group Sustainability agenda on pages 31 to 48.

The Group completed the mapping of its Scope 3 emissions during 2024, which encompasses the activities of our suppliers. The Group is working with its suppliers to develop action plans to reduce Scope 3 emissions.

Details of the Group's environment and social initiatives are provided within the Sustainability Report on pages 31 to 48.

Key Board decisions in 2024

Capital Allocation Strategy

The Group's Capital Allocation Strategy was approved by the Board, supporting the Group's previously stated capital allocation priorities, being in order:

1. Investment in organic growth, including maintenance and value adding capital expenditure
2. Investment in earnings accretive acquisitions
3. Dividends to shareholders
4. Share buybacks.

Point 4 above was underpinned by the shareholder approval obtained at the 2024 AGM giving authority to the Group to buyback its own shares.

Stakeholder impacted

Shareholders

New banking facility

During 2024, the Board approved a new enhanced revolving credit facility of £40m, with a £20m accordion, with security provided over the assets of Macfarlane Group PLC and its UK trading subsidiaries. The facility is with two banks, Bank of Scotland PLC and HSBC UK Bank plc, and is available until November 2027 with options to extend to November 2028 and 2029. As part of the process of making this decision the Board consulted with the trustees of the Pension Scheme.

Stakeholders impacted

Shareholders
Pension members

Delivery fleet investment

The Board approved the leasing of 41 new commercial vehicles to be delivered in 2025 to replace existing vehicles. Due to improvements in engine technology and moving to vehicles with lower weights, this investment is projected to reduce the Group's carbon emissions by c.132 tonnes. The approval also allows for the future exchange of diesel vehicles for electric vehicles, the timing and extent of which will be assessed based on delivery profiles and commercial impact.

Stakeholders impacted

Customers
Community and the environment

Acquisitions

In 2024, the Board approved the acquisitions of Allpack Direct and Polyformes as part of the Group's growth strategy. The Board concluded that the acquired businesses had a similar customer and business approach to Macfarlane and would be a good strategic fit, expanding the Group's Packaging Distribution presence in the East of England, strengthening the Group's protective packaging manufacturing capabilities and being consistent with our strategic sustainability aspirations. As such, the Board concluded that both acquisitions were in the interests of shareholders, suppliers, customers and employees of both the Group and the acquired businesses.

Stakeholders impacted

Shareholders
Employees
Customers
Suppliers

Capital expenditure

The Board approved a number of capital expenditure investments in the year, the main items being solar panels at the GWP operation in Swindon and enhancements to the manufacturing facility in Grantham to improve the working environment, efficiency and design capability.

Stakeholders impacted

Shareholders
Employees
Community and the environment

Sustainability strategy

The Board undertook a detailed review of progress against the Group's sustainability strategy, including a review of public commitments in this area. The Board approved an increase to the Group's carbon intensity reduction target and agreed to introduce a new target reducing the carbon emissions of suppliers. The Board decided to retain the target to transition to electric vehicles but noted that this was likely to be increasingly challenging due to factors beyond the control of the Group including insufficient charging infrastructure and resulting operational impacts.

Stakeholders impacted

Shareholders
Employees
Customers
Suppliers
Community and the environment

New Non-Executive Director

The Board approved the appointment of a Non-Executive Director, David Stirling, the former CEO of Zotefoam plc and a Managing Director for the European business, Joost Meijs, the former CEO of Tenfold and senior management roles with Pregis. David and Joost bring extensive commercial experience which will support the delivery of the Group's strategy.

Stakeholders impacted

Shareholders
Customers

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 30. 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 68. In addition to scheduled updates from Finance, Health & Safety, IT, Sales, Procurement, Sustainability and other business functions, the Board and Audit Committee may seek assurance work in other areas from time to time, either from internal sources or externally commissioned work.

We continue to evolve our risk management processes to ensure they are robust, effective, and integrated within our decision-making processes. We have included a brief description of how we assess that each risk level has changed. For risks shown as the risk level is broadly similar between 2023 and 2024. If the risk is shown as the risk level has increased or decreased respectively during 2024 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. We have not added any new risks in 2024 although we continue to keep Artificial Intelligence ('AI') and related technology developments under review to assess the likely risk and benefit to the Group going forward.

Risk governance framework

Strategic changes in the market

Risk description

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.

We monitor this through Net Promoter Score (see Sustainability Report page 39), an annual customer satisfaction survey (see Sustainability Report page 39) 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.

Mitigating factors

- The Group has a well-diversified customer base, giving protection from 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.

Change in risk level

- Group businesses have been impacted by weak demand for packaging in a number of key markets which has resulted in increased competitor pressure.
- The Group has experienced increasing competitive activity from corrugate manufacturers entering the distribution space as declining volumes put pressure on their traditional customer base.
- The Group has also experienced significant benchmarking activity across its major customers. The effect of this is being partially offset by improvement in new business performance, strong cost control and effective management of changes in input prices.
- During 2025, the Group expects to return to revenue growth with a strong new business pipeline supported by investment in the Group's World Class Sales training programme and investment in additional experienced sales resource in our National Accounts teams.
- The Group is responding to strategic changes in the market through its:
  - Follow the Customer programme in Europe;
  - Significant Six selling proposition supported by the Packaging Optimiser; and
  - the development of its website.

Uncertain economic environment

Risk description

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 in order 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.

Mitigating factors

- The Group has scope to curtail capital expenditure and acquisition investment to preserve cash, if required.
- In the event of a significant reduction in customer demand the Group would take rigorous actions to reduce operating costs and working capital investment.
- Mitigating factors set out in the financial liquidity, debt covenants and interest rates risk set out on page 29 also apply to the uncertain economic environment risk.
- 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.

Change in risk level

- The UK and EU economies continued to experience challenging economic conditions during 2024.
- The Group has experienced weak demand for its products across many of the markets in which it operates. The Group has responded through control of operating costs, effective management of input prices and accelerating new business performance. The Group is prepared to continue to manage its cost base should demand remain challenging in 2025.
- The impact on the Group's operating costs from 1 April 2025 as a result of increases to National Insurance Contributions and the National Minimum Wage, announced in the November 2024 UK Budget is c.£1.5m per annum.
- While the risk of high inflation has reduced in 2024, the Group has a higher operating cost base as a result of significant inflation through 2022 and 2023.

Impact of environmental changes

Risk description

The markets we operate in are changing, with:

- **customers increasingly aware of the environmental impact of their packaging;**
- **increasing environmental regulatory requirements for packaging suppliers, such as the Plastic Tax introduced in 2022 and the introduction of the Extended Producer Responsibility ('EPR') levy in 2025;**
- **increasing likelihood 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 is 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 and 2 CO_2 emissions. The Group also assessed its Scope 3 emissions in 2024.

Mitigating factors

- Sustainability considerations are central to the organisation's value proposition, utilising our resource, expertise and business assets to support customers to use less packaging and provide more sustainable alternatives through our Significant Six selling proposition.
- 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 31 to 48.
- The Group has a Head of Sustainability who chairs the Environment, Social and Governance ('ESG') committee consisting of senior leaders from across the Group.
- The ESG committee oversees progress against the strategy and the associated targets, addressing challenges proactively. The committee reports directly to the Board.
- The Group has established a working group to help prepare for the implications of EPR regulation and resulting fees due to commence in 2025.
- The Group discloses and reports on climate issues and mitigations in line with the Task Force on Climate-related Financial Disclosures ('TCFD') best practice framework. See pages 49 to 57.
- 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.

Change in risk level

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 9 in 2024 (2023: 5);
- Investment in solar panels at sites with high energy use. Solar panels were installed during 2024 at the Group's manufacturing site in Swindon;
- Utilising the Innovation Labs to support customers in meeting their specific sustainability requirements and providing educational seminars focused on key environmental issues, including upcoming regulations;
- Ongoing actions to support our customers to reduce their CO_2 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; and
- The Group's Scope 3 emissions have been mapped to provide a baseline of our entire carbon footprint. Engagement has begun with suppliers on carbon reduction.

See the detailed Sustainability Report on pages 31 to 48.

Principal risks and uncertainties (cont)

Supply chain

Risk description

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.

Mitigating factors

- 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 the upcoming EPR legislation.
- The Group has a well-established supplier relationship management process which is subject to periodic management review and internal audit.

Change in risk level

- Input prices have continued to change throughout 2024 primarily due to movements in timber, paper and polymer prices. The business has managed these challenges robustly and gross margins have improved in 2024, reflecting the effort of our teams to mitigate these increases.
- Pricing of paper, which has the largest impact on the Group, increased in H2 2024. However, future pricing trends remain uncertain due to the general weak market demand.
- Over a long term period of volatile raw material pricing, the consistency of our gross margin performance demonstrates the effectiveness of our price management programme.
- Supply conditions have been stable throughout 2024 with good availability of supplier capacity, due to weak market demand, and lead times have remained within acceptable parameters.
- We continue to support our customers on Total Cost Management as the method to add value/reduce costs.

Acquisitions

Risk description

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.

Mitigating factors

- 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'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.

Change in risk level

- The Group has made 20 acquisitions since 2014, including two in 2024 as well as concluding the Pitreavie acquisition in January 2025.
- The Group has a strong pipeline of potential protective packaging acquisition opportunities in both the UK and Northern Europe.
- 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.
- The Group has strengthened its European management team with the appointment of a Managing Director from 1 January 2025, with significant experience running European operations and successfully executing acquisitions.

Property

Risk description

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.

This risk is monitored on a regular basis and reported to the Board through internal reporting and input from external advisors.

Mitigating factors

- 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.

Change in risk level

- Our property consolidation strategy has continued during 2024. There is no outstanding work on finalising exit costs following the expiry of leases. There are known future exits from three existing operating sites. Provisions have been established to cover the anticipated exit costs (note 20).
- The Group currently has no vacant or sub-let properties.
- While the Group is managing its exposure to dilapidations and similar property costs, 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 15% to 101% through 2023 and 2024, resulting in increases to operating costs. This reflects the significant increase in market rental rates for properties in the locations and size that the Group occupies.

Cyber-security

Risk description

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 program of compliance and controls auditing with input from external advisors.

Mitigating factors

- 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 regular penetration tests to assess potential vulnerabilities within our security arrangements.
- This is complemented by a program 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.

Change in risk level

- The Group was awarded Cyber Essentials by the National Security Centre during 2024 and is working towards achieving Cyber Essentials Plus in 2025. This demonstrates the Group's commitment to continuous improvement.
- The Group continues to invest in prevention/detection software and education programmes to mitigate the risks of cyber-security attacks.
- 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 perform regular assessments of its cyber-security resilience and make changes to our defences.

Financial liquidity, debt covenants and interest rates

Risk description

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.

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.

Mitigating factors

- The Group's borrowing facility comprises a committed facility of £40m, which finances our trading requirements and supports controlled expansion, providing a medium-term funding platform for growth.
- 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.

Change in risk level

- The Group continued to generate strong operating cash flows in 2024, which were invested in maintenance and value-adding capital expenditure, earnings accretive acquisitions and dividends to shareholders with the Group operating well within its bank facilities throughout the year.
- The Group re-financed its banking facilities in 2024 with Bank of Scotland PLC and HSBC UK Bank plc, with an enhanced £40m revolving credit facility now in place until November 2027, with options to extend until November 2028 and 2029. The new facility has standard covenants for Net Debt/EBITDA and EBITA/Net Finance Charges which the Group operates well within.
- Interest rates payable by the Group have decreased during 2024 but are expected to remain high for some time.

Principal risks and uncertainties (cont)

Working capital

Risk description

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.

Mitigating factors

- 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.
- Customers who operate in sectors that are likely 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.
- 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.

Change in risk level

- Bad debt write-offs in 2024 were broadly in line with 2023 and remaining at a relatively low level. The Expected Credit Loss allowance reflects the low level of historic bad debts in the Group (note 13).
- Aged stock over 6 months old has decreased in 2024 (note 12) primarily due to weaker demand and good management control. The Group is continually working to reduce stock over 6 months and has adequate provisioning to cover any potential stock obsolescence.
- The economic environment is expected to remain challenging in 2025. Management will continue to take all appropriate steps to mitigate this risk and limit the need for additional provisions or write-offs.

Defined benefit pension scheme

Risk description

The Group's defined benefit pension scheme is sensitive to a number of key factors including volatility in bond/gilt markets, the discount rates used to calculate the scheme's liabilities, inflation and mortality assumptions.

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 IAS19 reviews and triennial actuarial valuations.

There is potential for increased defined benefit obligations as a result of the Virgin Media case (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 e.g. the Virgin Media case.

Mitigating factors

- 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, including e.g. understanding and assessing the implications of the Virgin Media case.

Change in risk level

- The IAS 19 valuation of the Group's defined benefit pension scheme as at 31 December 2024 estimated the scheme surplus to be £9.6m, compared to a surplus of £9.9m at 31 December 2023 (note 23).
- 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 buy-out. This process is not expected to be completed during 2025.
- The Group sets out its assessment of the potential implications of the Virgin Media case in note 23.

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
32%
reduction in carbon emissions since 2019 baseline[1]

Social
0.27
Accident Frequency Rate[3]
2016 baseline: 0.64

Environment
17
carbon tonnes per £m revenue
2019 baseline[1]: 31

Environment
9
fully electric delivery trucks
2023: 5

Environment
86%
of electricity sourced from renewables during 2024
2019 baseline: 63%

Social
62
Net Customer Promoter Score
2023: 60
Business to Business ('B2B') benchmark: 35

Environment
350+
hours of sustainability training to customers

Social
-0.7%
gender pay gap

Environment
250
customers engaged through our Innovation Labs[2]
2023: 200

1 2019 baseline emissions and associated intensity have been restated to adjust for additional data that was identified during the year.
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

I am pleased to report that we have made good progress in our sustainability strategy during 2024, adding 4 further fully electric HGV trucks to our delivery fleet, increasing our on-site renewable generation, investing in our people and scaling up our customer engagement throughout the year.

Across the Group we recognise the importance of not just taking action to reduce the environmental impact of our business but also ensuring we are well equipped to support our customers as they strive to achieve their own sustainability goals. During the year, we have taken important steps to further understand the environmental impact across our whole value chain, including mapping our Scope 3 emissions, which we will use to inform our next steps and increase our engagement with suppliers on key sustainability challenges.

We believe that increased regulatory pressure and environmental taxes on packaging both within the UK and in Europe will progressively shift consumer behaviour and the markets within which we operate. As the UK's largest protective packaging distributor, we remain well placed to support our customers in delivering against their sustainability goals; providing independent and expert advice they can trust and solutions that deliver real environmental benefits.

There are many uncertainties on the road to net zero which will require careful navigation, some of which are partly or wholly dependent on changes within our national infrastructure and energy network. However, there are clear opportunities to make progress across this agenda and pursue growth whilst minimising our environmental impact.

We will endeavour to do this, as we always have, by continuing to take demonstrable action, listening carefully to our stakeholders, being transparent about the challenges and holding ourselves accountable to the highest standards of governance and best practice across our sector.

The Board and I believe that this continues to be not just the right thing to do, but what we must do if we are to protect the long-term value and future of our business.

Peter D. Atkinson, Chief Executive

Overview (cont)

Headline progress summary against our six strategic pillars

Environment

Strategic pillar	Strategic goal	Headline progress
1. Reducing our impact See page 34	Transforming our operations to minimise their environmental impact	• 32% reduction in absolute carbon emissions and 44% improvement in our carbon intensity relative to the 2019 baseline • 9 electric trucks now operational within the delivery fleet • Solar panels installed at our GWP manufacturing site • 86% of our electricity sourced from renewables during 2024 • 42% of Company car fleet is now fully electric
2. Supporting our customers See page 39	Enabling our customers to deliver against their sustainability goals	• Ran 19 sustainability workshops with over 260 customers to improve awareness of key environmental issues • Scaled up customer support to help them prepare for new environmental regulations • Tailored specialist support provided to over 250 customers through our Innovation Labs • Improved our customer Net Promoter Score to 62 (2023: 60)
3. Partnering with suppliers See page 42	Collaborating with our suppliers to reduce their environmental impact across our industry	• Completed baseline Scope 3 mapping to understand the carbon emissions across our value chain • Commenced engagement with our supply chain to track progress on carbon reductions • Completed full risk assessment of the supply chain with 97% of product procurement now considered to be with low risk or fully compliant suppliers • 89% sites fully Forest Stewardship Council ('FSC') certified

Social

Strategic pillar	Strategic goal	Headline progress
4. Caring for our colleagues See page 43	Creating a supportive, inclusive and high-performance culture	• Established our World Class Sales training programme to enhance the skills and knowledge of our colleagues • Continued to keep colleagues safe, increasing our safety observations by over 100% since 2021 • Launched our new Diversity Equity and Inclusion Policy and improved our recruitment resources and induction toolkits to embrace diversity • Action taken to address our colleagues' priorities, improving our induction process, core training and employee benefits
5. Investing in the community See page 45	Investing in our local communities and supporting our colleagues to do the same	• Over 412 volunteering hours provided to a wide range of local community initiatives • Expanded our network of Community Champions to support initiatives at each of our local sites • Launched our 'Macfarlane match' programme, providing a corporate matching of all staff fundraising efforts

Governance

Strategic pillar	Strategic goal	Headline progress
6. Doing things the right way See page 48	Led by our core values, embracing best practice and maintaining the highest standards of governance	• Joined the UN Global Compact, formally committing to the UN's 10 principles for sustainable business • Our Ecovadis rating places Macfarlane in the top 10% of businesses assessed globally on sustainability issues • Awarded the London Stock Exchange's Green Economy Mark for listed businesses that contribute to the global green economy • Enhanced our anti-corruption measures, including training initiatives to reinforce our foundational value of integrity • Awarded the independent Cyber Essentials accreditation • Further extended our disclosure of climate-related issues under the Task Force on Climate Related Disclosures framework

External initiatives and benchmarks

Alignment to the leading external standards on ESG

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 130,000 businesses across 130 countries. Macfarlane achieved a score in the top 10% of all businesses following assessment in 2024.

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 undertaken our third full carbon disclosure and our inaugural disclosures under water and forestry themes.

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 108 equity issuers that were awarded the Mark in 2024, representing 3% of the London Stock Exchange's total equity market capitalisation.

Alignment to Sustainable Development Goals

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?

As a responsible business 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 why we will seek to go further, 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. We provide access to quality employment across the UK and in 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 growth ambitions and remain focused on growing in the right way, 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.

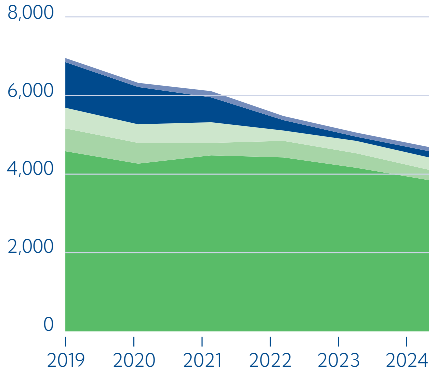
Why it is important to Macfarlane?

As a business we recognise that gender inequality is still prevalent across society and are committed to providing better 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, including gender pay gaps.

Environment

1. Reducing our impact
Transforming our operations to minimise their environmental impact

Macfarlane Group carbon emissions since baseline



- Commercial trucks
- Company cars
- Heating
- Electricity
- Forklifts

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 are pleased to have made strong progress in reducing our absolute carbon emissions[1] by 32% since our baseline year of 2019[2]. This reduction has primarily been driven by investment in renewables, 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 44% to 17 carbon tonnes per £m of revenue (2019 Baseline: 31). This means we have surpassed our initial carbon intensity improvement target of 30% by 2030. We have therefore decided to increase this target to 50%.

Greenhouse Gas Reporting 2024

Absolute Emissions reduced for the fifth year in succession during 2024 when compared to 2023. This has been supported by further electric transition, solar panel deployment, transitioning to renewable power and ongoing efficiency measures. Lower business volumes during 2024 have also contributed to less underlying demand for fuel.

The net impact of acquisitions and disinvestments since 2019 now equates to a net 1% decrease in emissions, relative to the baseline year. As this is likely to grow in significance and in order to align with global best practice, the Group is currently developing its carbon accounting policy to ensure we can continue to provide a fully transparent and consistent picture of ongoing progress.

The Group has delivered an absolute carbon reduction within its distribution division, since baseline and over recent years. While manufacturing carbon emissions have reduced since baseline, they have increased from 2023 due to the acquisition during 2024 of Polyformes which is an inherently more energy intensive business.

Carbon reporting (market based)	2024	2023	2019 (baseline)	Movement since baseline
Absolute carbon emissions (Scope 1 and 2) (tCO_2e)	**4,703**	5,083	6,956[2]	-32%
Carbon intensity (carbon tonnes over £m revenue)	**17**	18	31	-44%

CO_2 per annum market based	2024	2023	2019 (baseline)[2]
Packaging Distribution	**3,786**	4,210	5,234
Manufacturing Operations	**917**	873	1,722
Overall	**4,703**	5,083	6,956[2]

1 Carbon emissions here relate to the Group's total Scope 1 and 2 carbon emissions, as defined by the Global Reporting Initiative and aligned to established best practice.

2 2019 baseline emissions and associated intensity have been restated to adjust for missing data that was identified during the year. Previously reported baseline emissions were 6,503 tonnes, and intensity was 29 tonnes per £m.

Progress summary

	Headline target	2024 update	Rating
Scope 1 and 2 carbon emissions intensity relative to revenue	50% reduction in Group carbon intensity by 2030 (originally 30%).	We have increased our target to a 50% carbon intensity reduction by 2030 and are on track with a 44% reduction achieved at the end of 2024.	On track

Progress summary

	Headline target	2024 update	Rating
Scope 1 and 2 emission source: Commercial vehicles	50% of delivery fleet to be fully electric by 2030.	9 fully electric vehicles are now operational in the delivery fleet, with 4 added during the year. This equates to 8% of our baseline delivery fleet. While we are confident we can grow this number significantly, achieving 50% will be challenging due to factors beyond our control including limitations in the national charging infrastructure.	At risk

Commercial vehicles

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 below provides a breakdown of our internal (Scope 1 and 2) carbon emissions for 2024.

