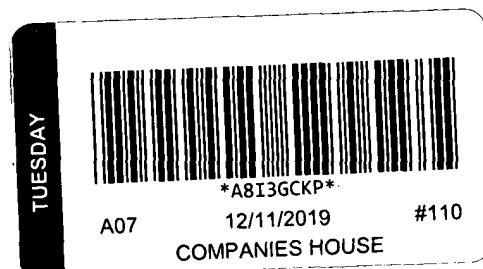


Company number: 02798634



Progress with 'Growth'; reinvigorating 'Prepare'

McBride plc Annual Report and Accounts 2019

Contents

1

Strategic report

An overview of key actions and events in 2018 and early 2019 together with our priorities as we move forward.

Strategic report

Highlights	2
Chairman's statement	4
Business model	6
Investment case	8
Business review from the Interim CEO	9
Strategic progress	10
Executive review	14
Our KPIs	20
Strategy in action	21
Principal risks and uncertainties	24
Group non-financial information statement	28
Corporate responsibility	29

35

Corporate governance

Introduced by our Chairman, John Coleman, this section provides information on how the Company is governed and the activities of the Board.

Corporate governance

Board of Directors	36
Corporate governance report	38
Audit Committee report	44
Nomination Committee report	48
Remuneration report	50
Shareholder engagement	66
Other statutory information	67
Statement of Directors' responsibilities	70

71

Financial statements

Includes our financial statements, notes and auditor's report for the Group.

Financial statements

Independent auditor's report	72
Consolidated income statement	78
Consolidated statement of comprehensive income	79
Consolidated balance sheet	80
Consolidated cash flow statement	81
Reconciliation of net cash flow to movement in net debt	82
Consolidated statement of changes in equity	83
Notes to the consolidated financial statements	84
Company balance sheet	124
Company statement of changes in equity	125
Notes to the Company financial statements	126

134

Additional information

Additional information

Group five-year summary	134
Useful information for shareholders	135
Advisers	IBC

Welcome to the McBride plc Annual Report and Accounts

McBride is the leading European manufacturer and supplier of Contract Manufactured and Private Label products for the domestic Household and professional cleaning/hygiene markets. Headquartered in Manchester, UK, McBride operates across twelve countries, with 15 manufacturing facilities producing 1.0 billion units a year, and employs 3,400 people globally.

Established in 1927, McBride boasts a strong heritage. We are the private label experts in our segments, with the scale to offer our development and manufacturing capabilities to customers in the UK, Continental Europe and Asia Pacific.

top 10 customers represent

50%
of revenues

top 5 European economies represent

76%
of revenues

15
manufacturing facilities

over
98%
of our packaging is recyclable

3,400
employees globally

our products are used
850
times every second of each day

1bn
units sold

business activities outside the UK
76%

supply
49
of Europe's top 50 grocery retailers

United Kingdom

- Barrow
- Manchester⁽¹⁾
- Middleton

Continental Europe

- Bagnatica
- Estaimpuis
- Etain
- Foetz
- Hammel
- Holstebro
- Ieper HH
- Moyaux
- Rosporden
- Sallent
- Strzelce

Asia Pacific

- Hong Kong⁽¹⁾
- Ho Chi Minh City
- Kuala Lumpur
- Melbourne⁽¹⁾

(1) Offices.

Highlights

2019 overview

The past year has seen a shortfall in profit performance versus our core ambitions. The actions taken over the past three years have enabled the Group to improve its competitive advantage and market share in most product ranges, despite difficult trading conditions.

Revenue (£m)^(a)

2019	743.2
2018	755.0
2017	705.2
2016	680.9
2015	704.2

⊖ £11.8m ⊖ 1.6%

(a) 2019 revenue on a continuing basis is £721.3 million (2018: £689.8m).

Debt/adjusted EBITDA⁽¹⁾

2019	2.6
2018	2.1
2017	1.2
2016	1.7
2015	1.9

⊕ 0.5x ⊕ 23.8%

Adjusted operating profit (£m)^(b,2)

2019	28.1
2018	36.2
2017	41.5
2016	36.2
2015	28.5

⊖ £8.1m ⊖ 22.4%

(b) 2019 adjusted operating profit on a continuing basis is £28.9 million (2018: £37.7m).

Adjusted diluted EPS (pence)^(c,3)

2019	9.4
2018	12.1
2017	13.1
2016	11.1
2015	8.3

⊖ 2.7p ⊖ 22.3%

(c) 2019 adjusted diluted EPS on a continuing basis is 9.7 pence.

Operating profit (£m)^(d,4)

2019	20.8
2018	13.1
2017	39.8
2016	32.9
2015	9.7

⊕ £7.8m ⊕ 59.5%

(d) 2019 operating profit on a continuing basis is £26.6 million (2018: £31.8m).

Diluted EPS (pence)^(e)

2019	4.4
2018	1.9
2017	4.9
2016	9.3
(0.4) 2015	

⊕ 2.5p ⊕ 131.6%

(e) 2019 diluted EPS on a continuing basis is 6.5 pence.

(1) Adjustments were made for the amortisation of intangible assets, exceptional items and depreciation.

(2) Adjustments were made for the amortisation of intangible assets and exceptional items.

(3) Adjustments were made for the amortisation of intangible assets, exceptional items, non-cash financing costs from unwind of discount on initial recognition of contingent consideration; unwind of discount on provisions and any related tax.

(4) Continuing operating profit after exceptional items.

(5) The use of the expression 'underlying' refers to figures excluding the impact of acquisitions or disposals and stated at constant currency.

(6) Underlying interest refers to figures excluding unwind discount on environmental remediation provision and prior year exceptional finance costs.

Strategic highlights

- Clear delivery against 'Prepare' objectives:
 - Sale of PC Liquids completed
 - Consolidation of Aerosols operations to single site, closure of Hull site during fourth quarter
 - Danlind IT and organisation integration completed
- Reinvigorated programme of 'catch-up' and new 'Prepare' actions launched
- Investment plan ongoing for key categories, two new production lines added in year
- Despite a tough retail and competitive environment, encouraging net growth in underlying revenue achieved in the year:
 - Good growth in the UK, Spain, Germany and Asia
 - Progress in auto dishwash, capsules and fabric conditioner categories
 - Ongoing weakness in French and North markets

Financial highlights

Continuing operations

- Reported revenues £721.3m (2018: £689.8m), 4.6% higher
- Underlying revenues⁽⁵⁾ at constant currency 2.7% higher, 3.7% excluding Aerosols
- Third year of significant direct cost and logistics inflation
- Customer price increase secured across a range of products and markets, protecting margin
- Adjusted operating profit⁽²⁾ of £28.9m, lower by £8.8m
- Operating profits of £26.6m (2018: £31.8m)
- Adjusted⁽⁶⁾ finance costs down to £4.4m, from £4.5m
- Adjusted profits before tax of £24.5m (2018: £33.2m)
- Profits before tax £22.0m, lower by £4.5m
- Adjusted diluted EPS from continuing operations 23.6% lower at 9.7p (2018: 12.7p)

Total Group

- Net debt at £120.9m (2018: £114.3m), primarily reflecting working capital cut-off timing
- Full-year payment to shareholders proposed at 3.3p (2018: 4.3p)

Strategy in action

Danlind
page 21

Germany
page 21

Culture and People
page 22

Group Purchasing Team
page 22

Sustainability
page 23

Asia
page 23

Chairman's statement



A year of further progress with 'Prepare' and 'Grow' actions against a backdrop of a tough trading environment.

Dear shareholder

Welcome to the McBride 2019 Annual Report. The past year has proved a tough period for trading with significant further cost pressures and a retail environment still seeking price reductions often ahead of quality and reliability of supply.

Strategic progress

The last financial year has seen the Group busy with both 'Prepare' and 'Grow' initiatives. We saw encouraging growth in the year, especially in Germany and from further progress in our core growth categories, although at a slower rate in H2 than that seen in H1. This growth, coming earlier than originally anticipated, did affect progress with our 'Prepare' actions but also impacted some aspects of our core operational activities. Mid-year, a number of elements of our supply chain suffered as we normalised the new supply levels from the growth such that our high standards of customer service were negatively affected. Although progress has been made to recover our service performance, we recognise the importance to our customers to further improve this key element of our offer. Our 'Prepare' actions have continued to develop, even beyond some of the original scope, and include initiatives such as segmentation, further category investments, footprint reviews, Integrated Business Planning and a re-launch of our HR strategy. Further detail is included on pages 10 to 11.

A key action for 'Prepare' concerned underperforming businesses. The Group has been active in actions surrounding the loss-making Personal Care & Aerosols (PCA) activities. During the year we have completed the closure of the Hull Aerosols site and completed the sale of our European Personal Care Liquids operations.

We continue to make promising progress on revenue growth in the new financial year, however this is likely to be offset by volume losses from competitive pressure as a result of our actions last year to recover increased input costs.

Results

The Group's financial performance in the year was disappointing and behind our ambitions, despite encouraging growth in revenues.

Full-year continuing Group revenues increased by £31.5 million (4.6%) on the prior year, aided by the full-year effect of the acquisition of Danlind. For the continuing business, full-year underlying sales were higher by £18.5 million (2.7%).

In total the Group has absorbed the significant impact from the combined difficult deflationary retail environment and input cost rises putting pressure on margins. On a continuing operations basis, adjusted operating profit for the year reduced by £8.8 million to £28.9 million (2018: £37.7m) with adjusted operating profit margin decreasing to 4.0% (2018: 5.5%).

This reduction in profit as a result of these adverse margin pressures were mitigated by certain pricing actions and ongoing overhead cost management.

Household underlying revenues were up by 3.7% in the year, with a first half growth rate of 6.0% slowing to 1.6% in second half. Household sales growth was driven primarily from contract wins in Germany and UK growth following further contract wins.

Adjusted profits before tax from continuing operations reduced by £8.7 million to £24.5 million (2018: £33.2m). Diluted adjusted earnings per share was 9.4 pence (2018: 12.1p).

Payments to shareholders

The Group's dividend policy is to distribute earnings to shareholders in line with earnings at a cover of 2-3x. In light of the lower earnings levels this year, the Board is recommending a full-year payment to shareholders of 3.3 pence.

Brexit

As I write this report, the method by which the UK leaves the EU is still unclear. As indicated previously, the key challenges for the Group concern chemical regulation, cross-border trading, employment and citizen rights. We have established plans for ensuring customers continue to receive product in case of disruption at ports from a hard Brexit and continue to monitor the latest developments with regulatory matters.

Governance

The Board remains focused on ensuring that the UK Corporate Governance Code's principles of leadership and board effectiveness are applied. My introduction to the Corporate governance report on page 38 sets out how the Board has complied with the principles of the UK Corporate Governance Code 2016 ('the Code'), which applied throughout the financial year ended 30 June 2019.

Board

In May 2019, we announced that our CEO, Rik De Vos, had decided to step down from his position. On behalf of the Board, I wish him well in his future endeavours. The search for Rik's successor is progressing well and an update will be provided in due course. In the interim period, our CFO, Chris Smith, has taken on the role of Interim CEO. Towards the end of the financial year, the Board has welcomed two new Non-Executive Directors. Igor Kuzniar, Managing Partner at Teleios Capital Partners, our largest shareholder, and Jeff Nodland, former CEO of KIK Custom Products Inc., will bring added expertise and insight to the current Board team. Biographies for Igor and Jeff are included on page 37. My thanks to all the Board members for their valuable contribution in the past year.

Our people

The Board understands and fully appreciates just how much our progress relies on the effort, personal commitment, enthusiasm, energy and initiative of our employees. I would like to take this opportunity, on behalf of the Board, to personally thank all of them both for their dedicated efforts during the last year and their continuing commitment to the Group's ongoing progress and development.

Looking ahead

The Group has made good progress on its ambition to be the leading private label business in Europe. While our profit levels fell short of our ambitions last year, our revenue growth progress is encouraging and our re-invigorated 'Prepare' programme will further enhance the platform for future profitable growth.

John Coleman
Chairman

5 September 2019



Business model

Driving long-term competitive advantage

We strive to continually improve our cost competitiveness through a focus on operational excellence and leveraging our scale.

External drivers

Input costs

Chemicals, plastic, packaging and logistics costs are major parts of our cost base. Volatile pricing feeds into margins; customer pricing arrangements generally don't see these changes reflected immediately in revised prices.

Regulatory environment

McBride embraces initiatives to improve safety for the consumer. More stringent regulations concerning the production, use and application of our type of products can drive a cost increase in the development, production, distribution and use of products.

Channel and Discounters

Changing consumer habits and the battleground between discounters and retailers means that McBride must be present in many channels, including in emerging arenas of pound stores and online. Discounters have seen a steady increase in sales across Europe, with their combined market share expected to reach 22.0% by 2022. Most products offered by discounters are usually private label, as they compete on a superior price/quality offer with a simple range rather than offering a wider choice of brands.

Concentration

The retail markets in many of the countries in which we operate are highly concentrated with a limited number of supermarket retailers, resulting in fierce competition. Retailers will increasingly rely on sophisticated large private label manufacturers to assist them with a range of options to deliver competitive advantage.

Brand owners

Brand owners often use private label suppliers to co-manufacture their products, however, recently an increase in the demand for longer-term, more structural arrangements is evident. For McBride, this is no different from direct supply to major retail customers, while such contracts support the objective of maximisation of asset utilisation.

Consumers

Consumers are becoming more dynamic and mobile in their shopping habits. The desire for value and convenience are growing aspects of shopping behaviour. The response from the different channel players is diverse. With our staple products, overall demand patterns are steady and change only over extended time horizons.

Sustainability

The impact of sustainability awareness is increasingly affecting McBride and the sector more widely. Whether it be chemical use, packaging formats, energy usage or freight options, McBride seeks to position itself in order to support customers in their sustainability strategies.

Growth

Market research indicates that the European macroeconomic climate will not deliver substantial overall growth in our key territories in the foreseeable future. Growth rates in a number of product categories provide opportunity for McBride. Market share of private label versus brands is relatively stable in our categories, although some markets are starting to see retailers favour private label Household products, in the same way as they have done already in other grocery categories.

We seek to provide our customers a compelling overall offer balancing the customers' price, service and quality priorities for the products they require.

McBride positioning and differentiation

Manufacturing excellence

'Manufacturing excellence' is an investment programme targeted at an optimised asset configuration supporting our market and growth ambitions. Continued investment in existing assets will further improve our operational cost and will be extended to additional investments, upgrading our five 'Anchor' sites, Estaimpuis, Foetz, Ieper, Middleton and Strzelce. Our strong asset base creates the opportunity to further develop manufacturing agreements with other industry players such as branders. This will give us a combined cost and efficiency leadership.