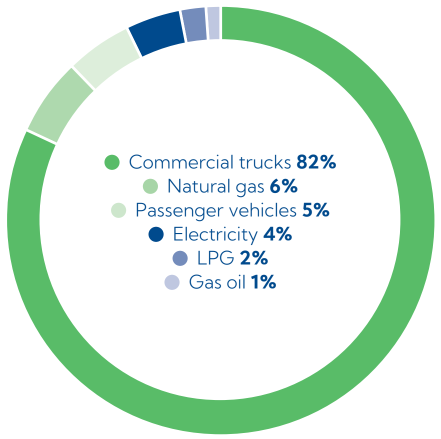
In 2024, commercial vehicles represented 82% of our carbon footprint. The Group made further progress on its journey to alternative fuels by adding a further four 18-tonne fully electric vehicles to the delivery fleet, taking the total number to nine, being 8% of the baseline.

To date these vehicles have been performing well. However significant uncertainty remains over the ultimate commercial and operating viability of electric commercial vehicles due to their higher operating costs, limited driving range and limitations within the national charging infrastructure. These factors remain outside our control, therefore achieving our aspirational 50% electric delivery fleet target by 2030 remains challenging. However, we expect to continue to make progress, working with external stakeholders to take advantage of the latest technology as it comes to market.

Improving the efficiency of our operations will remain a key component of our sustainability agenda. There are several elements that drive the efficiency of logistics: how well we plan routes; how well our vehicles are driven; and how frequently our customers need deliveries. We have made good progress since 2019 in driving greater 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 better driver performance. In 2025 the Group plans to upgrade its older commercial vehicles to newer models which are both lighter and more efficient and are therefore anticipated to deliver a significant carbon saving.

The Group has also made further progress in moving away from fossil fuelled (liquefied petroleum gas) forklifts to fully electric models, replacing these models at seven distribution sites during the year.

Macfarlane Group's 2024 internal carbon footprint



	CO_2e tonnes	Percentage %
Commercial trucks	3,872	82%
Natural gas	271	6%
Passenger vehicles	248	5%
Electricity	168	4%
LPG	91	2%
Gas oil	53	1%
Total	**4,703**	**100%**

Continuing our commitment to carbon reduction

Across the Group we now have nine fully electric trucks operating across our sites. We have also scaled up our use of certified renewables and increased our ability to generate energy at our sites by continuing our investment in solar.

During the year we welcomed a further four 18-tonne fully electric trucks to our commercial fleet. As well as running on clean energy the trucks have also enabled the business to become more efficient through the use of braking regeneration technology that has reduced the trucks' energy consumption by nearly a quarter.

We also invested £235,000 to install solar panels at our GWP manufacturing site in Crickdale. The panels are expected to reduce GWP's energy demand by 40% and save an estimated 1,750 tonnes of carbon over their lifespan.

40%
forecast reduction in energy demand from solar panels

> We were delighted to welcome these new trucks to the fleet during the year which are helping us to reduce the environmental impact of our business, while still maintaining the highest levels of customer service.

Tim Hylton, Logistics Director, Macfarlane Group

Environment (cont)

Progress summary

	Headline target	2024 update	Rating
Scope 1 and 2 emission source: Company cars	50% of Company Car Fleet to be fully electric by 2026.	42% of our Company car fleet is now fully electric (2023: 32%).	On track

Company cars

We are continuing to increase the proportion of our Group Company car fleet that is fully electric, now at 42% of the fleet (2023: 32%). Despite the barrier of slowly developing infrastructure, we have encouraged participation through increasing the allowance we provide for these vehicles and worked with our leasing partners to provide greater flexibility to help the transition. We have also installed 14 on-site charging points during the year to make these a more viable option for colleagues. Despite a growing Company car fleet, this has helped us deliver a 58% reduction in carbon emissions, from the Company car fleet since the 2019 Baseline.

Renewables

We have continued to build on our progress, installing another solar array at the Group's GWP manufacturing site, in Swindon. This brings the total amount of solar generated by the Group at its operational sites to c.350,000 kWh during the year, the equivalent of 73 tonnes of carbon avoided, and reduces the Group's requirements to purchase electricity directly from the National Grid.

As at the end of December all sites under direct Group control were procuring certified renewable electricity. Acquisition sites with ongoing legacy contractual commitments and landlord-controlled sites made up the balance, meaning overall that 86% of Group electricity was sourced from renewables during the year.

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, e.g. with transit pallets. Where waste is unavoidable, materials are clearly segregated on-site to minimise any contamination and improve recyclability.

During 2024 around 75% of the Group's waste materials were segregated for recycling purposes, 14% was used to create Biomass energy, with the balance (11%) used to create general energy from waste. The Group continues to avoid sending waste to landfill.

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 2024 the division recycled 7,262 tonnes of packaging waste on behalf of our customers (2023: 7,332 tonnes).

Water and other natural resources

Given the nature of our business, the direct use of other natural resources is low across the Group. We recognise that climate change will continue to accelerate water stress, particularly in certain areas of the country. We have therefore undertaken water stress audits across our sites during 2024 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 2024 the Group used 4,665m^3 of fresh water within its manufacturing operations (2023: 4,475 m^3), equating to a water intensity of 0.11m^3 for every £1,000 of revenue (2023: 0.13 m^3).

During the year we completed the upgrade of the office printers across the Group. This has provided the opportunity to implement smarter processes around our office printing. This has enabled the Group to reduce its annual prints, on a like for like basis, by 32%, removing the need for approximately 800,000 sheets of paper.

Progress summary

	Headline target	2024 update	Rating
Scope 1 and 2 emission source: Energy	100% of electricity we control[1] to be sourced from renewables by 2025.	As of 31 December 2024, 100% of electricity was procured through certified renewable contracts.	On track
	Solar panels to be installed at one site per year to 2030.	Solar Panels installed at our GWP manufacturing site in 2024, meaning we now have solar arrays at 5 Group sites.	On track

1 Excludes sites where electricity is sourced by the landlord and sites recently acquired with legacy 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 over 20,000 customers to deliver on their own sustainability objectives continues to be a fundamental part of our value proposition. We continue to build our expertise and resources to allow us to deliver an industry-leading customer service, incorporating sustainability.

Our two state-of-the-art Innovation Labs ('ILabs') remain popular with customers, with our ILab teams working with over 250 customers on 360 separate packaging improvement projects during the year. We consider all stages of the packaging lifecycle, from initial design and manufacture through to the end of the packaging's 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 12 and 13.

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 approach.

Education and regulation

During 2024 we were delighted to host 260 customers in our sustainability workshops. Here we provided training to improve awareness of key global sustainability challenges, understanding how these relate to packaging and highlighting areas for action. These sessions helped identify areas for further collaboration and support with both existing and new customers.

We recognise the increasing regulatory requirements coming into force across the packaging industry and the impact these are likely to have on the Group directly and on our customers. Extended Producer Responsibility ('EPR') is expected to come into full force from October 2025. This will mean that UK businesses using packaging sent to a household will need to pay the full costs of dealing with that packaging at the end of its life, which is currently estimated to be around £2bn across the UK market.

We expect this new regulation will continue to drive further demand from customers to use less packaging, optimising materials and maximising efficiency in smart deployment across their operations. The Group considers itself to be well positioned to support customers in navigating these growing regulatory demands and we have already been actively supporting customers to understand the regulations and the likely implications for their businesses.

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 greatest possible choice of packaging options. During the year we launched a range of new products, including self- adhesive paper tapes, high performance stretch wrap and a new strapping range, all with increased recycled content. Performance requirements mean some products are still unsuited to recycled content.

We have enhanced the skills of our sales teams through the launch of our internally developed World Class Sales ('WCS') programme, preparing our colleagues to meet the growing expectations of our customers. This programme includes specific modules on sustainability, raising understanding of key sustainability challenges and their implications for packaging.

The WCS programme and our other customer service improvement initiatives have helped us retain a high annual customer satisfaction score at 94% (2023: 96%) and to improve our customer Net Promoter Score to 62 (2023: 60). This score compares favourably against the current industry average benchmark for B2B businesses, which is 35.

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	2024 update	Rating
Product environmental impacts	By 2025 at least 90% of products in Packaging Distribution will contain recycled content.	85% of products across Packaging Distribution now contain recycled content (2023: 86%).	Some risk
	By 2025 at least 90% of products in Packaging Distribution will be recyclable.	88% of Packaging Distribution products our now recyclable (2023: 88%).	On track
Customer satisfaction	To obtain a customer Net Promoter Score of 60 in our Distribution Division by 2025.	Net Promoter Score of 62 was achieved for 2024 – the average for B2B businesses is currently 35.	Delivered
	To achieve annual customer satisfaction scores of above 95% in all divisions by 2025.	Overall customer satisfaction was 94% for 2024.	On track

> It was great to meet at the Innovation Lab in Heywood, the session was very informative. Well worth the visit and helped me to understand new packaging ways and ideas, as well as products available.

Warehouse Manager, Smither Oasis

260+
customers engaged at our sustainability events

Sharing sustainability and packaging insights with our customers

Improving understanding of key sustainability challenges and the impact of forthcoming regulation is increasingly important for businesses looking to make the right choice for their packaging.

During the year we have scaled up our support to customers on sustainability issues. We have organised a range of sustainability workshops and seminars to educate our customers on key sustainability challenges, what they mean for packaging and how we can support them to deliver against their objectives.

Using our expertise and experience of the packaging market we can support our customers to find the solution that is right for them – considering the total cost and environmental impact of packaging, across its lifecycle.

David Patton, Head of Sustainability, Macfarlane Group said:

It has been great to welcome so many customers from across the Group to help demystify some of the key sustainability challenges, discuss key issues for their businesses and showcase the wide variety of ways we can support them here at Macfarlane. We believe increased collaboration will be increasingly vital on these issues and look forward to building on this engagement next year.

> It was logically presented – outlining environmental and legislative challenges first and then drilling into the impacts and opportunities at a more detailed level.

E-com planner, Snowdonia Cheese Company

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 the early stages of their life cycle. We have strong relationships with our strategic suppliers, many of whom are already taking transformational action to decarbonise their operations and reduce their environmental impact. 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 the necessary progress.

Value chain carbon emissions

During 2024 the Group completed its first Scope 3 mapping exercise to provide a baseline estimate of carbon emissions across its full value chain. In line with best practice the analysis was done across all categories of Scope 3 with calculations undertaken independently by EcoAct. The Group's total value chain carbon is estimated to be 195,802 CO_2e per annum.

The key drivers of the Group's Scope 3 emissions are associated with the purchase of packaging materials (78%) and the estimated emissions associated to end of life treatment when packaging products become waste. A further detailed breakdown is provided as part of our TCFD report on page 56.

Following the Scope 3 exercise, the Group will continue to engage with strategic suppliers on their carbon reduction programmes. To date, 51% of total procured spend is undertaken with suppliers that already have carbon reduction plans in place. The Group has set itself a new target to have 80% of procurement spend being with suppliers that are actively reducing their carbon emissions, by 2030.

To address the emissions associated with packaging end of life, the Group will continue to improve 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 welcome plans to drive a further step change in recycling infrastructure which will be vital to reducing emissions and creating a more circular packaging economy.

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 will also work with its external stakeholders to evaluate how data can be improved to enhance the accuracy of future Scope 3 carbon reporting.

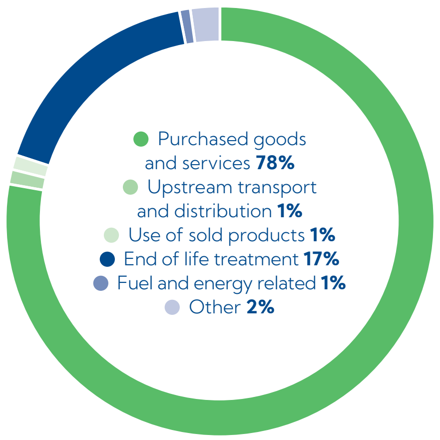
Supply chain assurance

During the year the Group updated its supplier risk assessment across a range of key sustainability issues. We have integrated these risk assessments into ongoing supplier management, with additional assurance procedures where suppliers are assessed to have elevated areas of risk. This additional assurance is required prior to a supplier being classified as fully compliant. During 2024, 97%[1] of procured Group spend came from low risk or fully compliant suppliers.

In addition to increasing the recycled content within our products, we have increased our capacity to provide additional assurance to our customers on the sustainable sourcing of paper materials through Forest Stewardship Council certification (FSC) of our products. 89% of our Group sites are now fully FSC certified, with the remaining outstanding relating to recent Group acquisitions.

1 Excluding suppliers of companies acquired during 2024 which will be incorporated from 2025.

Macfarlane Group value chain carbon assessment (Scope 3)



Progress summary

	Headline target	2024 update	Rating
Scope 3 emission source: Suppliers	80% of Group Suppliers by value to have active carbon reduction programmes by 2030.	51% of Group procurement by value is from suppliers with active carbon reduction programmes.	On track
Sustainable sourcing	100% of Group sites will be FSC certified by the end of 2025.	89% of our sites are now fully FSC certified (91% in 2023).	On track

Social

4. Caring for our colleagues
Creating a supportive, inclusive and high-performance culture

Our goal remains to enhance colleague engagement, nurturing a supportive, safe, and inclusive culture which helps us to be an employer of choice.

Health and Safety

Caring for our colleagues starts with keeping them safe from harm, with Health and Safety remaining our number one priority across all our sites. We have sought to embed a strong Health and Safety culture across the Group, striving for continual improvement. This has been critical in delivering significant reductions in our Accident Frequency Rate (AFR) across the Group since the baseline in 2016. AFR has increased from the prior year which has been driven by the growth in the Group's manufacturing operations, and the greater inherent risks posed to staff as a result. The Group continues to have one of the lowest injury frequency rates when compared to other UK packaging manufactures (as published by the Confederation for Paper Industries) and management will continue to work across all sites to help ensure this risk is mitigated as much as practically possible, while recognising the changing risk profile.

From our baseline in 2016 we have reduced AFR across the Group by approximately 58%.

A risk-based approach is taken within the Group's Health and Safety ('H&S') programme, ensuring that resources are directed in the most efficient way possible. All reportable incidents (2024: 5; 2023: 4) are investigated thoroughly by our H&S 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.

During 2024 we focused on the safety of our commercial drivers and saw a decrease in reported personal accidents of over 50%. This linked in well with the continued development of our logistics inspections and digital commercial vehicle checks. We undertook training in critical task analysis focusing on human interactions with risks within the workplace and trained additional colleagues in Accident Investigation techniques.

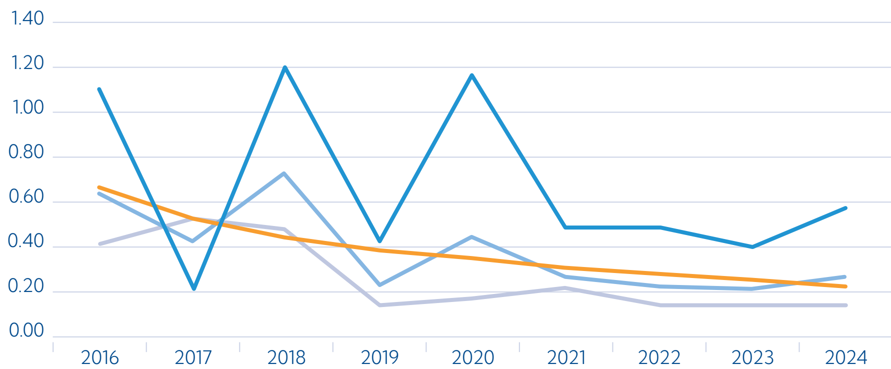
We have sought to build on this progress with a proactive approach to identifying and managing potential risks, through training, awareness raising and targeted risk assessments. This has helped us deliver a 100% increase in pro-active safety observations since our records began in 2021.

Colleague engagement

We know an engaged workforce delivers numerous benefits across our organisation, driving productivity, reducing turnover, enhancing both colleague and customer satisfaction, and reinforcing our commitment to being an employer of choice.

In recent years, we have prioritised understanding and improving our colleagues' experiences. Our colleague engagement survey has provided invaluable insights, enabling us to identify areas for development. Over the past year, we have taken further steps to address these areas as part of our 'You Said, We Are Taking Action' initiative. This has involved a range of measures, including the introduction of a new performance management toolkit for staff, a new enhanced induction programme, and improvements to our core benefits.

Accident Frequency Rate ('AFR') for Macfarlane Group



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

	2016	2017	2018	2019	2020	2021	2022	2023	**2024**
Packaging Distribution	0.42	0.53	0.48	0.15	0.18	0.22	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**
Group	0.64	0.43	0.73	0.23	0.45	0.28	0.23	0.22	**0.27**

Social (cont)

We have also improved our internal communications on key sustainability topics and expanded our community representative network to include newly acquired businesses. This network creates an ongoing dialogue between central and local colleagues to help ensure that initiatives are effective and helpful.

The Group remains committed to effective engagement with its staff and recognises their ongoing importance to the Group's success. The results of the 2024 engagement survey will be evaluated and, working alongside staff, will be used to inform future priorities.

Diversity, Equity and Inclusion ('DEI')

We have improved our recruitment resources to raise awareness of DEI best practices and revised our induction and onboarding toolkits to help new colleagues from all backgrounds feel included. Additionally, we have launched internal training on the importance of DEI across the business and have focused on celebrating significant cultural events throughout the year to raise awareness. We also introduced DEI overview training, with over 200 employees completing the training so far.

We are committed to providing equality of opportunity to all existing and potential colleagues. This applies to recruitment, training, career development and promotion, regardless of physical ability, gender, sexual orientation or gender reassignment, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin. Full and fair consideration is given to employment applications by people with disabilities wherever suitable opportunities exist having regard to their particular aptitudes and abilities. We have revamped our careers page, featuring updated content, improved navigation, and more details about career opportunities for colleagues.

Striving to ensure that the work environment is free of harassment and bullying and that everyone is treated with dignity and respect is an important aspect of ensuring equal opportunities in employment. We have created a new Dignity at Work Policy during the year and a bullying and harassment guide to help colleagues identify what is and what is not acceptable behaviour.

We are pleased to continue to have strong female representation across our business and particularly within our leadership and management teams. Approximately one third of our senior managers and 40% of the Board are female.

Through our annual pay reviews we have maintained the progress we have made on reducing gender pay gaps. Our mean average pay gap was -0.7% for the last reporting period (2023: 0%) and our median pay gap was -3.9% (2023: -9.4%), in favour of women. The median favours women as we have a higher proportion of females in sales roles where they can qualify for higher performance linked bonuses when compared to non-sale roles.

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 and enhanced maternity and paternity pay. During the year we have improved our benefits further through extending death in service cover and 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 manner of life 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 networks of mental health first aiders across the organisation, who act as the front line of support.

Colleague development

We remain committed to supporting our colleagues to learn and develop, enabling them to have flourishing careers and fulfil their potential. We launched our World Class Sales programme during the year, equipping our colleagues with the skills and knowledge that will help them thrive in a changing packaging market. 48 colleagues from across the Group have now completed the programme and we intend to extend this during 2025.

We also launched our new Learning Management System ('LMS'). The LMS provides easy access to additional Health & Safety training within manufacturing and key system training for sales and procurement colleagues, as well as other helpful resources. Total training delivered during 2024 was estimated to be around 14,200 hours[1], equating to approximately 27 training hours per member of staff.

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

Employee gender split

	2024		2023	
	Male	Female	Male	Female
Directors	3	2	3	2
Senior managers	13	6	11	6
All other employees	714	427	680	440

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

Engaging with the communities we serve

In 2024, the Group continued its commitment to understanding and engaging with the communities we serve. Throughout the year, we promoted a sense of community and social responsibility among our colleagues, encouraging volunteering and supporting a wide array of important causes.

As a business connected within local 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. This year we maintained a network of community champions across the business who serve as focal points for these local initiatives. These colleagues help raise awareness, support others in getting involved, and drive local fundraising and volunteering efforts.

All staff continue to benefit from a fully paid volunteer day when they can support a local initiative or collaborate with colleagues to support a regional or national activity. This initiative empowers our colleagues to volunteer their time and skills for community projects that matter most to them. During 2024, staff recorded 412 hours of volunteering time across these different initiatives.

Marketing colleagues volunteering at the local food bank in Wolverhampton.

Throughout the year, we promoted a sense of community and social responsibility among our colleagues.

Supporting the communities where we operate

Throughout the year we have been involved in supporting a variety of dynamic community led projects and initiatives through partnership and volunteering.

In 2024 we continued our programme of community engagement. As a business we are proud to have a long history of supporting local initiatives which we have built on more recently through our national partnerships with Blue Cross and Mind.

Our staff continue to benefit from a fully paid volunteer day and are empowered to donate their time to a cause that matters most to them, at a local, regional or national level.

The Group's established network of community champions act as focal points across the business, raising awareness, driving local fundraising efforts and supporting other colleagues to get involved. Throughout the year, we have supported a wide range of partners and activities, some examples are highlighted here.

Edith from our Reading office who completed an incredible 700km walk in June 2024, raising £1,730 for The Cleft Lip and Palate Association.

> It was a great day for the Macfarlane volunteer litter clean up team on the beach, supporting our customer and the Marine Conservation Society to make a positive impact in the area. Beaches are an important asset for all of us – this activity helped in the litter clearance effort and to identify and monitor problematic litter.
>
> **Phil Rees**, Group Regional Director, Macfarlane Packaging

Colleagues from across Macfarlane Group joined our customer Hydro Aluminium for a beach clean and study with the Marine Conservation Society.

Left: East Midlands colleagues who hosted a festive quiz for local people at the Spring Meadow Centre.

Below: Group finance colleagues volunteering at the local Glasgow food bank.

412+
hours invested in volunteering initiatives during 2024

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 the highest standards of governance and striving for best practice for an organisation of our size. Sustainability and the effective management of climate-related issues are already firmly established within the organisation's management processes. The Governance section on pages 59 to 85 covers the broader governance of the Group in more detail and our Stakeholder engagement statement on pages 22 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 49 to 57.

Sustainability governance

The Environmental Social and Governance ('ESG') Committee is well established within the organisation and oversees all key sustainability matters that have the potential to impact on the business. Chaired by the Head of Sustainability and with broad representation from senior leaders across the business, its role is to oversee the timely implementation of the sustainability strategy and help ensure we continue to take progressive action in a timely manner. The Head of Sustainability reports directly to the Board and ESG remains a standing item on the Board agenda with environmental changes recognised as one of the principal risks and uncertainties facing the organisation (see page 27).