Customers

Our scale and reach across all key European markets enables McBride to provide customer oriented service propositions aligned with channel requirements. We seek to provide our customers a compelling overall offer balancing the customers' price, service and quality priorities for the products they require. Public company reputation and standards reassures customers of a long-term, sustainable supplier relationship.

Size to scale

McBride, as the largest player in the European market, can leverage its size by delivering scale benefits in such areas as purchasing, innovation, manufacturing excellence, legal know-how and customer relationship management. McBride's balance sheet provides the opportunity for selective acquisitions, delivering further scale benefits.

People

We focus on the development of our people, organisational capabilities and skills. As a pan-European employer, McBride has access to a wide variety of talent so that whatever we do, whatever organisation we build, McBride can deliver upon its ambition and promises – with its people engaged, developed and positively challenged.

Innovation

With visibility across all of Europe, our presence in selected products and markets, well-resourced technical teams and colleagues hungry to offer new ideas, McBride can be at the forefront of customer innovation. Whether this is in product ideas, supply chain improvements, packaging concepts or customer contract arrangements, McBride stands out as a leader in our industry.

Strategic objectives and value delivery

Sustainable profit streams

permitting appropriate investment in assets, retaining our leading position in the industry to deliver earnings growth to shareholders.

Maximise market-leading position

and size to deliver scale advantage for value creation and development of growth opportunities.

Our financial ambition

for adjusted operating profit margin (EBITA%) is 7.5% with ROCE targeted in the range 25%-30%.

Investment case

A market-leading position to deliver value

Our ambition is to further cement McBride as the leading player in our chosen markets with clear priorities towards selected products and channels. Through delivery of growth alongside McBride's size to scale advantages, the Group aims to deliver sustainable returns for the benefit of all stakeholders.

Market dynamics supporting McBride's growth ambition

With 82% of our revenues being supplied to European retailers, the development of retail markets in each region is important. The consolidation of retailers in many parts of Europe, the emergence of discount retailers and the drive by many established retailers to simplify their product ranges and supplier base all provide opportunities for McBride. Additional growth opportunities can come from the increasing activity by brand owners considering further outsourcing options. Our scale and geographic spread will be an ever more important factor for market supply and will allow us to capitalise on these growth prospects.

Competition is fragmented and often family owned

With a few exceptions, most competition in Europe is relatively local and narrow in the product ranges offered. With input costs currently at historically high levels and retailers generally seeking price deflation in Homecare products, many competitors are seeing margins squeezed. McBride's scale provides opportunity to mitigate these pressures, but our smaller competitors, many of whom are family owned, may not achieve this and hence offer acquisition opportunities for McBride over time.

Scale advantages are increasingly important

McBride's size delivers considerable scale advantage in many aspects of our input costs, especially raw materials, packaging and logistics costs. In the current retail environment, these benefits are vital in securing new, or retaining existing, business. Scale advantages extend however beyond pure purchasing activities; McBride is able to attract high quality staff, deploy leading IT solutions, bring in quality advisory support, be an industry expert and many other advantages.

Broad customer and product base provides diversification of opportunity and risk

The Group has well-established market positions in all of Europe's major economies and supplies its products to a very wide range of customers, including virtually all of Europe's leading retailers. Extensive product ranges permit our customers to source most key products from a reliable, reputable and long-standing supplier. The Group has manufacturing and product development facilities across Europe. Aligning our commercial activity to the specific regional market's requirements allows for customer focus whilst we continue to maximise synergies between our operating activities.

World-class manufacturing assets are key to our cost competitiveness and operational excellence

McBride's extensive network of manufacturing locations and assets offers unrivalled capacity and capability to both retailers for private label and branders and others for outsourced manufacturing. The market dynamics offer further opportunities that will require targeted investments into our key sites. These investments, aligned with our selective market and product offering, will allow for a substantial improvement in our cost competitiveness and operational excellence.

Cash generative business, providing annual dividend and capital growth opportunities

As a well-invested manufacturing business, McBride has the capacity for significant cash generation from its profitable trading. As appropriate, we will retain the flexibility to outspend depreciation for key capital opportunities. The business can generate good cash flows to provide the opportunity to return funds to shareholders, look for additional investment options, including acquisitions, and further reduce our borrowings.

Business review from the Interim CEO

Reinvigorating 'Prepare'



Despite difficult trading conditions, the actions taken over the past three years have enabled the group to improve its competitive advantage and market share in most product ranges.

Dear shareholder

The last financial year has been challenging for McBride. The inflationary environment of the past few years continued to impact the Group and the industry more widely, putting pressure on our core margins against a backdrop of a difficult retail environment. We have however remained aligned with our strategic direction, been busy with many 'Prepare' actions and have delivered encouraging Household growth.

Our underlying Household growth, excluding Aerosols, reached 3.7% for the full year, but with it came a number of challenges as we consolidated these volumes across our locations. Disappointingly, some customers saw our service levels fall to unacceptably low levels during the year, such that we incurred additional costs as we put actions in place to recover the situation and consequently decided to defer some 'Prepare' initiatives planned for the year.

Our service levels have recovered in the meantime, however I recognise there is still more to do in this regard and along with safety and quality, these are critical priorities for the entire management team.

A number of times through the year, the Group has flagged that persistent cost pressures, especially from materials and logistics, were giving ongoing margin challenges. The year has proved unpredictable for many chemical and packaging components, but in the end we have seen chemicals and packaging costs rise a further 1.9% on last year and our freight costs rise 13.3%. We have seen materials costs stabilise as we exited the financial year but logistics costs remain inflationary and as a result we will continue to remain prudent on overhead cost levels to mitigate and protect margins.

We have delivered on a number of key 'Prepare' actions and in this last financial year we have closed out the actions surrounding the underperforming Personal Care business, including the sale of the PC Liquids sites at Bradford and Ieper and the closure of the UK Aerosols site at Hull. These actions coupled with the sale of the Skincare business in 2018 means the loss-making European Personal Care activities have been reduced from five locations to a single Aerosols factory as we start the new financial year. We have also completed other key elements of our 'Prepare' plan, including the integration of the Danish business into McBride systems and organisation, installing two further production lines for Auto dishwasher and Laundry capsule growth and delivered the second of our leadership development programmes.

The deferred 'Prepare' actions have now been combined with a number of new initiatives which given the development of the industry in recent years, we now consider necessary to further prepare McBride for the future. We are reinvigorating the 'Prepare' phase internally as we enter the new financial year, with a number of key initiatives already underway such as logistics footprint, customer and product segmentation, IT tools and systems upgrade plans, further investment in growth categories and new business planning processes.

We have been active in a wide range of M&A opportunities during the past year and whilst none of these opportunities have so far successfully converted into acquisitions, we will remain active in monitoring opportunities and targets going forward.

As previously announced, the past year has seen a disappointing shortfall in profit performance versus our core ambitions. The actions taken over the past three years have enabled the Group to improve its competitive advantage and market share in most product ranges, despite difficult trading conditions.

Chris Smith
Interim Chief Executive Officer
5 September 2019

Strategic progress

Continuing 'Prepare', realising 'Growth'

At the launch of 'Repair, Prepare, Grow', we identified the 'Prepare' phase as a group of actions needed to ensure McBride would be ready and best prepared to realise our growth ambition.

During the past twelve months we have delivered progress and closed out actions in four of our key objective areas.

Prepare

Sales growth ambition defined

Our market analysis identified the products, channels and countries we should focus on in support of our overall growth ambition. We refresh this analysis frequently and our growth ambition remains unchanged.

Asset plan

Our investment programme is designed in support of the growth ambition and provides ongoing focus on growth categories. In the last year we deployed a further £18.5 million of capital investment.

Organisation and people

A development programme for our future leaders completed its second iteration recently and our organisation design has been adapted during the year to support our growth ambitions.

Underperforming sectors

Our break-even Asia business is now making healthy profits. The Group exited its loss-making PC Liquids business in November 2018. The loss-making Aerosols business has been reduced to a single site operation following the closure of the Hull facility in April 2019.

The actions to be addressed in the 'Prepare' phase were identified and most commenced in mid 2017. Over the last financial year we have been busy with these actions, whilst delivering revenue growth ahead of our plans due to a number of significant contract wins.

As the Group absorbed significant volume growth over the past twelve months, inevitably a number of 'Prepare' actions had to be postponed.

Many of these actions are now underway, together with further initiatives which, given the development of the industry in the meantime, we consider necessary to further prepare McBride for the future.

We are reinvigorating the 'Prepare' phase internally as we enter the new financial year. These include:

Prepare

Customer/category segmentation

A clear methodology to support prioritisation and choices of customer focus and product category decisions, assisting the management of complexity and overheads.

Factory and logistics footprint

The development of a road-map for optimising our factory and warehousing footprint across Europe. Expanding facilities in Asia will support double-digit growth in Asia Pacific, especially Household products.

Integrated Business Planning (IBP)

Developing our existing sales and operations planning processes to follow the best practice IBP concept, extending our planning horizons with the objective of supporting operational excellence, improving customer service and minimising inventory levels.

Digital transformation

We are currently investing in latest generation collaboration tools to update our existing platforms. Developing an approach to update our general business systems and utilise leading applications for areas such as HR, planning manufacturing and product design.

Strategic progress continued

The overall market for household products in Europe is showing only modest growth. To ensure the Group can pursue its growth ambitions our focus is on key product categories and channels.

Grow

Channels

Overall across Europe, the larger format store retailers are losing share to the discounter and convenience chains. McBride will continue to develop its market share with these retailers whilst maintaining our traditional strong presence in the large format store retailers.

Categories

Fast growing categories such as laundry capsules and auto dishwash tablets are central to our growth ambitions and investment plans – we are the private label market leader in Europe in both these categories.

Contract Manufacturing

Branders continue to seek long-term partners who can provide outsource options for their production needs – the shape of this opportunity continues to evolve and we will pursue profitable opportunities, aligned to our overall strategy.

Geography

McBride is present in most European countries, many of which have retail environments with local characteristics. We can provide a European supply solution adapted to the needs and growth prospects of local markets.

This allows us to capture and exploit the growth segments within the industry and to develop a long-term sustainable growth path.

Grow

Asia

Our Asia business continues to flourish and is now embarking on an expansion plan to develop further our presence in Australasia and Asia Pacific. Our plans to expand will see an extension of our portfolio of Household products for the region.

Competition opportunity

Recent cost challenges for the industry coupled with continued margin pressures for retailers has placed many competitors into financial stress. Our financial position offers customers the certainty of supply security and a long-term relationship opportunity.

M&A

The household products private label industry in Europe comprises a limited number of larger multi-national players and at least 20 smaller, typically local suppliers. This provides opportunity for selective M&A activity to cement our leading positions in either product categories or geographies, subject to funding disciplines.

Since 2015, the Group has seen the following growth achievements in its targeted areas:

Capsule growth

+48%

ADW growth

+32%

Fabric conditioner growth

+25%

Discounter growth

+29%

Germany growth

+29%

McBride market share 2019

26%

Executive review



Despite a tough retail and competitive environment, the Group achieved encouraging overall underlying growth of 2.7% in the year. However, our profits fell short of our core ambitions as a result of a difficult input cost environment.

Group operating results

During the year, the Group successfully completed the sale of the PC Liquids business, following the disposal of its Skincare business in the Czech Republic the previous year. The financial results of both these businesses have been treated as discontinued operations in both the current and prior year financial statements. The remaining activities within the Group are referred to as continuing operations.

The use of the expression 'underlying' refers to figures excluding the impact of acquisitions or disposals and stated at constant currency.

Continuing operations

Income statement

Despite a tough retail and competitive environment, the Group achieved encouraging overall underlying growth of 2.7% in the year within its continuing operations. This was due to a combination of both contract wins and the positive impact of the Danlind acquisition on the Group offset by the impact of lower sales following the closure of our UK Aerosols manufacturing site.

Full-year Group revenues at £721.3 million were £31.5 million (4.6%) higher than the prior year. This was aided by a full year of revenues from Danlind, which was acquired in the second quarter of the prior year. On an underlying basis, full-year sales were £18.5 million, or 2.7% higher.

In Household, which now includes Asia, full-year underlying growth ended at 3.7% higher year-on-year. This performance was driven by significant year-on-year growth in Germany, the UK and Asia, offsetting continued challenges in our France and North markets. Aerosol revenues at constant currency declined 9.3% or £5.4 million year-on-year as a result of the exit of the UK Aerosols manufacturing site, which closed during the second half year.

Revenue by segment (£m)

Household	Aerosols
-UK £173.1m	£47.7m
-France £122.0m	
-North £111.3m	
-South £79.4m	
-East £166.4m	
-Asia £21.4m	

Adjusted operating profit (£m)

Household £39.9m
Aerosols £(4.0)m
Corporate £(7.0)m

Following more than two years of inflationary cost pressure, primarily related to raw material and distribution costs, the Group instigated price increase actions and was able to secure a net £7.8 million (1.1%) across a range of customers and product categories within the year. Against the backdrop of a highly competitive market and with retailers facing their own margin challenges, this action proved difficult to deliver across the business and, with few other competitors following, we have seen consequences in terms of lost contracts into the new financial year.

During the year to June 2019, the Group did not see any weakening of the significant direct cost inflation seen in the past few years. Raw material, packaging and energy costs increased by a further net £6.6 million (1.9%) versus the prior year. Direct Labour costs increased by a further £1.1 million due to the effect of labour cost inflation. The ability to offset these with further progress on savings was limited by the operational challenges that resulted from the significant additional volume first introduced towards the end of the previous year. Consequently, not only did the Group defer certain efficiency and rationalisation initiatives across its manufacturing sites, but it also incurred costs from actions to resolve these issues, estimated at £1.6 million.

Distribution price pressures continued through the year due to transport capacity issues and the tight labour market for drivers. Service issues at a number of our manufacturing locations meant we also incurred additional spend to meet customer commitments. The combination of both these factors on costs was significant, with distribution costs increasing £6.5 million (13.3%) versus the prior year excluding the impact of increased volumes. During the year we were required, at short notice, to re-locate two of our key distribution centres. This activity, together with managing logistics in such a difficult market, has caused further delays in the previously signposted footprint review and consequently limited our ability to accelerate actions to improve our overall distribution cost position.