The Group Chief Executive and the majority of Senior Managers have explicit ESG objectives within their personal performance objectives and this was extended further this year to include the broader management team. This helps to ensure sustainability matters are not just a central initiative but core to the way that the business is run.

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, guided by international best practice, including 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 also 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 any 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 robust and evidenced-based 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 70 to 82.
- 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 distort economic reality and 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 Carbon Disclosure Project and Ecovadis. It is also why we will continue to embrace 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 was pleased to join the UN Global Compact during the year, joining with organisations across the world in aligning to the 10 fundamental principles for responsible business.

The Group was also pleased to receive recognition from the London Stock Exchange through receipt of its Green Economy Mark for listed businesses who are contributing to the global green economy.

TCFD report

Introduction

The Group is fully committed to proactively managing climate-related risks and opportunities and providing our stakeholders with proactive and transparent information regarding how these issues may impact us and how we are seeking to address them. The report below sets out our key considerations and progress against each of the four TCFD reporting pillars: 1) Governance, 2) Strategy, 3) Risk Management and 4) Metrics & Targets. We believe that this disclosure provides a fair and balanced reflection of our 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 11 out of the 11 reporting areas. The Group has continued to make progress versus the prior year where it was able to disclose in 9 out of 11 reporting areas. The Group will continue to refine these disclosures further in the future, endeavouring to add further specificity and granularity where valuable.

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 a Board level for overseeing the effective management of climate-related risks and opportunities across the Group. The effective management of these issues is however also actively overseen by the whole Board which included 60% independent Directors during 2024. 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 highly influential in shaping the Group's overarching business strategy and approach to market over recent years, which seeks to actively support customers in reducing the environmental impact of their packaging.

ESG remains a standing agenda 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 now formally incorporated into all capital expenditure and new business acquisitions, ensuring these matters are fully reflected 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 key areas are identified and action is taken in a timely manner. The Board formally reviews progress against this strategy and key climate-related metrics and targets on at least an annual basis. The Board also undertakes a separate 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 in other 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, reporting directly to the Board. The Committee meets monthly and comprises senior leaders from across the Group. Its objective is to oversee and drive forward the sustainability agenda across the Group, ensuring sufficient progress against key priorities and the effective implementation of a range of measures to address climate-related issues.

The Group's sustainability strategy sets out those challenges that are most material and relevant to the Group's operations, particularly those that are linked to climate risks and opportunities. On an annual basis the ESG Committee develop a workplan with key milestones to support delivery of the overarching strategy. Every month, the ESG Committee reviews progress against those key milestones, taking remedial action where necessary and continually evaluating priorities and the 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 being 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 our sustainability strategy and we extended the rollout of both staff and customer training during 2024.

The Chief Executive and most senior managers have specific sustainability targets within their personal performance objectives. This scheme was extended during 2024 to also include the broader management team. Specific objectives vary by role, but broadly these seek to incentivise more carbon efficient practices within the business.

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 therefore to be taking action in the short to medium term.

Within the climate issues table on pages 52 and 53 the Group has set out those key climate-related issues that it has identified, alongside the associated timescales in which management consider 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. The Group has deliberately chosen to focus on those issues that it believes will become most relevant in the short to medium term future (prior to 2030) and the demonstrable actions it can take during that period to support the longer-term transition.

'Short-term' relates to issues that are material now or anticipated to become so within the next 2 years. 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 3-6 years and aligns with the Group's 2030 targets. 'Long-term' relates to issues that are anticipated to become material beyond 6 years (after 2030) and aligns with the longer-term transition towards a net zero economy. 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.

This is the second year that the Group has presented this level of disclosure and management will continue to refine and enhance this going forward.

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 and to help 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 develop their own sustainability ambitions 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 well placed to source and design the best possible solutions currently available on the market and provide our customers with independent and expert advice across all their packaging challenges. 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.

The Group assume that Government policy will continue to drive decarbonising of the UK and European markets and both the physical 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 52 and 53. 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 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 light of the transformational changes that will be required to decarbonise the global economy, 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 required towards net zero by 2050.

We anticipate the long-term impacts of climate change will be profound, 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 temperate scenarios to consider the most likely range of potential outcomes. Three different scenarios have been modelled within the table on page 50 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. We believe in this scenario 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 risk on the Group's profitability and seeks to seize the opportunities that these changes are likely to present.

Scenario	Average temperature rise by 2100	Forecast environmental changes	Forecast impact
Scenario 1) RCP 2.6	Average global temperatures increase of 1.6°C by 2100	Significant changes to the physical environment and economic landscape	The Group faces significant and growing market pressure from customers to decarbonise and growing regulatory costs from Government if not proactively managing climate-related issues. Transitional issues are more material and physical issues are relatively less material in this scenario.
Scenario 2) RCP 4.5	Average global temperatures increase 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 are considered to be worse in this scenario with more direct impact to the Group's business assets and also more market disruption due to the material impacts to GDP that would be considered likely.
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 much more significant when they materialise. This scenario is anticipated to lead to permanently constrained global GDP growth, significant supply chain disruption and fundamental consumption shifts impacting across the economy.

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 are evolving 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 the most material issues, alongside the mitigating actions being taken by the Group. 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. A climate-risk assessment has been introduced into our capital expenditure and acquisition approval process to help ensure that any material risks are identified as part of the decision-making process.

The Group considers climate risks to be material where 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.

The Group has already experienced the impact on operations of increasing environmental regulation through the introduction of the UK Plastic Packaging Tax and the associated impact upon customer decision-making. The Group believes that forthcoming environmental regulation both in the UK and Europe will have an even more material impact upon the Group's customers and operations and is therefore undertaking a range of measures to help prepare for and mitigate the effects, as set out within the climate issues table on pages 52 and 53.

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 26. 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 52 and 53.

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 the ongoing effectiveness of mitigation measures is 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, who consider risk independently, challenge management's approach, as required, and provide recommendations for continual improvement. Further details of the work of the Audit Committee are set out on pages 65 to 69.

Climate issues table

Risk and/or opportunity	Potential net materiality: 2026 short term	Potential net materiality: 2030 medium term	Potential net materiality: 2050 long term	Detailed description	Impact assessment	Strategic response and resilience
1. Increasing environmental regulation (policy and legal transition risk)	0-5% PBT	0-5% PBT	0-5% PBT	Increasing environmental regulation is likely to drive a material shift in pricing, compliance and the markets in which the Group operates	• 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 require additional information for their own compliance purposes. • Products and materials that are considered to cause excessive environmental harm are likely to face significant slumps in demand where viable alternatives become available. • Packaging innovation is likely to accelerate with new products coming to the market. • Growing taxes on carbon to decarbonise the economy. For the purposes of quantification these have been assumed at the current World Bank rate for the UK	• 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.
2. Changing customer demand and market (market transition risk and opportunity)	0-5% PBT	0-5% PBT	>10% PBT	Customers are increasingly focused on the environmental impact of packaging which is shifting buying behaviour	• 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.
3. Impact of new technology (technology transition risk and opportunity)	0-5% PBT	0-5% PBT	0-5% PBT	New technology will be necessary to support the packaging industry's net zero transition which could materially change Group operations and key markets	• 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 ambitiously and not committing too early. • The Group will continue to actively review the markets in which it operates for product innovations that offer the opportunity to use fewer resources throughout the supply chain. • The Group will continue to pursue an asset leasing model to provide strategic flexibility. • The Group is expected to 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.
4. Growing investor expectations (reputation transition risk and opportunity)	0-5% PBT	0-5% PBT	NQ*	Investors' expectations are growing on what is expected of organisations to mitigate climate change and reduce environmental impact	• Listed companies are increasingly expected to demonstrate material progress on climate issues with a certain level of progress being a pre-requisite of certain funding streams. • As pressure on investors increases, these expectations could grow further. This has the potential to inhibit the Group's ability to access financing at competitive rates. • Mandatory corporate and investor sustainability reporting requirements are expected to grow further over time.	• 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 compliance developments.
5. Increasing extreme weather events (acute physical risk)	0-5% PBT	0-5% PBT	NQ*	Increasing frequency and severity of extreme weather events such as flooding, storms and drought	• Business disruption leading to a reduction in revenue and profit. • Increasing costs through insurance premiums, repairs and damaged stock. • Additional capital required to develop flood prevention measures.	• Regional operating model with a widely dispersed range of sites across the country and Europe. • Asset leasing model to maintain strategic flexibility. • Enhanced business continuity measures to mitigate impacts over the medium term.
6. Supply chain disruptions (acute physical risks)	0-5% PBT	0-5% PBT	>10% PBT	Climate issues are likely to lead to growing production and supply chain disruption and potential price rises	• 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, 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.
7. Transition to net zero economy (market transition risk and opportunity)	0-5% PBT	6-10% PBT	NQ*	The shift towards a net zero economy is likely to drive profound shifts across the UK economy	• 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 on carbon intensive activities increasing operating costs. • Aggregate reduction in 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 substantial 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.

Potential impact on profit before tax (PBT):
● 0-5% PBT ● 6-10% PBT ● >10% PBT

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

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, that were set out in detail on pages 52 and 53.

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 and, as a result, added a new supplier metric during the year.

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 light of the nature of the Group's operations.

During 2024, 50% of the Executive team had a personal performance objective tied to sustainability and the effective management of climate-related issues. The majority of the management team also 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, including carbon emissions performance against targets and achievement of key milestones such as Scope 3 baselining.

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 to 6 outline the Group's internal Scope 1 and Scope 2 GHG emissions and the associated breakdowns for 2024. The Group's Scope 3 (value chain) emissions are also reported here for the first time in Table 7.

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 available.

The Group uses the 'market based' reporting methodology as its primary reporting measure. However, in line with best practice, we will continue to also report 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.

The Group undertook a full Scope 3 mapping exercise during 2024 to understand the likely carbon emissions across its value chain. Data was based on the Group's 2022 trading year and all Scope 3 categories were considered and calculated where relevant to Group operations. 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.

Scope 3 emissions relating to business travel in rental cars or employee-owned vehicles where the Group purchased fuel amount to 28 tonnes of CO_2e during 2024 (2023: 21 tonnes).

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 on pages 52 to 53. Management considers that good progress has been made against these targets and has therefore opted to increase the Group's carbon intensity reduction target and introduce a new target around reducing carbon within the supply chain.

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 below.

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 4) Growing investor expectations 7) Transition to a net zero economy
Carbon intensity: Scope 1 and Scope 2 GHG market-based emissions on a revenue intensity basis	
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 2) Changing customer demand
Percentage of products that are recyclable (measured in revenue terms)	
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 2024 and 2023

Type of emission	Activity	2024 tonnes of CO_2e	2023 tonnes of CO_2e	% change
Direct (Scope 1)	Natural gas (kWh)	271	275	-1%
	Commercial truck fuel (litres)	3,872	4,150	-7%
	Passenger vehicle fuel (litres/miles)	248	376	-34%
	LPG (litres)	91	111	-18%
	Gas oil (litres)	53	57	-7%
	Scope 1 subtotal	**4,535**	**4,969**	**-9%**
Indirect (Scope 2) market based	Purchased electricity (kWh)	168	114	47%
	Scope 2 subtotal	**168**	**114**	**47%**
Total Scope 1 and Scope 2 gross emissions (tCO_2e) market based	**Scope 1 and Scope 2**	**4,703**	**5,083**	**-7%**
Indirect (Scope 2) location based	Purchased electricity (kWh)	919	783	17%
	Scope 2 subtotal	**919**	**783**	**17%**
Total Scope 1 and Scope 2 gross emissions (tCO_2e) location based	**Scope 1 and Scope 2**	**5,454**	**5,752**	**-5%**

Table 3: Total GHG carbon emissions for 2024 by division

Business segment	2024 tonnes of CO_2e – market based	2023 tonnes of CO_2e – market based	Revenue 2024 (£m)	Revenue 2023 (£m)	2024 tCO_2e/ £m revenue	2023 tCO_2e/ £m revenue
Packaging Distribution	**3,786**	4,210	**229**	245	**17**	17
Manufacturing Operations	**917**	873	**41**	36	**22**	24
Total	**4,703**	5,083	**270**	281	**17**	18

Table 4: Historic GHG carbon emissions since 2019 baseline

CO_2 tonnes per annum by Scope	2024	2023	2022	2021	2020	2019
Scope 1	**4,535**	4,969	5,267	5,465	5,395	5,765
Scope 2 location based	**919**	783	644	1,211	1,391	1,440
Scope 2 market based	**168**	114	237	656	956	1,191
Total location based	**5,454**	5,752	5,911	6,676	6,786	7,205
Total market based	**4,703**	5,083	5,504	6,121	6,351	6,956

Table 5: Greenhouse gas reporting 2024 by geographic region

CO_2 tonnes per annum market based	2024	2023
United Kingdom	4,589	4,921
Germany	69	81
Ireland	45	81
Overall	**4,703**	**5,083**

Table 6: Total Group energy usage for 2024 in kWh equivalent

Emissions type	Unit of original measure	2024 units by original measure	2024 energy equivalent in kWh	2023 energy equivalent in kWh	Year on year movement	Year on year % comparison
Natural gas	kWh	1,482,241	1,482,241	1,501,877	(19,636)	-1%
Commercial truck fuel	Litres	1,540,825	15,240,304	16,331,144	(1,090,840)	-7%
Passenger vehicles	Litres	36,879	354,592	452,804	(98,212)	-22%
Passenger vehicles	Miles	619,988	697,734	1,099,528	(401,794)	-37%
Electric passenger vehicles	Miles	484,939	164,108	79,748	84,360	106%
LPG	Litres	58,280	394,032	483,443	(89,411)	-18%
Gas oil	Litres	19,315	195,043	207,889	(12,846)	-6%
Electricity	kWh	4,193,765	4,193,765	3,645,600	548,165	15%
Total			**22,721,819**	**23,802,033**	**(1,080,214)**	**-5%**

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	2024 progress	2023 progress	Baseline position (2019)	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)	44 % (17 tonnes per £m)	42% (18 tonnes per £m)	0% (31 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 74 vehicles)	8% (9 vehicles)	4% (5 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	42%	32%	0%	3) Impact of new technology
Renewable electricity	100% of energy we control to be sourced from certified renewables by end of 2025	86%	89%	63%	2) Changing customer demand
Installation of solar panels	Solar panels to be installed at one site per year until 2030	5 solar arrays	4 solar arrays	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	85%	86%	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	88%	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)	51%	Not available	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, EcoAct, who undertook an independent review to provide assurance that the data being presented was accurate and free from any material errors. Calculations were completed in accordance with the requirements of The Greenhouse Gas Protocol and aligned with the Global Reporting Initiative. 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 (CO_2) but all other greenhouse gases, including methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF_6). Carbon emissions are calculated and reported in tonnes of CO_2 equivalent (tCO_2e) in accordance with recommended best practice.

The carbon footprint calculations use published emission factors and agreed formulae taken from the latest (2023) 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 (2023).

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
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 58.
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 30.
Stakeholder engagement	The Stakeholder Engagement section on pages 22 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 8 to 17, Principal Risks and Uncertainties on pages 26 to 30, the Stakeholder Engagement section on pages 22 to 25, the Employee section of the Sustainability Report on pages 31 to 48 and the Directors' Remuneration Report on pages 70 to 82.
Environmental matters	Environmental matters are disclosed in the Environment sections of our Sustainability Report on pages 34 to 42 and the Stakeholder Engagement section on pages 22 to 25 and TCFD report on pages 49 to 57.
Financial risk management	Details of the use of financial instruments and financial risk management are set out in the Finance review on page 20.
Human rights	Details of our policies in these areas are set out in our Sustainability Report on page 48.
Social and community matters	Social and Community matters are disclosed in the Stakeholder Engagement section on pages 22 to 25 and the Sustainability Report on pages 43 to 47.
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 48.
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 122.
Overseas branches	Details of the Group's overseas branches are included on page 135.

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 2024. 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 22 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, with the addition of David Stirling from 1 January 2025, the Board has the right balance of skills, experience, knowledge and independence.

Compliance with the UK Corporate Governance Code

The Board confirms that, during 2024, the Group has complied with the provisions of the UK Corporate Governance Code 2018 (the 'Code'). The requirements of the UK Corporate Governance Code 2024 come into effect from 1 January 2025 and the Board is taking any necessary measures to apply any changes required.

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 and new Remuneration Policy on pages 70 to 82. 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 49 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 2024 with David's leadership we have made further progress across this agenda, including the mapping of our Scope 3 emissions, the increased roll-out of electric trucks and solar panels, and a reduction in our absolute carbon emissions.

Aleen Gulvanessian

Aleen Gulvanessian, Chair

27 February 2025

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

Company Secretary

James Macdonald

● 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. Her roles include Trifast plc, where she chairs the Remuneration Committee and is a member of the Audit and Nominations Committees, and the Old Naval College Greenwich.

James Macdonald
Company Secretary

James joined Macfarlane Group in October 2020, becoming Company Secretary 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.

The number of Board and Committee meetings attended by each member during 2024 was:

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

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 2024 for which the individual was a Board or Committee member.

As set out in the table below the Group has met the requirements of LR 9.8.6 (9) R.

Gender	Number	%	Senior positions held per LR 9.8.6 (9) (a) (ii) R
Female	2	40%	Chair
Male	3	60%	Senior Independent Director, Chief Executive, Finance Director
Total	5	100%	

One member of the Board has a minority ethnic background meeting the requirement of LR 9.8.6 (9) (a) (iii) R. 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.

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 2018 ('the Code'). The Company's compliance is set out in the narrative statement on pages 62 to 69 and for Directors' remuneration in the Directors' Remuneration Report on pages 70 to 82.

Compliance

The Company fully complied with all the Code provisions during 2024.

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, the two 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 61.

While a search was ongoing to appoint a further Non-Executive Director to replace Bob McLellan who retired on 31 December 2023, the Directors concluded that the Board had an adequate independent Non-Executive Director complement to fulfil all necessary responsibilities, with recent and relevant experience, bringing strong, independent judgement to the Board's deliberations. Having concluded the search process, David Stirling was appointed to the Board as Non-Executive Director effective from 1 January 2025. Further information is provided on page 64.

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 61. 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 and Laura Whyte, 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;
- 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 Company made qualifying third-party indemnity provisions for the benefit of Directors in 2009, and these have remained in force throughout 2024 and to the date of this report.

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 2024.

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 40%.

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 13 May 2025.

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, create value for and safeguard the interests of all shareholders within the appropriate legal and regulatory framework. The Board met eight (2023: seven) times during 2024 and individual attendance at those and the Board Committee meetings is set out in the table on page 60.

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 85.

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 58 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 and the interim results in August. 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 21. This did not identify any additional issues or concerns.

Nominations Committee

The Nominations Committee during 2024 was made up as follows:

Aleen Gulvanessian, Chair
James Baird
Laura Whyte

The Committee met four times during 2024.

Its terms of reference are available on the Group website (www.macfarlanegroup.com).

The principal work undertaken by the Nominations Committee in 2024 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 2024, the Committee proposed that all Directors make themselves available for re-election at the AGM on 7 May 2024.

Following Bob McLellan's decision to retire from the Board at the end of 2023 a process was commenced to find a suitable candidate with relevant commercial experience, preferably in the packaging or distribution sectors. The Nominations Committee followed a rigorous process, using the services of an external recruitment consultant, to identify a candidate who would bring knowledge, experience and capability incremental and complementary to other members of the Board. A long list of potential candidates was produced and filtered by the consultant to identify a short list with the relevant skills and experience for interview. Seven candidates were selected for interview by members of the Nominations Committee and the Chief Executive.

Following completion of the interview process, David Stirling was selected as the best candidate and following receipt of acceptable references his appointment to the Board was approved on 16 July 2024 to take effect from 1 January 2025. David brings extensive listed company experience and exposure to the protective packaging industry which will be of significant benefit to the Board. He recently retired as Group CEO of 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.

Remuneration Committee

The Remuneration Committee during 2024 was made up as follows:

Laura Whyte, Chair
Aleen Gulvanessian
James Baird

None of the members of the Remuneration Committee during 2024 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 four times during 2024. Its terms of reference are available on the Group website (www.macfarlanegroup.com).

The principal work undertaken by the Remuneration Committee in 2024 was:

a) To review performance against 2023 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 2024 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 approve the vesting of shares to the Executive Directors after reviewing the performance achieved compared to the conditions set when the shares were awarded in 2021;

e) To approve the Directors' Remuneration Report; and

f) To develop a new Remuneration Policy Statement, including proposed remuneration for Executive Directors, for approval 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 70 to 82.

Audit Committee

During 2024 the Audit Committee comprised:

James Baird, Chair
Laura Whyte

James Baird was appointed as Chair of the Committee on 8 January 2018 given his relevant experience. The remaining Committee member, Laura Whyte, has a wide range of commercial experience as evidenced in her biographical details on page 61. 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 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 2024. 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 2024 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 2023 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 65);
- 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; and
- Reviewing ongoing environmental risk and the effectiveness of mitigation measures.

Audit Committee (cont)

During 2024 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 and to confirm the adequacy of impairment testing for goodwill and other intangibles. This included the Audit Committee challenging management's assumptions regarding future revenue growth and profitability as well as working capital investment and capital expenditure assumptions in the modelling of forecast cashflows. This also 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;
- Appropriate provisions were recorded in respect of dilapidation and other property-related obligations under the Group's agreed accounting policy. This included 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;
- The disclosures related to the use of Alternative Performance Measures, being adjusted operating profit, adjusted profit before tax and adjusted diluted earnings per share, and the presentation of reported profit 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. In this area, the Audit Committee requested that the external auditor examined the design of mitigating controls implemented by management in response to prior year controls deficiencies and confirm that all points had been appropriately addressed.

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.

2024 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 each reported set of results which summarises the principal judgements taken by executive management. The Committee discusses and challenges these judgements and considers the 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 2024 financial statements, the Committee considers the key area of judgement to be:

Accounting treatment of acquisitions

Acquired businesses are measured at the date of acquisition as the aggregate fair value of assets and liabilities. 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 2024, 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 2024 and any resultant charge or credit to the income statement. The accounting for deferred contingent consideration on acquisitions was reviewed, with specific reference to the £0.5m value estimated in the prior period in relation to the B&D Group acquisition and the adjustment recorded in the current year to reflect that the final settlement of the earn-out arrangement concluded in 2024 was a value of £nil as a result of events in 2024 that could not have been foreseen in the prior period. 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 for their original assumptions and subsequent judgements and concluded that the accounting and associated disclosures were appropriate. The Committee has concluded that it is satisfied with the basis of accounting in this area and the resulting adjustments made in 2024.