Across the Group, overheads remained under tight control despite the challenges of growth and penalties from the customer service issues experienced within the business. Excluding labour inflation (£2.1 million) and increased depreciation costs (£0.7 million), overhead costs were broadly flat year-on-year.

Full-year adjusted operating profit was £28.9 million (2018: £37.7m) with adjusted operating profit margin decreasing to 4.0% (2018: 5.5%).

At a segment level, adjusted operating profits saw Household reduce to £39.9 million compared to £46.7 million for the previous financial year. Aerosol loss grew to a loss of £4.0 million (2018: £2.2m loss), mostly from overhead allocation post the closure of Hull. Corporate costs remained broadly unchanged at £7.0 million (2018: £6.8m).

Full-year operating profit was £26.6 million (2018: £31.8m). This includes amortisation of £1.9 million and exceptional charges of £0.4 million.

Executive review continued

Continuing operations continued

Segmental performance

Following the organisational changes which became effective from 1 July 2018, our segmental reporting has been amended to fully integrate Danlind within our existing segmental structure, whilst treating our French sales activities as a separate region within our Household segment to provide new management focus. As previously advised, our Asia segment is now reported as part of the Group's Household activities.

Aerosols is now operating mostly as a stand-alone business unit and is reported as a separate segment within these financial statements.

Corporate costs, which include the costs associated with the Board, Group leadership teams, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately to Household and Aerosols.

Household

Reported revenues increased by 5.8% to £673.6 million (2018: £636.7m). Underlying revenues were up 3.7% with underlying volume increases of £16.2 million and £7.2 million from increased customer pricing.

The volume growth experienced, particularly significant growth in the first half year, meant that certain 'Prepare' actions around operational footprint and efficiency were deferred. In addition, the business experienced a prolonged period of service issues that required remedial actions by management, added cost and as a result progress with cost reduction actions in our supply chain did not progress as planned within the financial year. This now becomes a key focus for the Household segment in the current financial year.

Adjusted operating profit for the Household business was £39.9 million (2018: £46.7m). As previously reported, certain stranded costs following the sale of our PC Liquids business are now accounted for within the Household segment; the value in FY19 is £1.2 million. Adjusted trading profit margins in this segment declined from 7.4% to 6.0%

Revenue	Year to 30 June 2019 £m	Year to 30 June 2018 £m	Reported change	Underlying change ⁽¹⁾
UK	173.1	163.9	5.6%	5.6%
France	122.0	125.8	(3.0%)	(3.0%)
North	111.3	108.5	2.6%	(9.9%)
South	79.4	77.3	2.7%	3.3%
East	166.4	141.6	17.5%	17.3%
Asia	21.4	19.6	9.2%	9.2%
	673.6	636.7	5.8%	3.7%

(1) Comparatives translated at 30 June 2019 exchange rates and excluding the impact of quarter 1 of Danlind in the current period.

In the UK, revenues of £173.1 million were 5.6% higher compared to the prior year, due to a combination of increased volumes and price increases. Volume gains equated to £6.1 million as key customers extended the McBride range of products offered in-store, particularly in the first half year. The second half of the financial year showed slower growth in the UK as a result of a reduced rate of sale across UK retail generally and specific contract losses following the implementation of the customer price increase.

Within the now separated France region, revenues of £122.0 million were down 3.0% versus the prior year. Decreased volume levels as a result of lower activity levels in our key customers was the main reason, driven largely by high promotional activities from brands. We have also seen negative customer reaction following our pricing actions, such that we expect another tough year for the French business as we start the new financial year.

In the North region, revenues of £111.3 million compared with £108.5 million in the prior year. For last year, the reported revenues only include nine months of sales from Danlind such that underlying revenues actually declined by 9.9% following contract losses across a number of retailers. Volumes decline was partially offset following the implementation of the customer price increase, worth £1.1 million.

Overall, our South region reported revenues of £79.4 million, with underlying revenue increasing 3.3%. This was driven by significant progress in our Iberian business which had new customer and group contract wins, increasing revenues by 32.4%. Within the South region, overall progress was however tempered by the larger Italian market, where revenues were down 7.5%, mostly due to continued slower consumer demand.

The East region, covering Germany, Poland and other East European countries reported revenues of £166.4 million and continued to see significant underlying volume growth, of 15.7%, on the prior year. Overall pricing was 1.6% higher, with price increases secured following consolidation of the new business wins. *Germany is both a core market and a key growth opportunity for the Group as we build on the success of recent years.*

Asia reported sales of £21.4 million and continues to show strong progress with underlying revenue growth of 9.2%. This has been driven by significant increases in promotional sales and contract gains with key customers. During the year, we have completed our Asia expansion planning proposals. The plan will expand manufacturing facilities in the region to provide a platform to triple our local manufacturing capacity, with a focus on developing our Household business in the region.

Aerosols

Following the exit of the Personal Care and Skincare businesses in 2018, Aerosols is now managed as a stand-alone business unit and is reported as a separate segment. The financial year was dominated by the actions associated with developing the stand alone operation at Rosporden in France and with the closure of the UK manufacturing facility at Hull.

Reported revenues were £47.7 million (2018: £53.1m) with the revenue decline mostly due to the exit of certain unsustainable UK contracts. This is expected to impact FY20 revenues by a further £12 million.

Overall reported profitability for this segment declined further in the year to a loss of £4.0 million (2018: loss £2.2m).

Operational and central overheads allocated to the business unit were largely unchanged in the year, with the cost benefit of the operational overhead savings from the Hull closure only starting in FY20.

The Group is now undertaking a review of central stranded overhead cost previously allocated to Aerosols to ensure both the Aerosols segment moves towards a break-even run rate in FY20 and we create no significant ongoing adverse financial impact on the Household segment.

Exceptional items

Total exceptional items incurred in relation to the continuing business of £0.4 million were recorded during the period against operating profit (2018: £4.8m). The charge primarily comprised the following:

- £0.7 million charge incurred as part of the integration of Danlind into the Household segment;
- £1.2 million net gain relating to the closure of our Aerosol manufacturing site in Hull. This comprises both site closure costs and write-back of property assets following market assessment for the closed site's net realisable sale value; and
- £0.8 million charge from restructuring activities to both reduce the functional cost base and asset write off relating to manufacturing restructuring in the UK.

Discontinued operations

Income statement

The discontinued operations in the year relate to the activities for the PC Liquids business which was disposed of on 16 November 2018. The previous year's discontinued result additionally includes the divested activities of the Skincare business at Brno, the disposal of which occurred in February 2018. During the prior year this business generated revenues of £9.0 million with an adjusted trading loss of £1.1 million.

In the period to disposal, the PC Liquids business generated revenues of £21.9 million (2018: £65.2m full year) and had an adjusted trading loss of £0.8 million (2018: £1.5m loss full year).

Exceptional items

Total exceptional costs in the year of £5.0 million (2018: £17.2m) were largely non-cash in year and were incurred in relation to disposal of the PC Liquids activities.

The charge comprises the following:

- £1.8 million charge relating to termination costs mostly associated with stranded costs and additional legal and consultancy costs;
- £2.6 million charge relating to the establishment of an onerous lease provision for a UK warehouse which is no longer operationally required following the sale of PC Liquids; and
- £0.6 million charge for loss on disposal of assets previously held for sale.

Executive review continued

Other financial information – Total Group

Net finance costs

Underlying finance costs of £4.4 million (2018: £4.5m) continue to reflect the benefit of the Group refinancing completed in 2017.