Consideration of other matters

The Committee debates a number of other areas for each reporting period but does not consider these matters to be of similar significance to those above. For the 2024 financial statements, the main other areas that were considered included:

- 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 2024, the Group retained an ECL allowance held against trade receivables of £179,000 (2023: £458,000) as set out in note 13. The Committee receives details of individual receivables > £25,000 twice in each year. The Committee reviews the extent to which year-end balances have been settled in 2025 to date, paying particular attention to receivables outwith terms and any bad debts written off, comparing this with similar analyses produced at previous reporting dates. This is then considered relative to the level of provision held against trade receivables. Based on this analysis, 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 Committee reviewed the implications of the Virgin Media case on the pension scheme's defined benefit obligations, including receiving and reviewing external legal advice and discussing with the external auditor the view of their independent pension specialists regarding any implications under IAS19 Employee Benefits. Having challenged management's assumptions and proposed treatment, the Committee is satisfied that no adjustment is required and the disclosure provided in note 23 is sufficient.
- 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 21) and was satisfied with the assumptions and judgements applied and the statement made;
- Goodwill is allocated to the cash generating units ('CGUs') expected to benefit from the synergies of the business combination for the purpose of impairment testing. The carrying values of goodwill and other operating assets for each CGU Grouping are reviewed at the half year and 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;
- The level of, and basis for, property-related provisions at 31 December 2024. 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 2024, 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, adjusted profit before tax and adjusted diluted earnings per share, 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.

The Group's 2023 audit was selected by the FRC for an Audit Quality Review. The FRC concluded their inspection in June 2024 with no findings.

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.

Corporate governance (cont)

Audit Committee (cont)

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 2024 audit scope, the Committee requested that the external auditors report on the following additional areas:

a) Compliance of receivables and inventories provisioning with the Group's approved accounting policies;

b) The suitability of property-related provisions, including the results of independent discussions conducted by the external auditor with the Group's property adviser to corroborate underlying assumptions;

c) The appropriateness of disclosures related to the Alternative Performance Measures, adjusted operating profit, adjusted profit before tax and adjusted diluted earnings per share, 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;

d) The appropriateness of certain Head Office management review controls, including confirmation of related segregation of duties considerations given the limited number of individuals within the Head Office finance team;

e) The satisfactory implementation of IT controls to resolve the deficiency identified by the external auditors during the 2023 audit, including confirmation that those mitigating controls have operated throughout 2024; and

f) The satisfactory accounting for defined benefit obligations and appropriateness of disclosures related to the potential implications of the Virgin Media case.

The external auditors reported to the Committee on all of these areas on conclusion of the 2024 audit. The Committee are satisfied that the IT controls implemented in the second half of 2023 in response to a deficiency identified by the external auditor have operated effectively throughout 2024 while noting that any impact from the deficiency was mitigated by higher level management review controls. No adjustments were made to the 2024 financial statements following the external auditors' report on these matters.

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. As noted in the 2023 Annual Report and Accounts, following the previous audit partner completing five years, the Committee led a process with the external auditors to review a number of potential audit partners to lead the Group audit from the conclusion of the 2023 audit. During this process the Chair of the Committee and the Finance Director met with each candidate and satisfied themselves as to the candidate's commitment to robust audit quality, operational audit efficiency and an open proactive working relationship between management, the external auditors and the Audit Committee. Following this process, David Mitchell CA assumed the Group and Company lead audit partner role from 2024.

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. Amounts paid to Deloitte LLP during 2024 for audit and other services are set out in note 2 to the financial statements. No non-audit work was undertaken by the external auditor in 2024.

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 2024 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 as 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.

Remuneration report and policy

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, which this year comprises:

- 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 2025; and
- the Directors' Remuneration Policy which we are seeking to amend and update at our 2025 AGM.

Remuneration in 2024

Group results for 2024 are set out in our Strategic Review. 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 2024 of 0% and 0% of maximum amounts available respectively (maximum being 100% of base salary);
- Performance Share Plan ('PSP') awards made in March 2024, subject to three-year EPS growth targets, which the Committee regards as appropriately stretching; and
- PSP vesting in relation to the 2021 PSP awards, with a maximum pay-out made to the CEO and Finance Director. This was the third vesting of the scheme introduced in 2019, and we are pleased that the award reflected contribution of the Executive Directors to the significant growth in the business during the period. However, our 2022 PSP awards (measured to 31 December 2024) will not vest.

We have disclosed the performance measures for our 2024 annual bonus plan on page 72.

In 2024 our Board maintained its focus on our obligations to our workforce and to other stakeholders, with 40% of our employees receiving a bonus (2023: 90%).

With regards to the incentive plan outcomes for our Executive Directors described above, the Remuneration Committee reviewed these against the backdrop of overall performance and the experience of investors and other stakeholders over the period and the Remuneration Committee is satisfied that the total remuneration received by Executive Directors in 2024 is a fair reflection of performance over the period.

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 2025 and renewal of our 3-year Directors' remuneration policy

2025 is a year in which we must renew our Directors' Remuneration Policy at our AGM, and accordingly the Remuneration Committee considered that it was an appropriate time to review our current remuneration packages for Executive Directors to ensure that we continue to protect shareholders' best interests by:

- paying our Executive Directors appropriately to reflect the performance being delivered at Macfarlane and to ensure their continued retention.
- retaining the balance between fixed pay and incentive opportunities that has served the Company well to date and supported our long-term growth.

No major changes to salary, bonus or pensions arrangements are proposed in the new policy for the Executive Directors.

The table on page 71 summarises the Remuneration Committee's proposed revisions to our policy and in our proposed implementation of remuneration for 2025 and future years.

One additional context for 2025 relates to base salaries.

Base salaries for the Executive Directors are currently frozen at 2024 levels, pending a further review in April 2025, in line with the wider workforce. This is due to the challenging trading conditions faced, including the effect of the NI/ minimum wage increases. The Committee also notes that the salary level of the Finance Director remains behind base salary levels for this role within wider market comparators and will undertake a further review of his salary for the 2026 financial year if considered appropriate in the context of continued personal and Company performance. This may result in a 2026 salary review for the Finance Director ahead of any 2026 wider workforce increase levels.

Format of matters to be approved at the 2025 AGM

At the 2025 AGM, shareholders will be asked to approve three resolutions related to Directors' remuneration matters.

The first two resolutions will be to approve the Directors' Remuneration Report and to approve the updated Directors' Remuneration Policy. The vote to approve the Directors' Remuneration Report is the normal annual advisory vote on such matters. If approved by our shareholders, the Directors' Remuneration Policy will apply for a maximum of three years from the 2025 AGM and will replace the Directors' Remuneration Policy previously approved at the 2022 AGM.

We are also proposing a resolution at the 2025 AGM to renew our shareholders' authority to operate our PSP for a further 10-years. Our original authority from shareholders for our PSP was granted in 2016 and expires next year. Our revised PSP rules are substantially the same as our original 2016 rules, although the revised rules to be approved at the 2025 AGM will include our proposed 150% of base salary annual PSP award level for the Executive Directors as described above. The revised PSP rules will also reflect the updated guidance from the Investment Association in October 2024 regarding share plans dilution limits (the 10% in 10 years limit will continue to apply, but the internal 5% in 10 years limit for discretionary share plans is removed).

We are happy to receive feedback from shareholders at any time in relation to our remuneration policies and hope to receive your support for the resolutions to approve this Directors' Remuneration Report and the new Directors' Remuneration Policy at the AGM in May 2025. I will be available at the AGM to answer any questions you may have.

Laura Whyte
Chair of the Remuneration Committee
27 February 2025

Element	2024 position	Proposed for 2025	Comments
Base salary – CEO	CEO – £452,400	CEO – £452,400, but subject to normal annual review. Any increase for 2025 will be in line with the level of increase for the wider workforce.	No change in approach for 2025 (see below).
Base salary – CFO	CFO – £235,000	CFO – £235,000 but subject to normal annual review. Any increase for 2025 will be in line with the level of increase for the wider workforce.	No change in approach for 2025 (see below).
Pensions	CEO – 5% base salary pension contribution CFO – 5% base salary pension contribution	No change.	No change – contribution level is aligned to the rate for the majority of employees.
Benefits	Car allowance and private medical insurance.	No change.	No change.
Annual Bonus	Policy allows for 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 (subject to £10k value 'de minimis' threshold for amounts being deferred).	No change.	No change.
PSP	Annual Award – 100% base salary (and annual award limit at 100% base salary). Exceptional award limit of 200% base salary. 3-year vesting period and 2-year post-vesting holding period. Single metric weighting of EPS (and additional underpin vesting condition based on overall Group performance over the three-year period).	Propose to increase annual award limit to be up to 150% of salary. Proposed to maintain 60% weighting to EPS metric and add in relative Total Shareholder Return (TSR) as second 40% metric. TSR is measured vs the constituents of the FTSE SmallCap (ex IT). Underpin will continue to apply.	Increasing the annual award to be up to 150% – provides appropriate incentives but not ahead of award levels at comparable FTSE SmallCap companies. Introduces a second metric for PSP (relative TSR).
Share Ownership Guidelines	In employment – 100% of base salary for Executive Directors. Post-cessation – guideline of 100% of salary to apply for all Executive Directors for a 1-year period from stepping down from the Board. This will reduce to a 50% of salary requirement in the second year.	In employment – 150% of base salary for Executive Directors. Post-cessation – guideline of 150% of salary to apply for all Executive Directors for a 2-year period from stepping down from the Board.	Increases share ownership requirement from 100% to 150% in employment and for two-years post-cessation, bringing Macfarlane in line with market practice for similar-sized companies.

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

2024	Salary and fees £000	Taxable benefits £000	Pension costs £000	Fixed pay £000	Bonus £000	LTIP vesting £000	Variable pay £000	Total pay £000
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	**865**	**28**	**35**	**934**	**–**	**767**	**767**	**1,701**

2023	Salary and fees £000	Taxable benefits £000	Pension costs £000	Fixed pay £000	Bonus £000	LTIP vesting £000	Variable pay £000	Total pay £000
Chair								
A. Gulvanessian	82	–	–	82	–	–	–	82
Executive Directors								
P.D. Atkinson	435	21	35	491	400	470	870	1,361
I. Gray	207	5	17	229	186	148	334	563
Non-Executive Directors								
R. McLellan	47	–	–	47	–	–	–	47
J.W.F. Baird	47	–	–	47	–	–	–	47
D.L. Whyte	47	–	–	47	–	–	–	47
Total	865	26	52	943	586	618	1,204	2,147

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 2024

The 2024 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 2024 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 2024 are shown below:

		2024 PBT
Threshold	25% of incentive	£21.9m
Target	50% of incentive	£22.4m
Maximum	100% of incentive	£23.9m
Actual performance		£20.4m[1]
% of PBT element payable		0%
% of base salary		0%

1 Actual performance is before crediting of deferred contingent consideration adjustments in the year of £0.5m which the Remuneration Committee consider to be an accounting adjustment uncorrelated to the operating performance of the business in 2024.

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 2024 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 2024 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 2024

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

Vesting outcomes for 2021 PSP awards

Award	Performance measure	Target range	Performance achieved	Vesting outcome	% of total award vesting
2021 PSP	Earnings per share growth (100%)	Target range between 7.95p (25% vests) and 9.54p (100% vests)	10.30p[1]	100%	100%

1 The EPS achieved in 2023 of 9.44p was adjusted to 10.30p to reflect the add back of the deferred contingent consideration adjustment of £1.5m 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 2023. The Committee confirmed that the underpin performance condition relating to the overall Group performance in the 2021-2023 period was met, given the strong growth during this time.

PSP awards made in 2024

Awards were granted on 27 March 2024 over shares worth 100% of salary to each of the Executive Directors (using the three day average market price of 133.95p to the last trading day prior to grant). PSP awards are granted in the form of conditional share awards and are subject to EPS performance conditions, as shown in the below table of existing awards. EPS is measured by dividing the profit after tax from total operations by the weighted average number of ordinary shares used to calculate diluted EPS.

Grant of PSP Award	Threshold (25%)	Maximum (100%)	Year end target date
2024	11.30p	13.56p	31 December 2026
2023	10.80p	12.95p	31 December 2025
2022[1]	10.16p	12.19p	31 December 2024

1 The 2022 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 2024	Awards granted during the year	Awards exercised during the year[1,2]	Awards lapsed during the year	**Awards held at 31 December 2024**
P.D. Atkinson	1,072,622	337,746	(346,347)	–	**1,064,021**[3]
I. Gray	534,184	175,443	(182,921)	–	**526,706**[3]

1 The 2021 PSP vesting at 100% and dividend equivalent awarded in shares were confirmed by the Remuneration Committee at its meeting on 26 February 2024. The total number of shares vesting were 346,347 and 29,115 shares delivered in respect of dividend equivalent for Peter Atkinson; 182,921 shares vesting and 15,377 shares delivered in respect of dividend equivalents for Ivor Gray.

2 Of the amounts shown in the Single Figure Table in respect of 2021 PSP awards, share price growth in the period to vesting (reflecting a share price at vesting on March 2024 of 133.75p and a share price at award of 104.42p) represents £110,123 of the amount disclosed for Peter Atkinson and £58,161 of the amount disclosed for Ivor Gray.

3 Includes 313,953 and 155,465 shares for Peter Atkinson and Ivor Gray respectively related to 2022 PSP awards which will not vest.

Shareholdings and share interests of the Directors in office at 31 December 2024 were as set out below:

	2024 Beneficial	**2024 Options**	2023 Beneficial	2023 Options
P.D. Atkinson	**1,477,988**	**1,204,028**	1,271,484	1,133,480
I. Gray	**287,364**	**593,067**	186,232	563,727
J.W.F. Baird	**66,605**	**–**	66,605	–
A. Gulvanessian	**15,553**	**–**	15,553	–
D.L. Whyte	**9,200**	**–**	9,200	–

Options above are subject to performance conditions being satisfied, except for the deferment of bonus from 2022 and 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 new proposed remuneration policy. P.D. Atkinson materially exceeds this requirement, with shares worth £1,588,837 at 31 December 2024. I. Gray is not yet compliant with this new policy with shares worth £308,916.

Options held by P.D. Atkinson and I. Gray are in respect of the PSP awards made in 2022, 2023 and 2024. 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 2022 and 2023 for P.D. Atkinson of 60,858 and 79,149 shares respectively and I. Gray of 29,543 and 36,818 shares respectively.

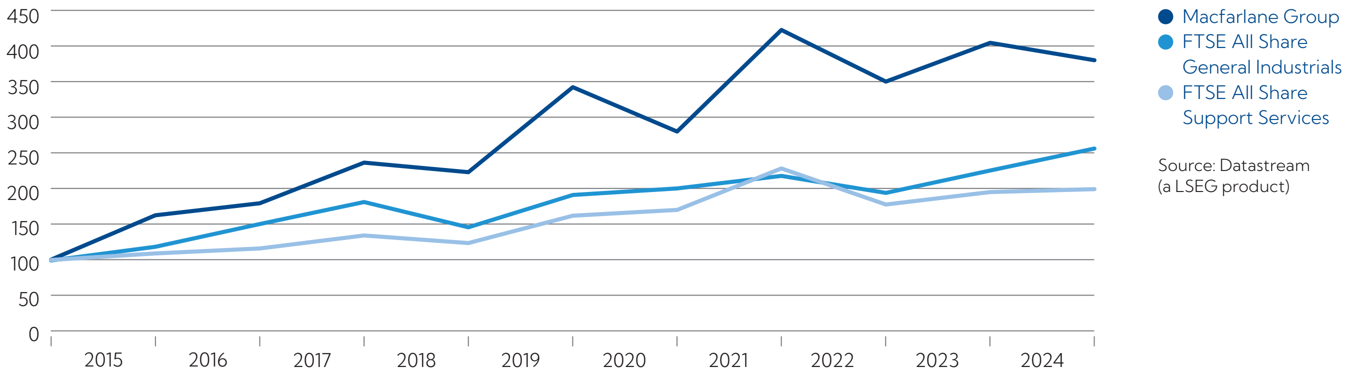
The share price ranged from 104.00p to 145.00p during 2024. The closing share price on 31 December 2024 was 107.50p (2023: 117.00p).

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

Performance graph and table

The graph below shows Macfarlane Group's performance, measured by Total Shareholder Return, compared with the performance of the FTSE All-Share Index for Support Services, and the FTSE All-Share Index for General Industrials, also measured by Total Shareholder Return for the period since 1 January 2014. Macfarlane Group is a constituent part of the General Industrial Index. The Index for Support Services has also been selected because it includes a range of distributor companies, which the Remuneration Committee considers to be the most appropriate comparison to Macfarlane Group for this purpose.

Total shareholder return index



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
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
2015	P.D. Atkinson	508	56%	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 2023 and 2024 financial years.

		Executive Directors		Non-Executive Directors			
	Employee average	P.D. Atkinson	I. Gray	A. Gulvanessian	J.W.F. Baird	R. McLellan	D.L. Whyte
2023/24							
Salary/fees	4%	4%	14%[1]	4%	4%	–	4%
Benefits	7%	(14%)	(31%)	–	–	–	–
Bonus	(84%)	(100%)	(100%)	–	–	–	–
2022/23							
Salary/fees	7%	7%	3%	3%	31%[2]	31%[2]	31%[2]
Benefits	35%	(30%)	(8%)	–	–	–	–
Bonus	(3%)	50%	44%	–	–	–	–
2021/22							
Salary/fees	3%	10%	5%	3%	3%	3%	–
Benefits	2%	(17%)	3%	–	–	–	–
Bonus	(33%)	44%	35%	–	–	–	–
2020/21							
Salary/fees	2%	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:

	2024 £000	2023 £000	Change
Total employee pay	**41,206**	40,765	1.1%
Dividend	**5,750**	5,484	4.9%

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
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 2024 compared to 2023 is due to a lower bonus.

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 2023.

Total remuneration for the CEO and for the individuals who represent the three quartiles was determined for the year to 31 December 2024. 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 the vesting of the 2021 PSP award and the ratio for 2023 reflected the vesting of the 2020 PSP award.

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

	Salary component of total pay and benefits			Total pay and benefits		
Financial year	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
2024	**£23,754**	**£28,281**	**£36,212**	**£24,988**	**£31,516**	**£39,757**

Statement of implementation of remuneration policy in 2025

As is more fully explained in the Remuneration Committee Chair's summary statement introducing the Directors' Remuneration Report, salaries for P.D. Atkinson and I. Gray for 2025 will be reviewed ahead of April 2025 but any percentage increases will not be greater than the rates of increase for the wider workforce.

Executive Directors will be eligible to receive an annual bonus of up to 100% of base salary (2024: 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 de minimis of £10,000. If the PBT threshold target is not achieved, payment of any element of the annual bonus is only payable at the discretion of the Committee. The precise PBT targets for 2025 are considered by the Board to be commercially sensitive and will therefore be disclosed in the Annual Report 2025. The nature of the personal objectives targets include continuing the business on its growth journey both organically and through targeted acquisition of quality protective packaging businesses. The main focus of the personal objectives are: business growth; leadership development; ESG; and executing earnings enhancing acquisitions.

Benefits will operate in an unchanged way from 2024.

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 new 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 earnings per share 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.

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

The Remuneration Committee currently comprises two 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 64. 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 2024 and fees of £11,603 (2023: £4,302) 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 2018 UK Corporate Governance Code and concluded that for 2024:

- The Directors' Remuneration Policy, approved by shareholders in May 2022, and our implementation of the Policy (including the use of PBT and personal performance measures for the annual bonus and EPS performance measures for the PSP) supported the Company's strategy.
- The use of PBT and EPS 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 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 addressed the six factors outlined in Provision 40 of the 2018 Code when determining the Executive Directors' remuneration.

- Clarity – Our Remuneration Policy is well understood by the Executive Directors and by those of our major independent shareholders, with whom we engaged with regards to the proposed amendments to our policy in 2025.
- Simplicity – The Remuneration Committee is conscious that overly complex remuneration structures are less impactful than simple structures and has strived to keep Executive Directors' pay as simple as possible, whilst also offering a competitive remuneration package.
- Risk – Our Policy has been designed to ensure that it does not promote excessive risk taking (for example, the annual bonus and PSP are appropriately weighted, and operate on sliding performance scales, rather than relying on binary performance targets) and prevents 'payment for failure' through modest fixed remuneration and the use of stretching financial performance targets. The PSP is delivered in shares which vest after three years, with a further two-year holding period, ensuring a link to sustained, long-term performance.

  Malus and clawback apply to both the annual bonus and the PSP.
- Predictability – Incentive plans for Executive Directors are subject to individual and overall caps, ensuring that the Remuneration Committee has control over levels of reward. The weighting of variable pay opportunity towards the PSP means that actual pay outcomes are highly aligned to the experience of shareholders.
- Proportionality – All pay levels are appropriately proportionate, not excessive and reflect Macfarlane Group's outlook and culture. Executive Directors' fixed remuneration is set after consideration of performance external benchmarks, at a level that is competitive but affordable for the Group, with variable pay linked to the achievement of stretching performance targets.
- Alignment to culture – The performance targets which are used to measure both the annual bonus and the PSP are stretching, consistent with Macfarlane Group's performance-led culture. We do not believe that variable pay should be paid for poor performance and have a long track record of setting robust performance targets.

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.

Statement of voting at the Annual General Meeting on 7 May 2024

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

	Total number of votes	% votes cast
For	**83,985,172**	88.80%
Against	**10,589,145**	11.20%
Total votes cast (for or against)	**94,574,317**	100.00%
Votes withheld	**48,796**	
Total	**94,623,113**	

Votes received on 7 May 2024 (including votes withheld) amounted to 58.29% of the issued share capital.

Statement of voting at the Annual General Meeting on 10 May 2022

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

	Total number of votes	% votes cast
For	**88,218,747**	96.81%
Against	**2,903,465**	3.19%
Total votes cast (for or against)	**91,122,212**	100.00%
Votes withheld	**43,628**	
Total	**91,165,840**	

Votes received on 10 May 2022 (including votes withheld) amounted to 57.77% of the issued share capital.