Profit before tax and tax rate

Reported profit before taxation from continuing operations was £22.0 million (2018: £26.5m). Adjusted profit before taxation from continuing operations reduced by £8.7 million to £24.5 million (2018: £33.2m). The tax charge on continuing adjusted profit before tax for the period of £6.8 million (2018: £10.0m) represents a 28% (2018: 30%) effective tax rate.

In addition, an exceptional taxation charge of £4.1 million has been recognised in relation to the impairment of the Group's ACT tax asset in the UK as a result of increased uncertainty in relation to its recoverability. The asset was established on the adoption of FRS 19 and was disclosed separately in the Group accounts in 2006.

Earnings per share

On an adjusted basis, diluted earnings per share (EPS) from continuing operations fell versus the prior year to 9.7 pence (2018 12.7p). Total adjusted EPS decreased to 9.4 pence (2018: 12.1p) with basic EPS at 4.4 pence (2018: 1.9p).

Payments to shareholders

In line with the policy on payments to shareholders, the Group expects to distribute adjusted earnings to shareholders based on a dividend cover range of 2x-3x progressive with earnings of the Group, taking into account funding availability.

Following the interim payment of 1.5 pence declared in February 2019 and in light of the reduced earnings level for the year, the Board recommends a final payment of 1.8 pence (2018: 2.8p) to shareholders, giving a total payment of 3.3 pence (2018: 4.3p) for the year. It is intended that this will be issued using the Company's B Share scheme.

Balance sheet and net debt

Net debt at the year end increased by £6.6 million to £120.9 million (30 June 2018: £114.3m) due mostly to higher levels of working capital. Trading working capital⁽¹⁾ as a percentage of sales increased from 10.6% at 30 June 2018 to 12.0% at the end of the period. Inventory levels were £6.1 million higher than at June 2018, partly as a result of higher activity levels and a specific initiative to increase inventories to support the recovery of service levels to customers. Trade creditor days were lower than June 2018, driven mostly by the timing of the year-end cut-off date when compared to last year.

Cash generated from operations before exceptional items was £25.7 million (2018: £43.0m) in the year to 30 June 2019, with significantly lower capital expenditure in the period of £18.3 million (2018: £23.6m), reflecting a slowing of investment partially as a result of the lower profitability and also some timing effects after the completion of larger capital projects in the prior year.

During the year, cash consideration of £12.5 million was received in relation to the successful disposal of the PC Liquids business in addition to £1.6 million cash received for the disposal of our former manufacturing site in Italy.

The Group's balance sheet remains robust with net assets of £64.2 million (2018: £67.6m). Gearing declined to 66% (30 June 2018: 71%) with the debt cover ratio moving out to 2.6x compared to 2.1x at 30 June 2018. Return on capital employed of 15.3% was lower compared to the prior year (2018: 22.5%, as a result of the lower profitability levels).

Covenants

The Group's funding arrangements are subject to covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants: Debt Cover (the ratio of net debt to EBITDA⁽²⁾) may not exceed 3:1 and Interest Cover (the ratio of EBITDA to net interest) may not be less than 4:1. For the purpose of these calculations, net debt excludes amounts drawn under the invoice discounting facilities. The Group remains comfortably within these covenants.

(1) Trading working capital consists of inventories, trade receivables and trade payables.

(2) Earnings before interest, tax, depreciation and amortisation.

Pensions

The Group operates a funded defined benefit scheme in the UK. At 30 June 2019, the Group recognised a deficit on its UK scheme of £28.1 million (30 June 2018: £28.5m). The deficit is broadly unchanged over the period due to changes in asset values being broadly in line with changes in assumptions used to calculate pension liabilities.

The Group has made an allowance in the pension liabilities at 30 June 2019 for the equalisation of GMP entitlement following recent changes in UK legislation. The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. The Company and the Scheme Trustees are yet to decide which approach they will use to equalise GMP as a range of options are available. While the financial statements reflect the current best estimate of the impact on pension liabilities, this estimate reflects a number of assumptions and the information currently available. The current best estimate reflects an increase in liabilities of 0.1% (£0.2 million), which has been recognised as a past service cost in exceptional items.

The latest funding valuation for the UK scheme was completed as at 31 March 2018. As part of the deficit funding plan agreed with the trustees, the Company has agreed future annual contributions of £4 million (previously £3m). As part of the agreement, the trustees have amended the fund's investment strategy with the aim of de-risking the scheme's assets to better match the cash inflows from the Fund's assets with the cash flow requirements of the Fund.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £3.0 million (30 June 2018: £2.4m).

Current trading and outlook

The margin environment remains challenging and whilst we see certain input costs stabilising we will continue to be vigilant on overhead costs and continue to pursue growth opportunities in line with our strategic plans.

The Board's expectations for the full year remain in line with our July trading update, with Household revenues expected to be flat for the twelve months to 30 June 2020 and earnings to be slightly below the year to 30 June 2019.

Brexit

In common with many businesses, McBride remains concerned by the prospect of a 'no-deal' exit from the EU. The uncertainty surrounding both the short and longer-term implications for our business activities is a considerable distraction and a drain on resources as we plan contingencies.

For McBride, the key immediate challenges in the short term from a potential 'no-deal' Brexit on 31 October 2019 have been identified as follows:

- customer preparation – we continue to engage actively with our customer base, particularly in the UK and Ireland, however we understand the limitations of their own decision-making abilities from the lack of clarity;
- logistics and warehousing – potential for capacity constraints in logistics operations, both with our own logistics providers and with customers' own facilities and suppliers adversely affecting our ability to supply and also increase costs;
- cross-border trading – potential additional costs on imported raw materials and finished goods from customs tariffs and the additional associated administration;
- cross-border trading – delays at ports from border control processes and cross-border transport availability;
- regulatory – uncertain and varying regulatory requirements between the UK and EU;
- employment/citizens' rights – impact on employee rights and practical implications of travel going forward; and
- financial – impact of adverse movements in FX, interest rates, inflationary costs.

The UK represents c.25% of Group revenues and for most product ranges McBride produces in the UK for UK customers and there is a very minimal level of exports from the UK factories for our EU customers. There are certain specific product ranges imported to the UK from the EU that would be impacted with cross-border movement and the Group is making limited contingency arrangements.

We are active in monitoring the implications for possible regulation changes, especially around chemicals and finished product classifications, but aside from various registrations, there is little to implement at this stage.

We continue to communicate and engage with our UK based EU colleagues to advise and support any concerns and queries they have about their UK status in the future.

The Group has continued its financial hedging policy consistently through the past twelve months and has taken no specific additional actions for hedging FX or interest rate risk in a no-deal scenario.

We have established a cross-functional Brexit Task Force which is implementing our contingency planning to mitigate the potential short-term impacts of the above risks.

Chris Smith
Interim Chief Executive Officer
5 September 2019



Our KPIs

Whilst our trading performance in the year ended behind our full-year initial expectations, we remain focused on our KPIs as measures to track progress against our strategic goals.

Labour cost/revenue (%)

2019	18.6
2018	19.7
2017	19.0
2016	19.0
2015	19.7

Labour cost as a percentage of revenue.

Customer service level (%)

2019	94.6
2018	95.1
2017	98.3
2016	98.5
2015	95.1

Volume of products delivered in the correct volumes and within agreed timescales as a percentage of total volumes ordered by customers.