Remuneration report and policy (cont)

Directors' remuneration policy

This part of the Directors' Remuneration Report sets out the proposed Directors' Remuneration Policy for the Company. This Remuneration Policy will be put to a binding shareholder vote at the 2025 AGM on 13 May 2025 and will take formal effect from that date, subject to shareholder approval. The Remuneration Policy will formally apply for three years beginning on the date of approval unless a new policy is presented to shareholders in the interim. Following approval, all payments to Directors will be consistent with the approved Remuneration Policy.

The Remuneration Policy will replace the prior policy approved by shareholders at the 2022 AGM held on 10 May 2022. The main changes from the prior policy are summarised below:

- PSP Awards
  – increase the annual award limit from 100% to 150% of base salary
- Share ownership guidelines
  – In employment, 150% of base salary to be held in shares
  – Post cessation, 150% to be held for two years

Salary (fixed pay)

Link to strategy	Pay a fair salary commensurate with the individual's role, responsibilities and experience and size and complexity of the business, and having regard to market rates for similar roles in comparable companies.
Operation	The Committee reviews base salaries annually with changes normally effective from 1 January. For 2025, this has been deferred to 1 April 2025 due to the uncertainties in the current trading environment. This review takes into account practices elsewhere in the Group. Salary is pensionable.
Opportunity	There is no prescribed maximum salary or maximum rate of increase. The Committee takes into consideration the general increase for the broad employee population but on occasion may recognise changes in responsibility, development in the role, changes in the business or specific retention issues.
Performance measures	No performance measures apply to payments of base salary, although performance is considered in the review processes for setting salary rates as described above.
Changes from prior policy	No material changes.

Retirement benefits (fixed pay)

Link to strategy	Provide competitive pension arrangements to aid recruitment/retention of senior executives.
Operation	The Group pays a pension allowance or contributes to a pension scheme for Executive Directors. The Group's legacy defined benefit scheme has been closed to new members since 2002 and the pensionable salary frozen in 2010. Pension contributions for new appointments will be kept under review in line with developing market practice.
Opportunity	Company contribution of up to 5% of base salary, consistent with other employees, or equivalent cash allowance in lieu.
Performance measures	n/a
Changes from prior policy	No material changes in operation (during the prior policy period, contribution rates were aligned to rates for the majority of employees).

Other benefits (fixed pay)

Link to strategy	Provide cost effective benefits to aid recruitment and retention of senior executives and to support the wellbeing of employees.
Operation	Benefits include car allowance or Company car, private medical insurance, permanent health insurance and any other such benefits as the Committee considers appropriate.
Opportunity	The benefits are not subject to a specific cap but represent a small element of total remuneration. Costs to provide these benefits are closely monitored.
Performance measures	n/a
Changes from prior policy	No material changes.

Annual bonus (variable pay)

Link to strategy	Incentivise performance over a 12 month period based on the attainment of financial targets and individual performance objectives agreed by the Remuneration Committee.
Operation	75% of the bonus is paid in cash based on the audited financial results and the Committee's assessment of delivery against personal objectives, with the remaining 25% deferred and payable in shares as described below (provided that if value to be deferred is £10,000 or less, the whole outcome may be paid in cash). Subject to approval by shareholders, deferral will take place under the Company's Deferred Bonus Share Plan ('DBSP'). Under the DBSP, awards of shares are made which vest 2 years after these are awarded; vesting shares will be forfeited in cases of resignation (other than for ill health, agreed retirements or similar cases determined by the Committee) or misconduct. Additional shares representing reinvested dividends may be released following the vesting of any DBSP award. Bonus payments and DBSP awards are subject to malus and clawback provisions for two years following the determination of bonus outcomes.
Opportunity	Maximum bonus potential capped at 100% of base salary, with 100% in place for 2025. The annual bonus is not pensionable.
Performance measures	Performance measures may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate. The annual bonus plan remains a discretionary arrangement and the Committee retains a standard power to apply judgement to adjust the outcome of the plan for any performance measure (from zero to any cap) should it consider that to be appropriate. A graduated scale of targets is set for each measure, with no pay-out for performance below a threshold level of performance, and up to 25% available at threshold.
Changes from prior policy	No material changes.

Long term incentives (variable pay)

Link to strategy	Incentivise delivery of strategic targets and sustained performance over the long-term.
Operation	Conditional awards over shares may be granted each year, which can be earned subject to delivery of performance goals. The performance conditions are for a fixed 3 year period with no re-testing. Shares acquired pursuant to the vesting of awards (net of shares sold to satisfy any tax liability) will be subject to a two-year holding period following the end of the 3-year performance period. LTIP awards are subject to malus and clawback provisions for 3 years following vesting.
Opportunity	Annual awards are capped at a maximum of 150% of base salary in normal circumstances (200% p.a. in exceptional circumstances).
Performance measure	Conditional awards will vest based on three-year performance against challenging financial and other targets set and assessed by the Committee in its discretion. The Committee will set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial and corporate, divisional or individual). For 2025 awards, the metrics will be a mix of relative TSR alongside an EPS metric. The Committee also has a standard power to apply its judgement to adjust the formulaic outcome of any LTIP performance measures (from zero to any cap) should it consider that to be appropriate. A maximum of 25% of any element vests for achieving the threshold performance target for the relevant metric and with 100% vesting for maximum performance for that part.

Share ownership guidelines

Link to strategy	To further align the interests of Executive Directors with those of shareholders.
Operation	Executive Directors are expected to build up a prescribed level of shareholding. Minimum shareholding guideline of 150% of base salary for any Executive Director while on the Board. To the extent that the prescribed level has not been reached, Executive Directors will be expected to retain a proportion of the shares vesting under the Company's share plans until the guideline is met. Any LTIP performance-vested shares subject to a holding period and any shares subject to DBSP awards will be credited for the purpose of the guidelines (discounted for anticipated tax liabilities). In addition to the in-employment shareholding guideline, Executive Directors will be expected to retain the lower of actual shares held at cessation and shares equal to 150% of salary for a period of two-years from stepping down from the Board. This guideline will apply in respect of any vested shares which vest from LTIP and DSBP awards granted after the 2021 AGM.
Opportunity	n/a
Performance measure	n/a

Remuneration report and policy (cont)

Clawback/malus in the annual bonus and Long Term Incentives

As detailed above, provisions are in place for both annual bonus, DBSP awards and LTIP arrangements to operate malus and/or clawback in certain exceptional circumstances, including the material misstatement of the Company's results (annual bonus and LTIP), if the assessment of performance on which vesting is based was based on an error (LTIP only) or circumstances which would warrant the summary dismissal of the individual, whether or not the Company has chosen to do so. The periods for the operation of malus and clawback are either prior to vesting for malus (annual bonus; awards under DBSP or LTIP) or for a period after vesting for clawback (2 years from bonus determinations for annual bonus; 3 years from vesting for LTIP).

Outstanding obligations

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors prior to the adoption of this Directors' Remuneration Policy (including under a prior policy).

Consideration of employment conditions elsewhere in the Group

There is a periodic employee survey and the Board receives a regular presentation from the Director of Human Resources, which includes consideration of the Group's remuneration policies. As a result, the Remuneration Committee has not conducted a specific employee consultation exercise on the Directors' remuneration policy.

While appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Group as a whole. Where the Company's pay policy for Directors differs from its pay policies for groups of employees, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Committee takes into account pay levels, bonus opportunity and share awards across the Group when setting the Remuneration Policy.

Consideration of shareholder views

The Committee considers shareholder feedback received as part of any dialogue with shareholders via the Chair, Executive Management or the Company's brokers. Where necessary the Remuneration Committee Chair will engage pro-actively with leading shareholders as has been done recently in advance of the adoption of the Remuneration Policy proposed for approval at the 2025 AGM.

Approach to recruitment remuneration

The Remuneration Policy aims to facilitate the retention and recruitment of individuals of sufficient calibre to lead the business, to execute the Group's strategy effectively and to promote the long-term success of the Group for the benefit of shareholders and other stakeholders. When appointing a new Executive Director, the Committee seeks to ensure that arrangements are in the best interests of the Group and to pay at the appropriate level.

The Committee will take into consideration a number of relevant factors, which may include the calibre and experience of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual including the jurisdiction from which the candidate was recruited.

When hiring a new Executive Director, the Committee will typically align the remuneration package with the above policy. The Committee may include other elements of pay which it considers are appropriate; however, this discretion is capped and is subject to the principles and the limits referred to below.

- New Executive Directors will be offered a wage consistent with, but not necessarily the same as, existing appointees, reflecting the prudent approach taken to overall Board remuneration.
- For external and internal appointments, the Committee may agree that the Company will meet appropriate relocation and/or incidental expenses (including travel and subsistence) as appropriate and for a period of no more than two years following appointment.
- Annual bonus awards, LTIP awards and pension contributions would not be in excess of the levels stated in the policy table above.
- Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment. An LTIP award can be made following an appointment (assuming the Company is not in a close period).
- Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms, adjusted as relevant to take into account the appointment.
- In addition, the Committee may offer additional cash and/or share-based buyout awards when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration given up at the individual's former employer. This includes the use of buyout awards made under 9.3.2 of the Listing Rules. Such awards would represent a reasonable estimate of the value foregone and would reflect, as far as possible, the delivery mechanism, time horizons and whether performance requirements are attached to the remuneration elements considered in formulating the buyout. Shareholders will be informed of any such payments at the time of appointment and/or in the next published Annual Report. However, for the avoidance of doubt, the value of buy-out awards is not capped.
- For the appointment of a new Chair or Non-Executive Director, the fee arrangements would be set in accordance with the approved Remuneration Policy.

Service contracts and letters of appointment

Executive service contracts have a standard notice period of 12 months. Executive Directors may accept appointments outside the Company provided the Board's permission is obtained, however the Board may require the fees from these appointments to be accounted for to the Company. Neither P.D. Atkinson, nor I. Gray currently hold any external appointments.

Chair and Non-Executive Director appointments are made using letters of appointment for periods not exceeding three years subject to re-election at the AGM and contain notice periods of six months and three months respectively.

Non-Executive Director remuneration policy

Chair

Link to strategy	To attract and retain a high-calibre Chair by offering a market competitive fee level.
Operation	The Chair is paid a single fee for all her responsibilities, which is reviewed periodically by the Committee with reference to other comparable companies. Consideration is given each year to making an annual increase in line with annual salary reviews for employees.
Opportunity	The current fee is £85,696 and is subject to periodic change under this policy. There is no maximum fee level.
Changes from prior policy	No material changes.

Non-Executive Directors

Link to strategy	To attract and retain high-calibre Non-Executive Directors by offering a market competitive fee level.
Operation	Non-Executive Directors are paid a basic fee. Committee Chairs may be paid a supplement to reflect additional responsibilities. Fee levels are reviewed periodically by the Chair and the Executive Directors with reference to other comparable companies. Consideration is given each year to making an annual increase in line with annual salary reviews for employees
Opportunity	The current fee is £49,400 and is subject to periodic change under this policy. There are currently no supplementary fees paid and there is no maximum fee level.

Payment for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy
Payment in lieu of notice	The Company may terminate the contracts of Executive Directors with immediate effect with or without cause by making a payment in lieu of notice of salary and benefits, including pension contributions, private medical insurance and life assurance (or a payment equivalent to the cost of such benefits), but excluding any bonus. If a payment in lieu of notice is paid in instalments, such payments will be subject to the principles of mitigation. There are no obligations to make payments beyond those disclosed elsewhere in this report.
Annual bonus (including DBSP)	Normally, no annual bonus will be paid to an Executive Director who has either left the Company or is under notice at the time of bonus payment. However, for a 'good leaver', some bonus may be payable at the discretion of the Committee on an individual basis dependent on a number of factors, including the circumstances of the individual's departure and their contribution to the business during the annual bonus period in question. Any annual bonus award amounts paid will normally be prorated for time in service during the annual bonus period and will, subject to performance, be paid at the usual time (although the Committee retains discretion to pay the annual bonus award earlier in appropriate circumstances). Any bonus earned for the year of departure and, if relevant, for the prior year may be paid wholly in cash at the discretion of the Committee. On a change of control, annual bonuses will either continue for the full year or a pro-rata bonus may be paid out to the time of completion. DBSP awards will normally be retained and released at the end of the 2 year vesting period if the person is a 'good leaver'. DBSP awards may also be released early to a good leaver if the Committee considers this appropriate. Leaving for reasons of misconduct or resignation (other than for ill health, agreed retirements or similar cases determined by the Committee) will normally result in forfeiture of DBSP awards. On a change of control, DBSP awards will normally vest in full at the date of the relevant event, subject to rules of the DBSP.
LTIP	The extent to which any unvested award will vest will be determined in accordance with the rules of the LTIP. Any outstanding awards will ordinarily lapse, however in 'good leaver' cases the default treatment is that awards will vest subject to the original performance condition and time proration and the holding period will normally continue to apply. For added flexibility, the LTIP rules allow for the Committee to decide not to pro-rate (or pro-rate to a different extent) if it decides it is appropriate to do so, and to allow vesting to be triggered at the point of leaving by reference to performance to that date, rather than waiting until the end of the performance period if the Committee so decides. On a change of control, any vesting of awards will be subject to assessment of performance against the performance conditions and will normally be pro-rated.
Mitigation	The Remuneration Committee strongly endorses the principle of mitigating any loss on early termination and will seek to reduce the amount payable on termination where it is possible and appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded.
Buy-out awards	Where a buy-out award is made then the leaver provisions would be determined at the time of the award.
Other payments	The Group may pay outplacement and professional legal fees incurred by Executives in finalising their termination arrangements, where considered appropriate, and may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company. Where the Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the Director's departure and performance.

Remuneration report and policy (cont)

Committee discretions

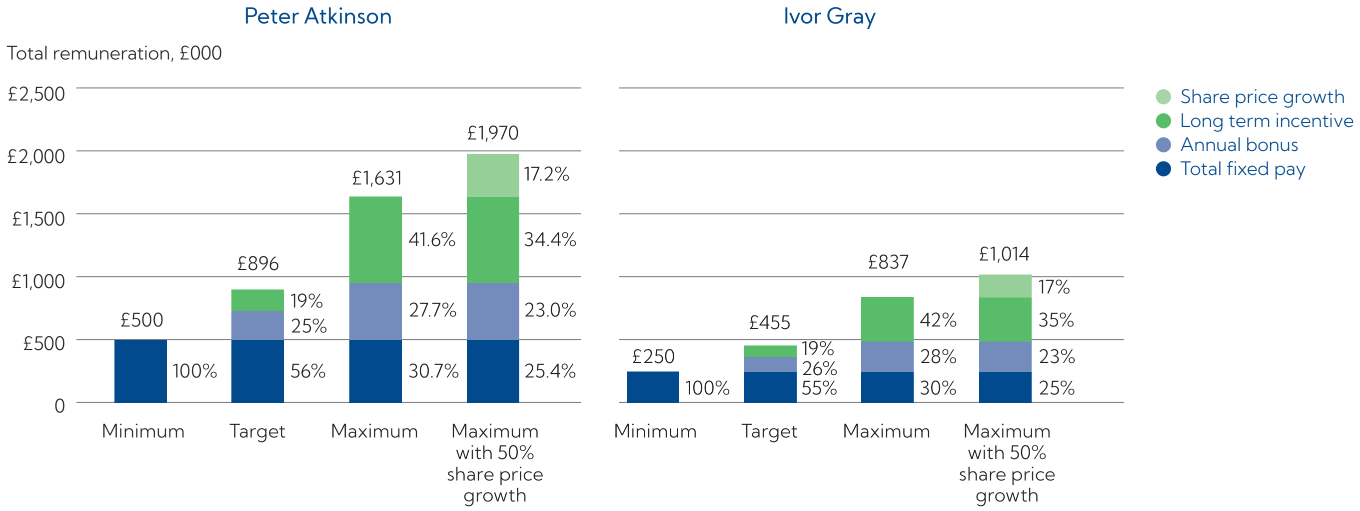
Flexibility, discretion and judgement

The Remuneration Committee operates the annual bonus, DBSP and LTIP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments;
- determining the extent of vesting;
- treatment of awards and/or payments on a change of control or restructuring of the Group;
- whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s);
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends);
- what the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year;
- the Committee also retains the ability, within the Remuneration Policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted LTIP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards. Any such changes would be explained in the subsequent Directors' Remuneration Report and, if appropriate, be the subject of consultation with the Company's major shareholders; and
- the ability to override formulaic outcomes in line with the Remuneration Policy.

All assessments of performance are ultimately subject to the Committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the subsequent Directors' Remuneration Report.

Illustration of the application of the remuneration policy



The charts above illustrate how the Remuneration Policy for the Executive Directors will apply in 2025 based on the following assumptions:

Minimum	Consists of base salary, benefits and pension.				
	Base salary is the salary to be paid in 2025.				
	Benefits are an estimate of benefits to be paid for the full year in 2025.				
	Pension is an estimate of the value of pension contributions or cash allowance to be paid in 2025.				
		Base salary £000	**Benefits £000**	**Pension £000**	**Total fixed £000**
	P.D. Atkinson	£452	£25	£23	£500
	I. Gray	£235	£3	£12	£250
Target	Based on what the Director would receive if performance was 'on-target'. This includes: • Fixed pay (as above) • A target bonus payout of 50% of salary (50% of maximum) • A threshold level of vesting under the PSP (25% of maximum, i.e. 25% of salary) excluding share price appreciation and dividends				
Maximum	Based on what the Director would receive if performance was at 'maximum'. This includes: • Fixed pay (as above) • A maximum bonus payout of 100% of salary • A maximum level of vesting under the PSP (150% of salary) excluding share price appreciation and dividends				

An additional bar is shown, representing the maximum assumptions above and including the impact of 50% share price growth over the performance period for the PSP.

Report of the Directors

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2024. Pages 1 to 85 inclusive comprise the Directors' Report, which in turn includes the Chair's Statement and the Strategic Report on pages 1 to 58. These reports have been drawn up and presented in accordance with and in reliance upon applicable company law and any liability of the Directors in connection with these reports 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 20).
- Details of important events affecting the Group which have occurred since the end of the financial year (page 122).
- 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 22 to 25).
- An indication of likely future developments in the business of the Group (pages 8 to 17).
- Details of the Group's overseas branches (page 135).

Corporate governance

The information that fulfils the requirement of the Corporate Governance Statement can be found in the Corporate Governance Report on pages 62 to 69 (and is incorporated into this report by reference) with the exception of 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 31 to 48. The Group's Taskforce on Climate-related Financial Disclosures are set out in detail on pages 49 to 57.

Cautionary 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 operations, performance and financial status. By their nature, such statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors, including both economic and business risk factors, 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 £20,896,000 (2023: £20,280,000). This resulted in a profit for the year of £15,530,000 (2023: £14,974,000).

The Directors declared an interim dividend of 0.96p per share totalling £1,529,000, which was paid on 10 October 2024 (2023: 0.94p per share; totalling £1,494,000). The proposed final dividend of 2.70p per share totalling £4,300,000 (2023: 2.65p per share; totalling £4,221,000) is subject to approval by shareholders at the AGM in May 2025 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.

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. Both are 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.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. A total of 648,000 shares were issued in 2024 in relation to the vesting of the 2021 award under the 2016 Performance Share Plan to Executive Directors. Further details of this can be seen in note 18 to the financial statements.

The Company is governed by the Articles, the UK Corporate Governance Code (July 2018) and the Companies Act 2006 with regard to the appointment and replacement of Directors. The UK Corporate Governance Code 2024 comes into force after the year end of the Company, hence the reference to the 2018 Code provisions. 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 2025 AGM seeking authority to allot shares in the Company under section 551 of the Companies Act 2006 up to an aggregate nominal amount of £13,300,000.

At the 2024 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 £3,945,300, which expires at the conclusion of the 2025 AGM. Resolutions at the 2025 AGM will seek to renew for a further year the authority over the existing unissued and uncommitted ordinary share capital of £3,990,000 – being 10% of the current share capital.

The Company made no purchases of its own shares during the year. No shares were acquired by forfeiture or surrender or made subject to a lien or charge.

293,420 shares were purchased during 2024 by an Employee Benefit Trust ('EBT') and remained held by the EBT at 31 December 2024. The 330,068 shares held by the EBT at 31 December 2024 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 22 to 25.

Report of the Directors (cont)

Substantial holdings

	Number of shares held	Percentage
Funds managed or advised by Charles Stanley	9,886,533	6.2%
Funds managed or advised by Canaccord Genuity Group Inc.	9,750,000	6.1%
Funds managed by Aberforth Partners	9,134,267	5.7%
Funds managed by BlackRock	7,244,588	4.5%
Funds managed or advised by Jupiter Asset Management	7,090,653	4.4%
Funds managed or advised by BGF Investment Management	6,985,420	4.4%
Funds managed or advised by Otus Capital Management	6,452,457	4.0%
Funds managed by Schroder Investment Management	6,246,881	3.9%

Employees and employee share schemes

The Company's policies for employees and employee engagement are set out in the Sustainability Report on pages 43 to 44. Option awards are detailed in the Directors' Remuneration Report with those awards outstanding at 31 December 2024 set out on page 73.

The Remuneration Committee supervises the award of long-term share incentives and specifies the performance conditions 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 27 February 2025 in accordance with Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the voting rights as a shareholder of the Company at 31 December 2024 set out in the table above.

Directors

The names of the Directors in office at 31 December 2024 and to the date of this report together with short biographical details, are set out on page 61. The Board considers its two Non-Executive Directors to be independent.

All Directors retire by rotation at the AGM in May 2025 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 27 September 2022 with a notice period of six months. J.W.F. Baird and L. Whyte each have letters of appointment dated 8 January 2024 and 13 September 2022 for periods of three years, with notice periods of three 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. 330,068 shares are held in an Employee Benefit Trust at 31 December 2024, 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. The Company has made qualifying third-party indemnity provisions for the benefit of Directors which remain in force.

Political donations

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

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 £3,990,000, 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. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. 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 2025.

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 58 and the Directors' Report on pages 1 to 85 were both approved by the Board on 27 February 2025.

James Macdonald
Company Secretary
27 February 2025

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 International Financial Reporting Standards as adopted by the United Kingdom 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'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 27 February 2025 and signed on its behalf by:

Peter D. Atkinson
Chief Executive
27 February 2025

Ivor Gray
Finance Director
27 February 2025

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 2024 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 balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the material accounting policy information; and
- 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 matter that we identified in the current year was: • Business combinations: valuation and allocation of acquired intangible assets and valuation of deferred contingent consideration for the acquisition of Polyformes Limited.
Materiality	The materiality that we used for the Group financial statements was £1.04m which was determined on the basis of 5% of profit before tax.
Scoping	We performed audit procedures across 6 components accounting for 87% of revenue, 76% of profit before tax and 86% of net assets.
Significant changes in our approach	There have been no significant changes in our approach. Whilst consistent with prior year, the key audit matter relates to acquisitions made in the current year and the valuation of the deferred contingent consideration relating to Polyformes, which was acquired in 2024. Polyformes Limited and PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH were 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;
- 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. Valuation and allocation of acquired intangible assets and valuation of contingent consideration within the Polyformes acquisition

Key audit matter description	The Group acquired Polyformes Limited in July 2024 for maximum cash consideration of £11.2m. Goodwill of £4.7m and other intangible assets of £4.0m were recognised on acquisition. Management's estimate of the fair value of deferred contingent consideration at the acquisition date was £4.3m. 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 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, pinpointed to the attrition rate which is a driver of the valuation and allocation of acquired intangible assets and the valuation of deferred contingent consideration, both at the acquisition date and year-end. 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 no revision to the initial estimate made as part of the purchase price allocation exercise at acquisition date. Business combinations are included within note 22 to the financial statements with relevant accounting policies disclosed on page 99. The assessment of the fair value of deferred contingent consideration has been included as a key source of estimation uncertainty on page 97. The Audit Committee's consideration in respect of this risk is included on page 66.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: • Obtaining an understanding of the process and relevant controls over the price allocation and deferred contingent consideration calculation; • Reviewing share purchase agreements to assess whether the acquisition has been accounted for correctly in the financial statements; • Engaging with our valuation specialists to understand the inputs and methodology and assess the key assumptions used by the Directors in valuing the split between identified intangible assets and goodwill; • Evaluating how the requirements of IFRS 3 have been considered by the Directors in accounting for the business combination; • Assessing 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; • Challenging the completeness of intangible assets identified in the Directors' assessment; • Assessing the forecast of post-acquisition performance and valuation of the deferred contingent consideration at the balance sheet date, in accordance with IFRS 9; and • Evaluating the disclosures in note 22 relating to business combinations.
Key observations	We concluded that the assumptions made by the Directors in determining the valuation and allocation of acquired intangible assets, and the valuation of deferred contingent consideration are materially accurate.

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

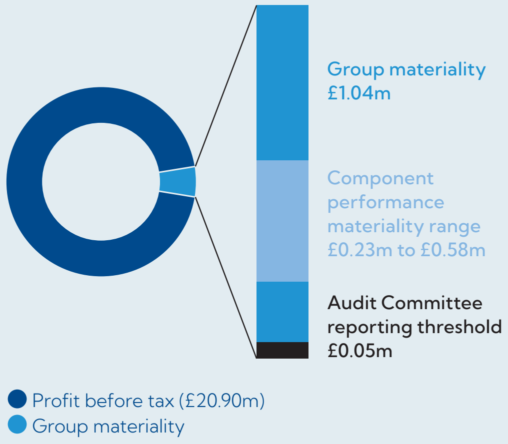
6. Our application of materiality

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	£1.04m (2023: £1.00m)	£0.52m (2023: £0.50m)
Basis for determining materiality	5% of profit before tax (2023: 5.0% of profit before tax).	Parent company materiality was determined on net asset basis which is capped at 50% (2023: 50%) of Group materiality and equates to 0.8% (2023: 0.8%) of net assets.
Rationale for the benchmark applied	We have used 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 one which is a key metric to analysts and investors given the prominence in the annual report.	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. We have capped materiality to be 50% of Group materiality being £0.52m. 50% is deemed appropriate based on the parent company's contribution to the Group.



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% (2023: 60%) of Group materiality	70% (2023: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the quantum and nature of uncorrected misstatements identified in the prior year audit; • our assessment of the potential for uncorrected misstatements in the current year; and • our risk assessment, including the quality of the control environment and the fact that IT control deficiencies identified in prior year were mitigated in the current year.	

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £52k (2023: £50k), 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 IT, internal audit, 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 focused our work on 6 (2023: 5) components across 2 regions (2023: 1) which represent 87% of revenue (2023: 88%), 76% of profit before tax (2023: 85%) and 86% of net assets (2023: 85%).

We performed audit procedures to performance materiality levels applicable to each component, which was lower than the Group performance materiality level and ranged from £226k to £582k (2023: £195k to £541k).

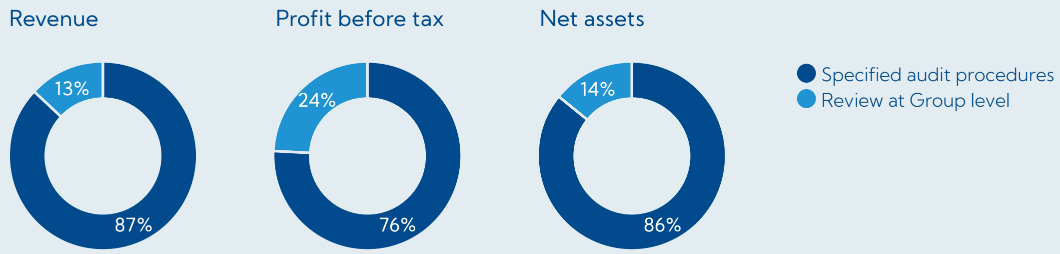
The components that we performed audit procedures on are as follows:

- Macfarlane Group PLC (UK)
- Macfarlane Group UK Limited (UK)
- GWP Holdings Limited (UK)
- Nelsons for Cartons Limited (UK)
- Polyformes Limited (UK)
- PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH (Germany)

The remaining components were subject to analytical reviews.

We audited Macfarlane Group UK Limited (UK), the largest trading component, at component performance materiality determined as 80% of Group performance materiality. Our audit work on remaining components was executed at component performance materiality, capped at 50% of Group performance materiality. At the Group level, we also tested the consolidation process.

All work was performed directly by the Group engagement team.



7.2. Our consideration of the control environment

In the prior year, due to IT control deficiencies identified, no controls reliance was placed on automated controls. In FY24, management have mitigated these deficiencies and note these improvements in the Audit Committee Report on page 68.

With the involvement of our IT specialist, we obtained an understanding of the relevant IT environment and relevant General IT Controls (GITCs) and the mitigating controls implemented in FY24. Whilst not relying on GITCs, we obtained an understanding of these mitigating controls, and also certain manual controls over complex and judgemental areas such as purchase price accounting, dilapidation provision and expected credit losses.

The Audit Committee discusses their review of the effectiveness of risk management and internal control on page 68.

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 page 27, 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 page 49 to 57. We further considered those disclosures related to climate made in the other information within the annual report and ascertained whether the disclosures are materially consistent with the financial statements (note 1) and our knowledge obtained during our audit.

8. Other information

The other information comprises the information included in the annual report (including the Chair's Statement, Macfarlane Group Business Model and Strategy, Business Review, Finance Review, Viability Statement, s172 statement, Sustainability Report, TCFD Report, Corporate Governance Report, Remuneration Report, Report of the Directors and Statement of Directors Responsibilities), 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.

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

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 and whether they were aware of any instances of non-compliance;
  - 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.

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 Polyformes Limited. 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, 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, 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 contingent consideration within the Polyformes acquisition related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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, reviewing internal audit reports; 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 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 63;
- 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 21;
- the Directors' statement on fair, balanced and understandable set out on page 85;
- 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 68; and
- the section describing the work of the audit committee set out on page 65.

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 6 years, covering the years ending 31 December 2019 to 31 December 2024.

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

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

27 February 2025

Consolidated income statement

For the year ended 31 December 2024

	Note	2024 £000	2023 £000
Continuing operations			
Revenue	1	**270,437**	280,714
Cost of sales		**(165,065)**	(175,033)
Gross profit		**105,372**	105,681
Distribution costs		**(11,165)**	(10,485)
Administrative expenses		**(70,610)**	(73,128)
Operating profit	2	**23,597**	22,068
Net finance costs	4	**(2,701)**	(1,788)
Profit before tax		**20,896**	20,280
Tax	5	**(5,366)**	(5,306)
Profit for the year		**15,530**	14,974
Earnings per share from continuing operations	7		
Basic		**9.76p**	9.44p
Diluted		**9.74p**	9.34p

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	2024 £000	2023 £000
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	19	**(150)**	(45)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of pension scheme liability	23	**(362)**	(1,967)
Tax recognised in other comprehensive income			
Tax on remeasurement of pension scheme liability	17	**91**	492
Other comprehensive expense for the year, net of tax		**(421)**	(1,520)
Profit for the year		**15,530**	14,974
Total comprehensive income for the year		**15,109**	13,454

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Note	Share capital £000	Share premium £000	Revaluation reserve £000	Own shares £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 January 2023		39,584	13,573	70	(7)	216	52,584	106,020
Comprehensive income								
Profit for the year		–	–	–	–	–	14,974	14,974
Foreign currency translation differences	19	–	–	–	–	(45)	–	(45)
Remeasurement of pension scheme surplus	23	–	–	–	–	–	(1,967)	(1,967)
Tax on remeasurement of pension scheme surplus	17	–	–	–	–	–	492	492
Total comprehensive income		–	–	–	–	(45)	13,499	13,454
Transactions with shareholders								
Dividends	6	–	–	–	–	–	(5,484)	(5,484)
New shares issued	18/19	154	408	–	(9)	–	(553)	–
Share-based payments	24	–	–	–	–	–	586	586
Total transactions with shareholders		154	408	–	(9)	–	(5,451)	(4,898)
At 31 December 2023		**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	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**

Consolidated balance sheet

At 31 December 2024

	Note	2024 £000	2023 £000
Non-current assets			
Goodwill and other intangible assets	9	**97,970**	87,495
Property, plant and equipment	10	**10,607**	9,210
Right-of-use assets	11	**41,077**	35,001
Trade and other receivables	13	**35**	35
Deferred tax assets	17	**145**	335
Retirement benefit surplus	23	**9,636**	9,921
Total non-current assets		**159,470**	141,997
Current assets			
Inventories	12	**19,049**	17,523
Trade and other receivables	13	**55,015**	53,792
Current tax asset		**469**	225
Cash and cash equivalents	14	**12,928**	7,691
Total current assets		**87,461**	79,231
Total assets	1	**246,931**	221,228
Current liabilities			
Trade and other payables	15	**50,263**	50,623
Provisions	20	**1,044**	401
Current tax liabilities		**1,035**	983
Lease liabilities	16	**7,223**	7,307
Bank borrowings	14	**14,846**	7,164
Total current liabilities		**74,411**	66,478
Net current assets		**13,050**	12,753
Non-current liabilities			
Deferred tax liabilities	17	**10,937**	9,472
Deferred contingent consideration	15	**2,330**	504
Provisions	20	**327**	1,329
Lease liabilities	16	**35,653**	28,869
Total non-current liabilities		**49,247**	40,174
Total liabilities	1	**123,658**	106,652
Net assets	1	**123,273**	114,576
Equity			
Share capital	18	**39,900**	39,738
Share premium	19	**14,496**	13,981
Revaluation reserve	19	**70**	70
Own shares	19	**(429)**	(16)
Translation reserve	19	**21**	171
Retained earnings	19	**69,215**	60,632
Total equity		**123,273**	114,576

The financial statements of Macfarlane Group PLC, Company registration number SC004221, were approved by the Board of Directors on 27 February 2025 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 2024

	Note	2024 £000	2023 £000
Profit before tax		**20,896**	20,280
Adjustments for:			
Amortisation of intangible assets	9	**4,610**	4,034
Depreciation of property, plant and equipment	10	**1,879**	1,720
Depreciation of right-of-use assets	11	**8,878**	7,854
Deferred contingent consideration adjustments		**(805)**	1,535
Loss/(profit) on disposal of property, plant and equipment		**39**	(3)
Share-based (credit)/charge		**(270)**	586
Net finance costs	4	**2,701**	1,788
Operating cash flows before movements in working capital		**37,928**	37,794
(Increase)/decrease in inventories		**(646)**	5,733
Decrease in receivables		**1,883**	7,453
Decrease in payables		**(2,233)**	(7,021)
Decrease in provisions		**(359)**	(1,599)
Other non-cash movements		**(150)**	–
Pension scheme contributions (less administration costs)		**361**	(1,179)
Cash generated from operations		**36,784**	41,181
Deferred contingent consideration paid		**(1,492)**	–
Income taxes paid		**(6,773)**	(5,374)
Net finance costs paid		**(3,091)**	(2,298)
Net cash inflow from operating activities		**25,428**	33,509
Investing activities			
Acquisitions	22	**(10,600)**	(14,466)
Proceeds from disposal of property, plant and equipment		**45**	90
Purchase of property, plant and equipment		**(2,925)**	(2,175)
Cash outflow from investing activities		**(13,480)**	(16,551)
Financing activities			
Dividends paid	6	**(5,750)**	(5,484)
Purchase of own shares	19	**(392)**	–
Drawdown/(repayment) of bank borrowing facility		**8,386**	(2,323)
Repayment of lease obligations		**(8,251)**	(7,510)
Cash outflow from financing activities		**(6,007)**	(15,317)
Net increase in cash and cash equivalents		**5,941**	1,641
Cash and cash equivalents at beginning of year		**6,987**	5,346
Cash and cash equivalents at end of year		**12,928**	6,987

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.

	2024 £000	2023 £000
Reconciliation to consolidated cash flow statement		
Cash and cash equivalents per the consolidated balance sheet (note 14)	**12,928**	7,691
Bank overdraft	**–**	(704)
Balances per consolidated cash flow statement	**12,928**	6,987

Bank overdrafts are included in cash and cash equivalents because they form an integral part of the Group's cash management.

Accounting policies

For the year ended 31 December 2024

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 58. The 2024 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. 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 58.

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 2027. 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 21.

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

As detailed in note 20, property provisions of £1.4m have been recognised as at 31 December 2024 (2023: £1.7m), 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.

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 is based on assumptions determined with independent actuarial advice. The key assumptions used include discount rate and inflation rate 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.

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 £5.5m at the balance sheet date, of which £2.3m is due in more than one year, based on a range of outcomes between £Nil and £7.3m. Trading in the post-acquisition period supports the remeasured value of £5.5m.

Accounting policies (cont)

For the year ended 31 December 2024

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, and deferred contingent consideration adjustments.

Adjusted profit before tax is defined as profit before tax, customer relationships and brand values amortisation, and deferred contingent consideration adjustments.

Adjusted diluted earnings per share is defined as diluted earnings per share before, customer relationships and brand values amortisation per share and related tax per share and deferred contingent consideration adjustments per share.

	Alternative performance measures £000	Customer relationship/ brand values amortisation £000	Deferred contingent consideration adjustments £000	Tax £000	Statutory measures £000	
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)**
Year to 31 December 2023						
Adjusted operating profit	27,637	(4,034)	(1,535)	–	22,068	Operating profit
Adjusted profit before tax	25,849	(4,034)	(1,535)	–	20,280	Profit before tax
Adjusted diluted earnings per share (pence)	12.21p	(2.51)p	(0.96)p	0.60p	9.34p	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 2024

There are no new accounting policies applied in 2024 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 2024 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 2024. 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 1 – *Classification of Liabilities as Current or Non-current*
- Amendments to IAS 1 – *Non-current Liabilities with Covenants*
- Amendments to IFRS 16 *Leases – Lease Liability in a Sale and Leaseback*

The adoption of the amendment below has an impact on the disclosures in these financial statements which is set out in note 15:

- Amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* titled *Supplier Finance Arrangements*

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 IAS 21 – *Lack of Exchangeability*
- 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.

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. Contingent consideration classified as a liability is subsequently re-measured 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.

(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.

Other 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 administration expenses in the income statement.

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 2024 ranged between 2.75% and 8.75%, with the average rate applied across all leases being 5.59%.

ROU assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

Movements in ROU assets and lease liabilities and 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 2024. 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.

(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.

Accounting policies (cont)

For the year ended 31 December 2024

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 49 to 57. 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.

Notes to the financial statements

For the year ended 31 December 2024

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 85% of Group revenue and 73% 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 15% of Group revenue and 27% of Group operating profit.

External revenues from major products and services	2024 £000	2023 £000
Packaging Distribution	228,763	244,938
Manufacturing Operations	41,674	35,776
External revenues	**270,437**	280,714

(b) Segmental information

	Packaging Distribution 2024 £000	Manufacturing Operations 2024 £000	2024 Total £000	Packaging Distribution 2023 £000	Manufacturing Operations 2023 £000	2023 Total £000
Revenue						
Total revenue	228,763	47,458	276,221	244,938	40,929	285,867
Inter-segment revenue	–	(5,784)	(5,784)	–	(5,153)	(5,153)
External revenue	228,763	41,674	270,437	244,938	35,776	280,714
Cost of sales	(143,890)	(21,175)	(165,065)	(157,458)	(17,575)	(175,033)
Gross profit	84,873	20,499	105,372	87,480	18,201	105,681
Net operating expenses	(64,715)	(13,255)	(77,970)	(66,436)	(11,608)	(78,044)
Adjusted operating profit	20,158	7,244	27,402	21,044	6,593	27,637
Amortisation	(3,082)	(1,528)	(4,610)	(2,983)	(1,051)	(4,034)
Deferred contingent consideration adjustments	255	550	805	(1,550)	15	(1,535)
Operating profit	17,331	6,266	23,597	16,511	5,557	22,068
Net finance costs			(2,701)			(1,788)
Profit before tax			20,896			20,280
Tax			(5,366)			(5,306)
Profit for the year			15,530			14,974
Capital additions	16,887	12,331	29,218	8,377	12,663	21,040
Depreciation/amortisation	12,258	3,109	15,367	11,297	2,289	13,586
Segment assets	189,768	57,163	246,931	176,740	44,488	221,228
Segment liabilities	(110,832)	(12,826)	(123,658)	(94,757)	(11,895)	(106,652)
Net assets	78,936	44,337	123,273	81,983	32,593	114,576

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 (53%), the Netherlands (30%) and Ireland (17%). Europe non-current assets below relates to the Group's subsidiaries in Germany (97%) and Ireland (3%).

Packaging Distribution activities are primarily in the UK, with some activity in Europe,

Manufacturing Operations are primarily in the UK.

	Continuing operations		2024	Continuing operations		2023
	UK £000	Europe £000	Total £000	UK £000	Europe £000	Total £000
External revenue	248,503	21,934	270,437	258,464	22,250	280,714
Operating profit	20,849	2,748	23,597	20,588	1,480	22,068
Non-current assets[1]	144,763	4,926	149,689	126,063	5,643	131,706
Capital additions	29,205	13	29,218	20,953	87	21,040

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.

Notes to the financial statements (cont)

For the year ended 31 December 2024

2. Operating profit

Operating profit from continuing operations has been arrived at after charging:	2024 £000	2023 £000
Cost of inventories recognised as an expense in the consolidated income statement	**157,956**	169,002
Amortisation of other intangible assets (note 9)	**4,610**	4,034
Depreciation of property, plant and equipment (note 10)	**1,879**	1,720
Depreciation of right-of-use assets (note 11)	**8,878**	7,854
Acquisition related costs	**198**	219
Staff costs (note 3)	**48,614**	48,665

The detailed analysis of auditor's remuneration is provided below:

Audit services		
Fees payable to the auditor for the audit of these financial statements	**84**	69
Fees payable to auditor for the audit of the Company's subsidiaries	**306**	282
Total audit fees	**390**	351
Non-audit services		
Other assurance services for the audit of the Company pension scheme	**–**	16
Total non-audit fees	**–**	16
Total fees paid to auditor	**390**	367

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.

3. Staff costs

The average monthly number of employees (including Directors) was:	2024 No.	2023 No.
Production	**273**	234
Sales and distribution	**553**	572
Administration	**305**	287
	1,131	1,093

The costs incurred in respect of these employees were:	2024 £000	2023 £000
Wages and salaries	**41,206**	40,765
Social security costs	**4,218**	4,278
Pension costs		
Contributions to defined contribution schemes	**3,460**	3,036
Share-based payments (note 24)	**(270)**	586
	48,614	48,665

4. Net finance costs

	2024 £000	2023 £000
Interest on bank borrowings	**950**	878
Interest on leases	**1,921**	1,420
Finance income relating to defined benefit scheme (note 23)	**(438)**	(510)
Finance charge relating to deferred contingent consideration	**268**	–
Net finance costs	**2,701**	1,788

5. Tax

	2024 £000	2023 £000
Current tax		
United Kingdom corporation tax	**5,363**	5,615
Foreign tax	**795**	460
Adjustments in respect of prior years	**(58)**	(38)
Current tax charge	**6,100**	6,037
Deferred tax		
Current year	**(899)**	(731)
Adjustments in respect of prior years	**165**	–
Deferred tax charge (note 17)	**(734)**	(731)
Total tax charge	**5,366**	5,306

The standard rate of tax, based on the UK average rate of corporation tax is 25% (2023: 23.5%). The increase in 2024 is due to the corporation tax rate increasing from 19% to 25% effective from 1 April 2023. 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.

	2024 £000	2023 £000
Profit before tax from total operations	**20,896**	20,280
Tax on profit at 25% (2023: 23.5%)	**5,224**	4,766
Factors affecting tax charge for the year:		
Difference in rate for deferred tax (25%) on pensions	**–**	25
Deferred contingent consideration adjustments not allowable for tax	**(134)**	360
Non-deductible net expenses	**100**	127
Difference on overseas tax rates	**69**	66
Changes in estimates related to prior years	**107**	(38)
Tax charge for the year	**5,366**	5,306
Weighted average effective tax rate for the year	**25.7%**	26.2%

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 2024 have been calculated based on the long-term corporation tax rate of 25%.

6. Dividends

	2024 £000	2023 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for 2023 of 2.65p per share (2022: 2.52p per share)	**4,221**	3,990
Interim dividend for 2024 of 0.96p per share (2023: 0.94p per share)	**1,529**	1,494
	5,750	5,484

A proposed final dividend of 2.70p per share totalling £4,300,000 will be paid on 13 June 2025 to shareholders on the register at 16 May 2025 (ex dividend date 15 May 2025). This is subject to approval by shareholders at the Annual General Meeting on 13 May 2025 and therefore is not included as a liability in these financial statements.