Adjusted operating margin (%)⁽¹⁾

2019	3.8
2018	4.8
2017	5.9
2016	5.3
2015	4.0

Adjusted operating profit as a percentage of revenue.

(1) 2019 adjusted operating profit as a percentage of revenue on a continuing basis is 4.0%.

Return on capital employed (ROCE) (%)

2019	15.3
2018	22.5
2017	27.7
2016	23.4
2015	18.8

Adjusted operating profit as a percentage of average year-end net assets excluding net debt.

Adjusted operating profit (£m)⁽²⁾

2019	28.1
2018	36.2
2017	41.5
2016	36.2
2015	28.5

Operating profit before adjusting items.

(2) 2019 adjusted operating profit on a continuing basis is £28.9 million.

Debt/adjusted EBITDA

2019	2.6
2018	2.1
2017	1.2
2016	1.7
2015	1.9

Net debt divided by EBITDA.

Strategy in action – case study

Danlind

SAP Integration Success

McBride completed the acquisition of Danlind a/s in September 2017. The Group would only be able to take full advantage of the many synergies and opportunities it represented if it could successfully integrate Danlind into the McBride business model.

A major part of this integration involved the implementation of the corporate systems platform, SAP, into the two Danlind factories located in Hammel and Holstebro. The scope of the project involved everything from payroll, inventory, warehouse management, planning & procurement, customer logistics through to finance and R&D processes.

New networks, hardware and infrastructure had to be installed to link into our two data centres and, after weeks of planning, preparation, testing and training, our two factories successfully went live on SAP in November 2018.

This was a full-scale implementation involving every functional area within the business and was both a major undertaking and a great example of cross-functional teamwork at McBride.

Germany

Delivering growth in a saturated and competitive market

Germany represents a core market for McBride and a key target growth geography. Over a number of years, double-digit growth rates have been achieved, in spite of a flat market and strong local competition. This has been the result of continuous product and service development towards very specific German market needs and, with that, an increasing collaboration with the top ten customers in the German retail space.

McBride's geographically spread production platform allows the commercial and planning teams to consider options to source products from different manufacturing sites across Europe, which creates a unique speed of response for our customers in times of a shrinking supplier base and has thus strengthened our position as a sustainable business partner in the market.

Supported by increased availability of new product formats like laundry capsules – where the Group has taken a market-leading position – McBride increased its current penetration to approximately one-third share of the German household market⁽¹⁾, delivering growth this past financial year of 29.2%.

This overall performance is based on our commitment towards our customers but also our principles of teamwork, communication, leadership and engagement.

(1) McBride estimate in value.

Strategy in action – case study continued

Culture and People

Focus on safety

For the past year or so we have been challenging ourselves differently about further improving safety at work for our colleagues. We have step-changed our priorities and focus towards a very simple, preventative programme based on behavioural safety. Our compliance programme is as diligent as ever and we will continue to invest behind this. However, the real step-change and year-on-year improvement we are seeing is driven by what our senior teams are now doing on a daily basis, to constantly create a positive and engaged environment which focuses on the prevention of accidents.

We are rolling this preventative focus out across all of our locations to ensure that, every day, we focus on the good habits that keep our people safe and spot any gaps which could create an accident in the future. We have seen many colleagues step forward as a result of this new approach and wanting to become more involved in safety. This engagement becomes infectious, helping to create greater awareness in a very positive way in support of a zero accident safety culture within McBride.

In the past twelve months, we have recorded a 40% reduction in the number of lost-time accidents.

Group Purchasing Team

Delivering advantage in cost and supply reliability

With an annual budget for materials approaching £400 million, our Group Purchasing function continues to ensure our finished products contain materials from reliable and high-quality suppliers offering the best possible pricing given the scale of McBride's purchases. Alongside pure pricing decisions, the team is active in ensuring continuity of supply, where in Europe it is not infrequent to see supplier outages and force majeure situations at key suppliers.

A strong area of focus for the team is to find ways to control and reduce the cost and usage of what we buy – for both Direct and Indirect spend. Paramount to this is the COP (Cost of Product) programme. The activities in this long-established programme look to provide savings to the Group materials budget from actions, usually in conjunction with the R&D team, such as alternative suppliers, changes to established chemical compositions or label and bottle sizes.

Sustainability

Responsible operations and options for customers to meet their sustainability targets

McBride have taken even more positive steps this year to use more recyclable materials within our household products. Over 98% of all the packaging we use today is recyclable, including bottles, caps and our laundry capsules tubs. We removed hard-to-recycle materials, such as polystyrene, from our portfolio in 2018 and in addition we have launched the first fully recyclable doypack on the market with Tesco for their auto dishwashing tablet range. This breakthrough initiative led to McBride winning the Tesco Customer Sustainability award in January 2019.

Our packaging design team have been using cutting-edge FEA (finite element analysis) technology to help drive a reduction in the use of unnecessary plastic within our bottles. This technique allows the team to simulate changes in bottle strength and performance in a virtual environment. This modelling technology reduces bottle weights to the lowest levels possible whilst maintaining the functionality and performance needed.

We have made tremendous progress this year to confidently increase the percentage of recycled content within our PE and PET packaging. We can now blow a full range of bottles which contain 50% recycled material and are working towards 100%. Our dedicated packaging team continue to look for creative ways to reduce packaging weight and increase recycled content to further improve our products' sustainability.

Asia

Building on our Asia success with further investment

During the year, we invested in our factory in Malaysia to expand capacity with a new high speed fully automated production line and additionally invested in new IT systems. This has enabled us to react quickly to surges in demand for high selling promotions, and our key customers have been able to increase their sales confident in the knowledge that we could fulfil their volume requirements at relatively short notice.

We have responded to the growing consumer demand in Asia for natural and organic ingredient-based products, which are free from harsh chemicals. Working collaboratively with customers and suppliers, our R&D team developed new highly effective formulations using Organic Chia Seed Oil & Honey, and Organic Camelia & Rice oils.

We have developed a very competitive business model in Asia-Pacific, and with strengths in R&D and innovation we are well positioned to deliver consistent quality at attractive prices for our major customers. The Company has invested astutely in capacity expansion, so that we have been well positioned to take on the increased volumes and provide consistently high customer service levels. We have plans to continue our expansion in Asia-Pacific, with investment earmarked in the next 18 months for increased capacity to enable us to diversify our product portfolio into Household products manufactured locally.

Principal risks and uncertainties

The goal of the Group's risk management process is to support the business to achieve its strategic and operational objectives.

The goal of the Group's risk management process is to support the business to achieve its strategic and operational objectives and deliver on its commitments to all stakeholders. Further detail on the risk management process can be found on page 43.

From this process, the Board has identified those risks which are deemed principal to the business as they potentially threaten the delivery of the Group's long-term strategic goals.

Whilst there have been no material changes from the prior year, the Group continues to review its overall risk framework within the context of a shifting and dynamic retailer and competitor environment, increasing sustainability pressures from both consumers and governments, as well as the increased uncertainty surrounding the UK's decision to exit the EU.

The set of principal risks and uncertainties provided on the following pages are not intended to be an exhaustive list. Additional risks not presently known to management, or risks currently deemed to be less material/strategically important, may also have potential to cause an adverse impact on our business.