Notes to the financial statements (cont)

For the year ended 31 December 2024

7. Earnings per share

	2024 £000	2023 £000
Earnings for the purposes of calculating earnings per share		
Profit for the year	**15,530**	14,974

Number of shares in issue	2024 Number of shares '000	2023 Number of shares '000
Weighted average number of shares in issue	**159,461**	158,542
Less shares held by the EBT	**(278)**	–
Weighted average number of ordinary shares to calculate basic earnings per share	**159,183**	158,542
Dilutive effect of Long-Term Incentive Plan awards in issue	**340**	1,788
Weighted average number of ordinary shares to calculate diluted earnings per share	**159,523**	160,330
Basic earnings per share	**9.76p**	9.44p
Diluted earnings per share	**9.74p**	9.34p

8. Subsidiary companies

Subsidiary companies, with names, countries of incorporation and registered offices, are shown on page 135.

The Group has agreed to exempt the eleven companies, 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 95, the outstanding liabilities at the Statement of Financial Position date, 31 December 2024, 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	2024 Total £000	2023 Total £000
Goodwill	**51,831**	**17,752**	**69,583**	63,941
Other intangible assets	**11,318**	**17,069**	**28,387**	23,554
Goodwill and other intangible assets	**63,149**	**34,821**	**97,970**	87,495

Goodwill	Packaging Distribution £000	Manufacturing Operations £000	2024 Total £000	2023 Total £000
Fair value on acquisition				
At 1 January	**50,738**	**13,203**	**63,941**	56,574
Additions (note 22)	**1,093**	**4,549**	**5,642**	7,367
At 31 December	**51,831**	**17,752**	**69,583**	63,941
Accumulated impairment losses				
At 1 January and 31 December	**–**	**–**	**–**	–
Carrying amount				
At 31 December 2024	**51,831**	**17,752**	**69,583**	
At 31 December 2023	50,738	13,203		63,941

At 31 December 2024, the Group had two CGU Groupings to which goodwill had been ascribed namely:

(i) Packaging Distribution, comprising goodwill arising on all acquisitions in this segment since 2001; and

(ii) Manufacturing Operations, comprising goodwill arising on all acquisitions in this segment since 2021.

On 13 March 2024, Macfarlane Group UK Limited ('MGUK') acquired 100% of Allpack Packaging Supplies Limited ('Allpack Direct'). Goodwill arising on the Allpack Direct acquisition was added to the Packaging Distribution CGU.

On 6 July 2024, MGUK acquired 100% of Polyformes Limited ('Polyformes'). Goodwill arising on the Polyformes acquisition was added to the Manufacturing Operations CGU.

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 12.2% (2023: 11.0%) is used for both CGU's 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 to both CGUs.

Revenue growth rates of 1%, 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 no inherent 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. Therefore at 31 December 2024 no impairment charge is required against the carrying amount of goodwill.

Other intangible assets	Brand values £000	Customer relationships £000	2024 Total £000	2023 Total £000
Fair value on acquisition				
At 1 January	**1,505**	**45,784**	**47,289**	38,812
Additions (note 22)	**217**	**9,226**	**9,443**	8,477
At 31 December	**1,722**	**55,010**	**56,732**	47,289
Amortisation				
At 1 January	**1,183**	**22,552**	**23,735**	19,701
Charge for year	**135**	**4,475**	**4,610**	4,034
At 31 December	**1,318**	**27,027**	**28,345**	23,735
Carrying amount				
At 31 December 2024	**404**	**27,983**	**28,387**	
At 31 December 2023	322	23,232		23,554

Other intangible assets comprise separately identifiable intangible assets recognised on the acquisitions of businesses and subsidiary companies between 2014 and 2024. 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.

9. Goodwill and other intangible assets (cont)

At 31 December 2024, the Group retained values in respect of:

Year of acquisition	Company/Business acquired	Brand £000	Customer Relationships £000
2015	One Packaging Limited	–	57
2016	Packaging business of Colton Packaging Teesside	–	86
2016	Packaging business of Edward McNeil Limited	–	121
2016	Nelsons for Cartons & Packaging Limited	–	441
2017	Packaging business of Greenwoods Stock Boxes Limited and Nottingham Recycling Limited	–	2,490
2018	Tyler Packaging (Leicester) Limited	–	285
2018	Harrisons Packaging Limited	–	443
2019	Ecopac (U.K.) Limited	–	654
2019	Leyland Packaging Company (Lancs) Limited	–	803
2020	Packaging business of Armagrip	–	146
2021	GWP Group Limited	–	4,547
2021	Carters Packaging Limited	–	1,206
2022	PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH	116	722
2023	A.E. Sutton Limited	83	3,451
2023	A and G Holdings Limited	6	1,662
2023	B&D 2010 Group Limited	11	2,063
2024	Allpack Packaging Supplies Limited	13	2,066
2024	Polyformes Limited	175	6,740
		404	27,983

10. Property, plant and equipment

	Note	Property £000	Plant, machinery & vehicles £000	Total £000
Cost				
At 1 January 2023		8,110	22,260	30,370
Acquisitions		–	2,160	2,160
Additions		616	1,559	2,175
Transfer from right of use assets		–	478	478
Exchange movements		–	(12)	(12)
Disposals		(4)	(800)	(804)
At 31 December 2023		8,722	25,645	34,367
Acquisitions	22	**–**	**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**
Accumulated depreciation				
At 1 January 2023		4,625	17,882	22,507
Acquisitions		–	1,406	1,406
Charge for year		417	1,303	1,720
Transfer from right of use assets		–	251	251
Exchange movements		–	(10)	(10)
Disposals		(4)	(713)	(717)
At 31 December 2023		5,038	20,119	25,157
Acquisitions	22	**–**	**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**
Carrying amount				
At 31 December 2024		**4,645**	**5,962**	**10,607**
At 31 December 2023		3,684	5,526	9,210
At 1 January 2023		3,485	4,378	7,863

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 £1.6m at 31 December 2024 not depreciated during 2024.

	2024 £000	2023 £000
Property at net book value comprises:		
Freeholds	**1,139**	1,030
Long leaseholds	**3,418**	2,626
Short leaseholds	**88**	28
	4,645	3,684

Contractual commitments for capital expenditure for which no provision has been made in these accounts amount to £593,000 (2023: £1,836,000).

11. Right of use assets

	Note	Property £000	Plant, machinery & vehicles £000	Total £000
Cost				
At 1 January 2023		41,061	10,459	51,520
Acquisitions		1,801	–	1,801
Additions		1,363	1,658	3,021
Lease modifications		2,265	(264)	2,001
Exchange movements		(46)	–	(46)
Transfer to property, plant & equipment		–	(478)	(478)
Disposals		(683)	(991)	(1,674)
At 31 December 2023		45,761	10,384	56,145
Acquisitions	22	**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**
Accumulated depreciation				
At 1 January 2023		13,117	4,465	17,582
Charge for year		5,716	2,138	7,854
Lease modifications		(1,881)	(584)	(2,465)
Exchange movements		(7)	–	(7)
Transfer to property, plant & equipment		–	(251)	(251)
Disposals		(619)	(950)	(1,569)
At 31 December 2023		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**
Carrying amount				
At 31 December 2024		**35,502**	**5,575**	**41,077**
Carrying amount				
At 31 December 2023		29,435	5,566	35,001

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

	2024 £000	2023 £000
Raw materials and consumables	**1,171**	1,202
Work in progress	**226**	123
Finished goods and goods for resale	**17,652**	16,198
	19,049	17,523

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	2024 £000	2023 £000
At 1 January	**2,015**	1,760
Additional provisions recognised in the consolidated income statement	**616**	883
Inventories written off during the year	**(601)**	(628)
At 31 December	**2,030**	2,015

13. Trade and other receivables

	2024 £000	2023 £000
Current		
Trade receivables	**47,820**	48,217
Loss allowance	**(179)**	(458)
	47,641	47,759
Other receivables	**3,554**	3,215
Prepayments	**3,200**	2,432
Other taxation and social security	**620**	386
	55,015	53,792
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 53 days (2023: 54 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)	2024 £000	ECL rate	2024 ECL allowance £000	2023 £000	ECL rate	2023 ECL allowance £000
Current	**34,665**	**0.25%**	**85**	34,758	0.52%	182
Overdue						
0-30 days	**11,468**	**0.42%**	**48**	11,147	0.93%	104
30-60 days	**1,128**	**0.74%**	**8**	1,195	1.67%	20
60-90 days	**359**	**2.37%**	**9**	421	5.23%	22
Over 90 days	**200**	**14.39%**	**29**	696	18.7%	130
	47,820		**179**	48,217		458

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.

ECL allowance	2024 £000	2023 £000
At 1 January	**458**	795
Change in loss allowance	**161**	115
Amounts written off as uncollectible (net of recoveries)	**(440)**	(452)
At 31 December	**179**	458

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 2024. 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 2025.

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 2027 with options to extend a further two years 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 2024.

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 £47,000 (2023: £44,000).

Currency risk

The Group had three overseas subsidiaries in 2024, 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 2024 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	
	2024 £000	2023 £000	2024 £000	2023 £000
Euros	**8,334**	7,105	**2,964**	2,936

The sterling value of the Group's foreign currency denominated profit before tax from continuing operations is as follows:

	2024 £000	2023 £000
Euros	**2,902**	1,679

14. Financial instruments (cont)

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 2024 £000	Result 2023 £000	Other equity 2024 £000	Other equity 2023 £000
Euros	**106**	64	**162**	106

	2024 £000	2023 £000
Cash and cash equivalents		
Currency – Sterling	**11,110**	5,468
– Euros	**1,776**	2,218
– US Dollars	**42**	5
Cash and cash equivalents	**12,928**	7,691
Bank borrowings		
Currency – Sterling	**14,846**	7,164
– Euros	**–**	–
Bank borrowings	**14,846**	7,164
Net bank (debt)/funds	**(1,918)**	527

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 £14.8m drawn down on the borrowing 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 2027, with the option to extend a further two years. Under this facility, the Group requires to provide over 85% guarantor coverage for Revenue, EBITDA and Gross Assets. At 31 December 2024, 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.

Prior to 28 November the Group had an invoice discounting facility with Bank of Scotland PLC of £35m, now replaced by the revolving credit facility. Under this facility, trade receivables of the Group's largest trading subsidiary, Macfarlane Group UK Limited and, another subsidiary, GWP Group Limited were assigned to Bank of Scotland PLC who then funded the Group in advance of the collection of these receivables. The Group retained the credit risk associated with collecting the receivables. This facility bore interest at normal commercial rates and carried standard financial covenants in relation to interest cover and levels of headroom over trade receivables balances.

The Group has been in compliance with all conditions in relation to both the revolving credit facility and the invoice discounting facility throughout 2024 and has remained in compliance in 2025 to date.

Interest rates

Bank borrowings are held at floating rates of interest. The average effective interest rate on these borrowings approximates to 8.96% per annum (2023: 7.97%).

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 2024 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:

	2024 £000	2023 £000
Drawn down	**14,846**	6,460
Undrawn	**25,154**	28,540
Committed borrowing facilities	**40,000**	35,000

The Group's borrowing profile is as follows:	2024 £000	2023 £000
At amortised cost		
Bank borrowings – secured	**14,846**	7,164
Lease liabilities	**7,223**	7,307
Current borrowings	**22,069**	14,471
Non-current lease liabilities	**35,653**	28,869
Total borrowings	**57,722**	43,340
Equity	**123,273**	114,576
Gearing (net debt to equity) ratio	**47%**	38%

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 2024 £000	Fair value 2024 £000	Level 1 2024 £000	Level 2 2024 £000	Level 3 2024 £000
Contingent consideration	**(5,542)**	**(5,542)**	**–**	**–**	**(5,542)**

	Carrying amount 2023 £000	Fair value 2023 £000	Level 1 2023 £000	Level 2 2023 £000	Level 3 2023 £000
Contingent consideration	(4,031)	(4,031)	–	–	(4,031)

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 and is not discounted	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.

	2024 Contractual cash flows			
Non-derivative financial instruments	Total £000	Due within one year £000	Due from 1-5 years £000	Due after five years £000
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**

14. Financial instruments (cont)

		2023 Contractual cash flows		
Non-derivative financial instruments	Total £000	Due within one year £000	Due from 1-5 years £000	Due after five years £000
Secured bank borrowings	7,164	7,164	–	–
Lease liabilities	36,176	7,307	19,242	9,627
Trade payables	30,323	30,323	–	–
Accruals and deferred income	11,401	11,401	–	–
Deferred contingent consideration	4,031	3,527	504	–
	89,095	59,722	19,746	9,627

15. Trade and other payables

	2024 £000	2023 £000
Due within one year		
Trade payables	**34,432**	30,323
Other taxation and social security	**3,929**	4,472
Deferred contingent consideration	**3,212**	3,527
Other payables	**713**	900
Accruals and deferred income	**7,977**	11,401
	50,263	50,623
Due after more than one year		
Deferred contingent consideration	**2,330**	504
	2,330	504

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. £3.0m of deferred contingent consideration was paid during 2024 related to the acquisitions of PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH in 2022 and A.E. Sutton Limited and A and G Holdings Limited both in 2023. The Directors consider that the carrying amounts for trade and other payables approximate to their fair value.

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 2024 and 2023 to pay two suppliers who benefited through early payment of their invoices by 30 days.

	2024 £000	2023 £000
Trade payables	**34,432**	30,323
of which suppliers have received payment	**1,447**	2,034
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

16. Lease liabilities

	2024 £000	2023 £000
Amounts payable under leases		
Within one year	**7,223**	7,307
Between one and five years	**20,606**	19,242
After more than five years	**15,047**	9,627
Present value of lease liabilities	**42,876**	36,176
Due for settlement within 12 months (Current liabilities)	**(7,223)**	(7,307)
Due for settlement after more than 12 months (Non-current liabilities)	**35,653**	28,869

	2024 £000	2023 £000
At 1 January	**36,176**	34,569
New leases	**11,208**	3,021
Acquisitions (note 22)	**1,709**	1,801
Disposals	**(107)**	(227)
Lease modifications	**2,210**	4,562
Exchange movements	**(69)**	(40)
Interest	**1,921**	1,410
Repayments under leases	**(10,172)**	(8,920)
At 31 December	**42,876**	36,176

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 £8,251,000 consists of repayments under leases of £10,172,000 less interest of £1,921,000.

17. Deferred tax

	Timing differences/ Accelerated capital allowances £000	Other intangible assets £000	Retirement benefit obligations £000	Total £000
At 1 January 2023	(803)	(4,763)	(2,551)	(8,117)
Acquisition	(124)	(2,119)	–	(2,243)
Credited/(charged) in income statement	190	963	(422)	731
Credited in other comprehensive income				
Deferred tax on remeasurement of pension scheme liability	–	–	492	492
At 31 December 2023	(737)	(5,919)	(2,481)	(9,137)
Acquisition (note 22)	**(119)**	**(2,361)**	**–**	**(2,480)**
(Charged)/credited 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)**
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)**
2023 Deferred tax assets due outwith one year	335	–	–	335
2023 Deferred tax liabilities due outwith one year	(1,072)	(5,919)	(2,481)	(9,472)
	(737)	(5,919)	(2,481)	(9,137)

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 2024 have been calculated based on a corporation tax rate of 25%.

18. Share capital

	Number of 25p shares	**2024 £000**	2023 £000
Allotted, issued and fully paid:			
At 1 January	**158,952,000**	**39,738**	39,584
Issued during the year	**648,000**	**162**	154
At 31 December	**159,600,000**	**39,900**	39,738

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.

On 19 March 2024, the Company issued 648,000 ordinary shares of 25p at a value of 104.4p to settle 2021 share awards under the Company's 2016 Performance Share Plan.

Notes to the financial statements (cont)

For the year ended 31 December 2024

19. Reserves

	Share Premium £000	Revaluation reserve £000	Own shares £000	Translation reserve £000	Retained earnings £000
Balance at 1 January 2023	13,573	70	(7)	216	52,584
Profit for the year	–	–	–	–	14,974
Dividends paid (see note 6)	–	–	–	–	(5,484)
Issue of new shares	408	–	(9)	–	(553)
Foreign currency translation differences – foreign operations	–	–	–	(45)	–
Share-based payments	–	–	–	–	586
Remeasurement of pension scheme liability taken direct to equity	–	–	–	–	(1,967)
Deferred tax taken direct to equity	–	–	–	–	492
Balance at 31 December 2023	**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**

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.

293,420 shares were purchased during 2024 by an Employee Benefit Trust and were held at 31 December 2024.

20. Provisions

	Property £000
At 1 January 2023	3,329
Additions in the year	25
Acquisitions	51
Releases	(184)
Payments	(1,491)
At 31 December 2023	1,730
Additions in the year	**16**
Releases	**(128)**
Payments	**(247)**
At 31 December 2024	**1,371**
2024 – Due within one year	**1,044**
– Due after more than one year	**327**
At 31 December 2024	**1,371**
2023 – Due within one year	401
– Due after more than one year	1,329
At 31 December 2023	1,730

Property provisions relate to sums due in respect of dilapidations.

21. Analysis of changes in net debt

	Cash & cash equivalents £000	Bank borrowing £000	Lease liabilities £000	Total debt £000
At 1 January 2023	5,706	(9,143)	(34,569)	(38,006)
Non-cash movements				
New leases	–	–	(3,021)	(3,021)
Acquisitions	7,975	–	(1,801)	6,174
Disposals	–	–	227	227
Lease modifications	–	–	(4,562)	(4,562)
Exchange movements	–	–	40	40
Cash movements	(5,990)	1,979	7,510	3,499
At 31 December 2023	**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)**

	Cash & cash equivalents £000	Bank borrowing £000	Net bank (debt)/funds £000
Net bank debt 2024	**12,928**	**(14,846)**	**(1,918)**
Net bank funds 2023	7,691	(7,164)	527

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.

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 13 March 2024, Macfarlane Group UK Limited ('MGUK') acquired 100% of Allpack Packaging Supplies Limited ('Allpack Direct'), for a total potential consideration of £5.5m and inherited net cash/bank balances of £1.9m. Full potential contingent consideration of £0.75m is payable in the second quarter of 2025, subject to certain trading targets being met in the twelve-month period ending on 28 February 2025.

On 6 July 2024, MGUK acquired 100% of Polyformes Limited ('Polyformes'), for a total potential consideration of £11.6m and inherited net cash/bank balances of £0.6m. Full potential contingent consideration of £4.8m is payable in the third quarters of 2025 and 2026, subject to certain trading targets being met in the two twelve-month periods ending on 30 June 2025 and 2026 respectively.

£1.5m was paid in 2024 to the sellers of PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH ('PackMann'), acquired in 2022, as the profit targets were met for the twelve-month periods ending 31 May 2023 and 31 May 2024.

£1.25m was paid in 2024 to the sellers of A.E. Sutton Limited ('Suttons'), acquired in 2023, as the profit target was met for the twelve-month period ending 29 February 2024.

£0.25m was paid in 2024 to the sellers of A & G Holdings Limited ('Gottlieb'), acquired in 2023, as the profit target was met for the twelve-month period ending 30 April 2024.

Contingent considerations are recognised as a liability in trade and other payables and are remeasured to fair value of £5.5m at the balance sheet date, £3.2m due within one year, based on a range of outcomes between £Nil and £7.3m. Trading in the post-acquisition period supports the remeasured value of £5.5m. The £5.5m relates to the acquisitions of Gottlieb (£0.5m), Allpack Direct (£0.5m) and Polyformes (£4.5m). 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.

The impact of the acquisitions of Allpack Direct and Polyformes on 2024 results and if the acquisitions had been completed on the first day of 2024 are set out below:

	From date of acquisition		**If completed 1 January 2024**	
	Revenue £000	**Profit £000**	**Revenue £000**	**Profit £000**
Allpack Direct	**2,442**	**525**	**2,930**	**630**
Polyformes	**5,335**	**822**	**10,670**	**1,644**

22. Acquisitions (cont)

Fair values assigned to net assets acquired and consideration paid and payable are set out below:

	Allpack Direct £000	Polyformes £000	Prior year acquisitions £000	2024 Total £000
Net assets acquired				
Other intangible assets (note 9)	2,277	7,166	–	**9,443**
Tangible assets (inc. ROU assets)	24	2,125	–	**2,149**
Inventories	185	695	–	**880**
Trade and other receivables	1,084	1,802	–	**2,886**
Cash and bank balances (note 21)	1,862	621	–	**2,483**
Trade and other payables	(324)	(1,855)	–	**(2,179)**
Current tax liabilities	(185)	(307)	–	**(492)**
Lease liabilities (note 16)	–	(1,709)	–	**(1,709)**
Deferred tax liabilities (note 17)	(575)	(1,905)	–	**(2,480)**
Net assets acquired	4,348	6,633	–	**10,981**
Goodwill arising on acquisition (note 9)	1,093	4,549	–	**5,642**
Total consideration	5,441	11,182	–	**16,623**
Contingent consideration on acquisitions				
Current year	(701)	(4,344)	–	**(5,045)**
Prior years	–	–	2,997	**2,997**
Total cash consideration	4,740	6,838	2,997	**14,575**
Net cash outflow arising on acquisitions				
Cash consideration	(4,740)	(6,838)	(2,997)	**(14,575)**
Cash and bank balances acquired	1,862	621	–	**2,483**
Net cash outflow – acquisitions	(2,878)	(6,217)	(2,997)	**(12,092)**
Net cash outflow arising on acquisitions				
Net cash flow from operating activities	–	–	(1,492)	**(1,492)**
Net cash flow from investing activities	(2,878)	(6,217)	(1,505)	**(10,600)**
Net cash outflow – acquisitions	(2,878)	(6,217)	(2,997)	**(12,092)**

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.

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 the Group has 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.

Balance sheet disclosures at 31 December 2024

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 2024 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% (2023: 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 2024 £000	Asset allocation	Valuation 2023 £000	Asset allocation	Valuation 2022 £000	Asset allocation
Equities						
UK equity funds	**–**	**–**	–	–	6,616	9.4%
Overseas equity funds	**–**	**–**	–	–	13,671	19.4%
Multi-asset diversified growth funds	**2,879**	**4.5%**	10,198	14.1%	12,674	18.0%
Bonds						
Liability-driven investment funds	**32,589**	**50.8%**	32,052	44.2%	23,352	33.1%
Other						
European loan fund	**–**	**–**	–	–	6,546	9.3%
Secured property income fund	**–**	**–**	–	–	5,670	8.0%
Multi-asset credit funds	**10,234**	**16.0%**	9,824	13.5%	–	–
Securitised credit funds	**16,895**	**26.3%**	13,047	18.0%	–	–
Cash	**1,511**	**2.4%**	7,402	10.2%	1,957	2.8%
Fair value of scheme investments	**64,108**	**100.0%**	72,523	100.0%	70,486	100.0%
Present value of scheme liabilities	**(54,472)**		(62,602)		(60,287)	
Pension scheme surplus	**9,636**		9,921		10,199	

Assumptions

The Scheme's liabilities at 31 December 2024 were calculated on the following bases as required under IAS 19:

	2024	2023	2022
Discount rate	**5.50%**	4.50%	4,80%
Rate of increase in salaries	**0.00%**	0.00%	0.00%
Rate of increase in pensions in payment	**3% or 5% for fixed increases or 3.03% 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	3% or 5% for fixed increases or 3.17% for LPI. 2.09% post 5 April 2006
Spouse's pension assumption			
– Pensioners (male/female)	**84%/60%**	84%/60%	75%/75%
– Deferred members (male/female)	**87%/76%**	87%/76%	75%/75%
PIE take up rate	**60%**	60%	65%
Inflation assumption (RPI)	**3.20%**	3.20%	3.40%
Inflation assumption (CPI)	**2.80%**	2.70%	2.80%
Life expectancy beyond normal retirement age of 65			
Scheme members aged 55			
Male	**22.3 years**	22.3 years	22.6 years
Female	**24.1 years**	24.0 years	24.2 years
Scheme members aged 65			
Male	**21.8 years**	21.8 years	22.0 years
Female	**23.4 years**	23.3 years	23.4 years
Average uplift for GMP service	**0.40%**	0.40%	0.40%

23. Retirement benefit obligations (cont)

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:

	2024 £000	2023 £000
Assumptions		
Discount rate movement of +3.0%	**19,605**	22,531
Inflation rate movement of +0.25%	**(521)**	(599)
Mortality movement of +0.1 year in age rating	**123**	141

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.

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.

	2024 £000	2023 £000
Movement in the scheme surplus during the year		
At 1 January	**9,921**	10,199
Administration costs incurred	**(361)**	(71)
Contributions from sponsoring employers	**–**	1,250
Net finance income (note 4)	**438**	510
Remeasurement of pension scheme surplus in the year	**(362)**	(1,967)
At 31 December	**9,636**	9,921
Analysis of amounts charged to profit before tax		
Administration costs incurred	**(361)**	(71)
Net finance income	**438**	510
Pension net income credited to profit before tax	**77**	439
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	**(6,933)**	1,543
Changes due to scheme experience	**502**	(1,695)
Changes in financial assumptions underlying the present value of scheme liabilities	**6,069**	(1,815)
Remeasurement of the pension scheme liability recognised in the statement of other comprehensive income	**(362)**	(1,967)

	2024 £000	2023 £000
Movement in the fair value of scheme investments		
At 1 January	**72,523**	70,486
Interest income	**3,160**	3,313
Return on scheme investments (excluding amount shown in interest income)	**(6,933)**	1,543
Contributions from sponsoring employers	**–**	1,250
Administration costs incurred	**(361)**	(71)
Benefits paid	**(4,281)**	(3,998)
At 31 December	**64,108**	72,523
Movement in the present value of scheme liabilities		
At 1 January	**(62,602)**	(60,287)
Interest cost	**(2,722)**	(2,803)
Changes due to scheme experience	**502**	(1,695)
Changes in assumptions underlying the scheme liabilities	**6,069**	(1,815)
Benefits paid	**4,281**	3,998
At 31 December	**(54,472)**	(62,602)

The history of experience adjustments and actual returns on scheme assets and scheme liabilities is as follows:

	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000
Present value of defined benefit obligations	**(54,472)**	(62,602)	(60,287)	(92,156)	(100,901)
Fair value of scheme investments	**64,108**	72,523	70,486	100,423	99,430
Pension scheme surplus/(deficit)	**9,636**	9,921	10,199	8,267	(1,471)
Actual return on scheme investments					
Amount	**(3,773)**	4,856	(27,589)	2,605	12,406
Percentage of scheme investments	**(5.9%)**	6.7%	(39.1%)	2.6%	12.5%
Experience adjustment on scheme liabilities					
Amount	**6,571**	(3,510)	29,393	6,939	(8,543)
Percentage of scheme liabilities	**12.1%**	(5.6%)	48.8%	7.5%	(8.5%)
Experience adjustment on scheme investments					
Amount	**(6,933)**	1,543	(29,475)	1,273	10,655
Percentage of scheme investments	**(10.8%)**	2.1%	(41.8%)	1.3%	10.7%

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 £3,460,000 (2023: £2,904,000). Contributions amounting to £266,000 (2023: £253,000) 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 2024	Number of shares 2023
Outstanding at 1 January	**1,956,238**	1,771,542
Awarded during the year	**744,430**	789,587
Vested during the year	**(628,265)**	(604,891)
Outstanding at 31 December	**2,072,403**	1,956,238

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.

Notes to the financial statements (cont)

For the year ended 31 December 2024

24. Share-based payments (cont)

A nil cost option award was granted under The Macfarlane Group PLC Long Term Incentive Plan in March 2022 based on 100% of salary. The performance condition requires EPS in 2024 to be between 10.16p and 12.19p 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 2024, 2025 and 2026 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.

A nil cost option award was granted under The Macfarlane Group PLC Long Term Incentive Plan in March 2021 based on 100% of salary. The performance condition required EPS in 2023 to be between 7.95p and 9.54p for between 25%-100% of this part of the award to vest, working on a straight-line basis. The 2021 vesting at 100% and dividend equivalent awarded in shares were confirmed by the Remuneration Committee at its meeting on 26 February 2024. The total number of shares vesting were 628,265.

The Group recognised a credit of £270,000 (2023: expense of £586,000) in 2024 relating to equity-settled long-term incentive plan awards on the basis that the 2021 awards vested at 100% (2023: 100%), the 2022 awards had an estimated probability of vesting of 0% (2023: 50%), the 2023 awards had an estimated probability of vesting of 0% (2023: 49%) and the 2024 awards had an estimated probability of vesting of 0%.

25. Post balance sheet event

On 10 January 2025, MGUK acquired 100% of the protective packaging manufacturer and distributor The Pitreavie Group Limited and its subsidiary Pitreavie Packaging Limited ('Pitreavie') based in Scotland for a maximum cash consideration of £18.0m, including a deferred contingent consideration of £4.0m payable over two years. In addition, an estimated completion adjustment was paid to MGUK of £3.4m with net debt inherited of £4.1m.

Pitreavie is a leading player in Scotland in the design, manufacturing and distribution of protective packaging, primarily in the food & drink, energy, electronics and industrial sectors, with more than 150 employees.

Due to the recent nature of the acquisition and size of the transaction, the Group is in preliminary stages of its fair value assessment of the assets required and the liability assumed under IFRS 3 Business Combinations. The completed fair value exercise and provisional disclosures will be reported in the Group's 2025 interim results.

26. Related party transactions

The Group has related party relationships with

(i) its subsidiaries, listed on page 135,

(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*'.

	2024 £000	2023 £000
Directors' remuneration	**1,701**	2,147
Employer's national insurance contributions	**231**	287
	1,932	2,434

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 £67,000 were paid in respect of these shareholdings in 2024 (2023: £50,000).

Disclosures in relation to the pension schemes are set out in note 23.

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.

Company balance sheet

For the year ended 31 December 2024

	Note	2024 £000	2023 £000
Non-current assets			
Property, plant and equipment	28	**33**	33
Right-of-use assets	29	**60**	75
Investments	30	**28,370**	28,370
Retirement benefit obligations	40	**3,469**	3,572
Trade and other receivables	32	**35,505**	35,086
Total non-current assets		**67,437**	67,136
Current assets			
Trade and other receivables	32	**3,914**	3,533
Cash and cash equivalents		**194**	435
Total current assets		**4,108**	3,968
Total assets		**71,545**	71,104
Current liabilities			
Trade and other payables	33	**2,479**	3,885
Lease liabilities	35	**16**	15
Provisions	34	**825**	–
Total current liabilities		**3,320**	3,900
Net current assets		**788**	68
Non-current liabilities			
Deferred tax liabilities	31	**868**	894
Lease liabilities	35	**53**	69
Provisions	34	**–**	825
Total non-current liabilities		**921**	1,788
Total liabilities		**4,241**	5,688
Net assets		**67,304**	65,416
Equity			
Share capital	36	**39,900**	39,738
Share premium	37	**14,496**	13,981
Own shares	37	**(37)**	(16)
Profit and loss account	37	**12,945**	11,713
Total equity	38	**67,304**	65,416

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 £8,006,000. 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 27 February 2025 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 2024

	Note	Share capital £000	Share premium £000	Own shares £000	Retained earnings £000	Total £000
At 1 January 2023		39,584	13,573	(7)	12,168	65,318
Comprehensive income						
Profit for the year		–	–	–	5,450	5,450
Remeasurement of pension scheme liability	40	–	–	–	(606)	(606)
Tax on remeasurement of pension scheme liability	31	–	–	–	152	152
Total comprehensive income		–	–	–	4,996	4,996
Transactions with shareholders						
Dividends	6	–	–	–	(5,484)	(5,484)
New shares issued		154	408	(9)	(553)	–
Share-based payments	24	–	–	–	586	586
Total transactions with shareholders		154	408	(9)	(5,451)	(4,898)
At 31 December 2023		**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**

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 2024

27. 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 21.

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 and inflation rate 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 2024 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 2024 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.

27. Significant accounting policies (cont)

Non-derivative financial instruments

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

Trade and other 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 2024 is 4.0%.

Movements in lease liabilities during 2024 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.

27. Significant accounting policies (cont)

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.

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 2024 and 31 December 2024	**173**	**173**
Depreciation		
At 1 January 2024	**140**	**140**
Charge for the year	**–**	**–**
At 31 December 2024	**140**	**140**
Net book value		
At 31 December 2024	**33**	**33**
At 31 December 2023	33	33

29. Right of use assets

Property	£000
Cost	
At 1 January 2024 and 31 December 2024	**148**
Depreciation	
At 1 January 2024	**73**
Charge for year	**15**
At 31 December 2024	**88**
Net book value	
At 31 December 2024	**60**
Net book value	
At 31 December 2023	75

30. Investments

Investment in subsidiaries at cost	**2024 £000**	2023 £000
At 1 January and 31 December	**28,370**	28,370

Details of the principal operating subsidiaries are set out on page 135.

31. Deferred tax liability

	2024 £000	2023 £000
Deferred tax on pension scheme surplus		
At 1 January	**894**	894
Credited to reserves	**(33)**	(152)
Charged to profit and loss account	**7**	152
At 31 December	**868**	894

32. Trade and other receivables

	2024 £000	2023 £000
Due within one year		
Amounts owed by subsidiary undertakings	**3,539**	3,000
Other receivables	**203**	172
Prepayments and accrued income	**136**	127
Deferred tax asset (see below)	**36**	234
	3,914	3,533
Deferred tax asset – Corporation tax losses/timing differences		
At 1 January	**234**	4
(Charged)/credited to profit and loss account	**(198)**	230
At 31 December	**36**	234
Due after more than one year		
Amounts owed by subsidiary undertakings	**35,505**	35,086

Amounts owed by subsidiary undertakings attract interest at normal commercial rates.

33. Trade and other payables

	2024 £000	2023 £000
Trade creditors	**449**	593
Amounts owed to subsidiary undertakings	**985**	–
Other taxation and social security	**33**	47
Deferred contingent consideration	**–**	1,518
Accruals and deferred income	**1,012**	1,727
	2,479	3,885

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 2027 with options to extend a further two years 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 2024 by the subsidiary company, Macfarlane Group UK Limited amounted to £14.8m (2023: £7.4m).

34. Provisions

	Property £000
At 1 January 2024 and 31 December 2024	**825**

The provision is due within one year. Property provisions relate to sums due in respect of dilapidations.

35. Lease liabilities

	2024 £000	2023 £000
Amounts due under leases		
Within one year	**16**	15
Between one and five years	**53**	69
Total amount due	**69**	84
Due within one year	**(16)**	(15)
Due after more than one year	**53**	69
At 1 January	**84**	99
Repayments under leases	**(15)**	(15)
At 31 December	**69**	84

36. Share capital

	Number of 25p shares	2024 £000	2023 £000
Called up, allotted and fully paid:			
At 1 January	**158,952,000**	**39,738**	39,584
Issued during the year	**648,000**	**162**	154
At 31 December	**159,600,000**	**39,900**	39,738

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.

On 19 March 2024, the Company issued 648,000 ordinary shares of 25p at a value of 104.4p to settle 2021 share awards under the Company's 2016 Performance Share Plan.

37. Reserves

	Share premium £000	Own shares £000	Profit and loss account £000	Total £000
Balance at 1 January 2023	13,573	(7)	12,168	25,734
Profit for the year	–	–	5,450	5,450
Dividends paid (note 6)	–	–	(5,484)	(5,484)
Issue of new shares	408	(9)	(553)	(154)
Post-tax remeasurement of pension scheme liability taken direct to reserves	–	–	(454)	(454)
Share-based payments (note 24)	–	–	586	586
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 remeasurement of pension scheme liability taken direct to reserves	**–**	**–**	**(98)**	**(98)**
Share-based payments (note 24)	**–**	**–**	**(270)**	**(270)**
Balance at 31 December 2024	**14,496**	**(37)**	**12,945**	**27,404**

38. Reconciliation of movements in shareholders' funds

	2024 £000	2023 £000
Profit for the year	**8,006**	5,450
Dividends to equity holders in the year	**(5,750)**	(5,484)
Post-tax remeasurement of pension scheme liability taken direct to equity	**(98)**	(454)
Share-based payments	**(270)**	586
Movements in shareholders' funds in the year	**1,888**	98
Opening shareholders' funds	**65,416**	65,318
Closing shareholders' funds	**67,304**	65,416

39. Operating profit

	2024 £000	2023 £000
Operating profit for the parent company has been arrived at after charging:		
Depreciation on property, plant and equipment	**–**	7
Depreciation on right-of-use assets	**15**	14
Auditor's remuneration – Audit services	**84**	69
– Non-audit services	**–**	16

Staff costs

	2024 No.	2023 No.
The average monthly number of employees was:		
Administration	**10**	10

	2024 £000	2023 £000
The costs incurred in respect of these employees were:		
Wages and salaries	**1,317**	2,008
Social security costs	**169**	264
Other pension costs	**45**	41
Share-based payments (note 24)	**(270)**	586
	1,261	2,899

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 the 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.

40. Retirement benefit obligations (cont)

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 the Group has 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.

Balance sheet disclosures at 31 December 2024

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 2024 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.

The ability to realise the Scheme's investments at, or close to, fair value was considered when setting the investment strategy. 100% (2023: 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:

	2024 £000	2023 £000	2022 £000
Investment class			
Equities	–	–	7,100
Multi-asset diversified funds	1,036	3,671	4,436
Liability-driven investment funds	11,732	11,539	8,173
European loan fund	–	–	2,291
Secured property income fund	–	–	1,984
Multi asset credit funds	3,684	3,537	–
Securitised credit funds	6,082	4,697	–
Cash	545	2,665	686
Fair value of scheme investments	23,079	26,109	24,670
Present value of scheme liabilities	(19,610)	(22,537)	(21,100)
Pension scheme surplus	3,469	3,572	3,570

The Scheme's liabilities at 31 December 2024 were calculated on the following bases as required under IAS19:

Assumptions	2024	2023	2022
Discount rate	5.50%	4.50%	4,80%
Rate of increase in salaries	0.00%	0.00%	0.00%
Rate of increase in pensions in payment	3% or 5% for fixed increases or 3.03% 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	3% or 5% for fixed increases or 3.17% for LPI. 2.09% post 5 April 2006
Spouse's pension			
– Pensioners (male/female)	84%/60%	84%/60%	75%/75%
– Deferred members (male/female)	87%/76%	87%/76%	75%/75%
PIE take up rate	60%	60%	65%
Inflation assumption (RPI)	3.20%	3.20%	3.40%
Inflation assumption (CPI)	2.80%	2.70%	2.80%
Life expectancy beyond normal retirement age of 65			
Members aged 55			
Male	22.3 years	22.3 years	22.6 years
Female	24.1 years	24.0 years	24.2 years
Members aged 65			
Male	21.6 years	21.8 years	22.0 years
Female	23.4 years	23.3 years	23.4 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 34% of the Group Scheme surplus.

	2024 £000	2023 £000
Movement in scheme surplus during the year		
At 1 January	3,572	3,570
Administration costs incurred	(130)	(26)
Company contributions	–	450
Net finance income	158	184
Remeasurement of pension scheme surplus in the year	(131)	(606)
At 31 December	3,469	3,572
Analysis of amounts charged to operating profit		
Administration costs incurred	(130)	(26)
Pension cost charged to operating profit	(130)	(26)
Analysis of amounts charged to other financial charges		
Expected return on pension scheme investments	1,138	1,193
Interest cost of pension scheme liabilities	(980)	(1,009)
Other financial net income	158	184
Analysis of the remeasurement of the scheme surplus		
Return on scheme assets (excluding amount shown in interest income)	(2,497)	1,261
Changes due to scheme experience	181	(1,214)
Changes in financial assumptions underlying the present value of scheme liabilities	2,185	(653)
Remeasurement of the pension scheme surplus	(131)	(606)
Movement in the fair value of scheme assets		
At 1 January	26,109	24,670
Interest income	1,138	1,193
Return on scheme assets (excluding amounts shown in interest income)	(2,497)	1,261
Contributions from the Company	–	450
Administration costs incurred	(130)	(26)
Benefits paid	(1,541)	(1,439)
At 31 December	23,079	26,109

Notes to the Company financial statements (cont)

For the year ended 31 December 2024

40. Retirement benefit obligations (cont)

	2024 £000	2023 £000
Movement in the present value of scheme liabilities		
At 1 January	**(22,537)**	(21,100)
Interest cost	**(980)**	(1,009)
Actuarial gain/(loss) in the year	**2,366**	(1,867)
Benefits paid	**1,541**	1,439
At 31 December	**(19,610)**	(22,537)

	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000
Present value of defined benefit obligations	**(19,610)**	(22,537)	(21,100)	(32,254)	(40,360)
Fair value of scheme investments	**23,079**	26,109	24,670	35,148	39,771
Pension scheme surplus/(deficit)	**3,469**	3,572	3,570	2,894	(589)
Return on scheme investments	**(1,359)**	2,454	(9,656)	(3,844)	5,864
Percentage of scheme investments	**(5.9%)**	9.4%	(39.1%)	(10.9%)	14.7%
Experience adjustment to scheme investments	**(2,497)**	1,261	(10,316)	(4,311)	5,164
Percentage of scheme investments	**(10.8%)**	4.8%	(41.8%)	(12.3%)	13.0%
Experience adjustment on scheme liabilities	**2,366**	(1,867)	10,321	7,342	(3,466)
Percentage of scheme liabilities	**12.1%**	(8.3%)	48.9%	22.8%	(8.6%)

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 £45,000 (2023: £41,000) with contributions £10,000 (2023: £10,000) of 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		Principal activities	Country of registration
Macfarlane Group UK Limited[1] Coventry	Tel: 02476 511511	Supply and distribution of all forms of packaging materials and equipment. Design and manufacture of specialist packaging.	England
Nelsons for Cartons & Packaging Limited[1] Leicester	Tel: 0116 2641050	Supply and distribution of all forms of packaging materials and equipment.	England
Carters Packaging Limited[1] Redruth	Tel: 01209 204777	Supply and distribution of all forms of packaging materials and equipment.	England
GWP Group Limited[1] Swindon	Tel: 01793 754444	Design and manufacture of specialist packaging.	England
Nottingham Recycling Limited[1] Nottingham	Tel: 0115 986 7181	Recovery of waste paper and corrugated board for recycling.	England
Macfarlane Group B.V.[2] Hoofddorp	Tel: 00 31 235689207	Supply and distribution of all forms of packaging materials and equipment.	Netherlands
Macfarlane Packaging Ireland Limited[3] Wicklow	Tel: 00 353 1281 0234	Supply and distribution of all forms of packaging materials and equipment.	Ireland
PackMann Gesellschaft für Verpackungen und Dienstleistungen mbH[5] Eppelheim	Tel: 00 49-6221 759090	Supply and distribution of all forms of packaging materials and equipment.	Germany
A.E. Sutton Limited[6] Chatteris	Tel: 01354 693171	Design and manufacture of specialist packaging.	England
Gottlieb Packaging Materials Limited[1] Manchester	Tel: 0161 872 0983	Supply and distribution of all forms of packaging materials and equipment.	England
Barum & Dewar Limited[4] Barnstaple	Tel: 01271 375197	Design and manufacture of specialist packaging.	Scotland
B&D Foam Limited[4] Southampton	Tel: 02380 811180	Design and manufacture of specialist packaging.	Scotland
Allpack Packaging Supplies Limited[1] Bury St Edmunds	Tel: 01359 242116	Supply and distribution of all forms of packaging materials and equipment.	England
Polyformes limited[1] Leighton Buzzard	Tel: 01525 852444	Design and manufacture of specialist packaging.	England

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
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

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 11 April 2025
Annual General Meeting – Held in Glasgow on 13 May 2025

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. SC 004221
Registered in Scotland

Company Secretary
James Macdonald

Registered office
3 Park Gardens
Glasgow G3 7YE
Telephone: 0141 333 9666
Email: info@macfarlanegroup.com

Principal bankers
Bank of Scotland PLC
110 St. Vincent Street
Glasgow G2 5ER

Solicitors
CMS Cameron McKenna
Nabarro Olswang LLP
1 West Regent Street
Glasgow G2 1AP

Wright Johnston & Mackenzie LLP
319 St. Vincent Street
Glasgow G2 5RZ

Stockbrokers
Shore Capital Stockbrokers Limited
Cassini House
57-58 St James's Street
London SW1A 1LD

Independent auditor
Deloitte LLP
110 Queen Street
Glasgow G1 3BX

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Designed and produced by Thunderbolt Projects.