Risk radar of principal risks and uncertainties 2019

Short-term strategic
Medium-term strategic
Longer-term strategic

Consumer and customer trends

Loss of key category and customer positions through lack of insight and/or understanding of consumer and customer-driven trends

Link to strategy: Prepare Grow Change 

Risk impact

- No clear understanding and strategy related to customer and consumer trends, especially in growing areas of the market, could result in loss of customer confidence and potentially lead to a loss of business due to supplying a non-relevant offer

Mitigation

- Integrated five-year business plan linking targeted customer/channel growth to asset investments
- Strategic long-term key account planning and channel strategies for discount and e-commerce
- Use of appropriate macro trend insights on consumer, technology, environment and regulation, translating into medium and long-term development plans

Key developments

- Strategic five-year roadmap and robust commercial segmentation model to prioritise both existing core and new market sectors and geographies
- Differential investment in consumer insight and marketing capabilities
- Continued review and evaluation of sustainability trends, with development planning in the areas of plastics within the circular economy
- Enhanced marketing capabilities to ensure proactive modelling in the area of customer and competitor intelligence

Market competitiveness

Loss of key category and customer positions through inability to continue supply or uncompetitive cost position

Link to strategy: Prepare Grow Change 

Risk impact

- Lack of investment to maintain cost leadership
- Growing international ambition and capability of key competitors, including emerging European players
- Changing customer dynamics, including mergers and buying collaborations leading to increasing strengthening of major retailers' leverage over suppliers on pricing and specification
- Failure to deliver targeted strategic asset and distribution improvement projects leading to uncompetitive costs

Mitigation

- Strategic projects with ring-fenced resources deliver differentiated proposition at lower cost through scale application
- Key projects are prioritised, with allocated resources required to support management
- Capital expenditure is controlled through robust planning, budgeting and monitoring controls at regional and Group levels to ensure successful project results
- The Group's geographic and functional matrix structure enables effective change management throughout the business

Key developments

- The recently changed organisational structure creates a more operationally focused leadership team, which reinforces the Group's strategy to exploit scale and its ability to compete on cost
- Capital expenditure projects, principally in the strategic formats, to accelerate the delivery of the growth strategy
- Enhanced marketing capabilities to ensure proactive modelling in the area of customer and competitor intelligence

Input costs

Majority of product costs associated with raw materials, therefore significant risks associated with commodity markets

Link to strategy: Prepare Grow Change 

Risk impact

- A time lag between raw material price increases and recovery through pricing initiatives, with potential negative impact on profits
- Significant proportion of UK raw materials sourced from EU markets; UK exit from the EU could lead to potential volatility in raw material costs, and availability in the medium term
- An interruption in the supply of key raw materials could significantly affect our operations and financial position

Mitigation

- A well resourced purchasing function with specialist knowledge and understanding of key markets
- Strong internal processes to track trends and integrate into forecasting and price recovery plans
- The Group is not overly reliant on any one supplier and continual alternative supplier scenario planning takes place

Key developments

- Continued active drive to secure cost optimisation strategy wherever possible
- Financial benefits of decomplexing raw materials and packaging portfolios being delivered
- Creation of high-level early warning tool to allow greater visibility of material inflation and ability to play out different cost base scenarios
- A focus on contractual cover to further protect the business

Principal risks and uncertainties continued

Legislation

We operate in highly regulated markets, which are subject to regular change

Link to strategy: Prepare Grow Change 

Risk impact

- The Group is subject to laws and regulations covering areas such as product safety, environment, labelling, health and safety, intellectual property, tax and financial accounting
- Rapidly changing laws and related interpretations, as well as increased enforcement actions (including fines and penalties), create challenges for the Group and could limit the markets in which we can sell

Mitigation

- The Group is an active member of relevant trade associations and industry bodies, which allows for the monitoring of impending legislation. Where appropriate, the Group will input into government consultations which affect our products or industry
- Experienced in-house team of regulatory specialists support cross-functional project teams, to identify, monitor and ensure successful implementation of regulatory changes whilst minimising cost and disruption to the Group and its customers

Key developments

- During the last twelve months, actions have been taken to strengthen the relevant teams and systems in this area, including:
 - further improvements to policy and governance documentation to account for legislative changes; and
 - enhanced tracking of the future legislative landscape and any potential impact on the Group

Financial risks

Multinational operations expose business to a variety of financial risks

Link to strategy: Prepare Grow Change 

Risk impact

- Risks associated with foreign currency exchange rates, interest rates, commodity prices, credit and taxation could impact profitability and cash flows
- Potential financial risks from the UK exiting the EU and associated political uncertainty has the potential to create a degree of unpredictability for short-term and medium-term economic forecasts, as well as a potential adverse impact on the Company's liquidity, funding, creditworthiness and share price valuation

Mitigation

- Strong and established financial framework monitoring whilst maintaining appropriate levels of liquidity and covenant commitments
- Robust framework established to ensure compliance with all international tax legislation, including publication of tax strategy
- Foreign exchange risk managed by hedging, thereby mitigating the effects on UK import costs and translation of Euro profits

Key developments

- Continued strong relationships with banking partners, with main Group banking facilities refinanced in June 2017 and committed until 2022, and in October 2018 a new UK invoice discounting facility extended to October 2022. This increases both certainty and flexibility whilst reducing costs for the Group
- Cross-functional team actively monitors significant developments related to the UK's exit from the EU, enabling contingency modelling and planning for a full range of scenarios, including preparation for 'no-deal'

Breach of IT security

System security breach could result in loss of sensitive data and/or business disruption

Link to strategy: Prepare Grow Change 

Risk impact

- Loss of key and sensitive business data as a result of security breaches, external hacking and/or cyber threats
- Loss of IT services and systems, resulting in significant business disruption

Mitigation

- Continual review and investment in security policies, controls and technologies to protect commercial and sensitive data
- Monitoring of developments in cyber security; engaging with third party penetration testers and other specialists where appropriate
- Alignment to changes in legislation assessed and implemented, including GDPR

Key developments

- Recruitment of dedicated cyber security resource and internal penetration and vulnerability testing, modelling and assessment tool
- Further external penetration exercises undertaken during the year, with the Company having embarked upon the UK Government's Cyber Essentials accreditation programme

In accordance with the UK Corporate Governance Code 2016, the Board has taken into consideration these principal risks and uncertainties when determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Group when preparing its viability statement.

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Executive review on pages 14 to 19. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until June 2022.

At 30 June 2019, committed undrawn facilities and net cash position amounted to £66.1 million. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate comfortably within its current bank facilities. The Group has a reasonable level of debt to earnings.

As a result, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Viability statement

In accordance with the requirements of the UK Corporate Governance Code ('the Code'), the Directors have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board has determined that a three-year period to 30 June 2022 constitutes an appropriate period over which to provide its viability statement.

In assessing the Group's viability, the Directors have considered the current financial position of the Group and its principal risks and uncertainties as described on pages 25 to 26. The analysis considers severe but plausible downside scenarios incorporating the principal risks from a financial and operational perspective, with the resulting impact on key metrics, such as debt headroom and covenants, considered. The alternative scenarios assume sensitivity around exchange rates and interest rates, along with significant reductions in revenue, margins and cash flow over the three-year period. In all cases the business model remained robust, funding capacity sufficient and covenants fully complied with. The Group's global footprint, product diversification and access to external financing all provide resilience against these factors and the other principal risks that the Group is exposed to. After conducting their viability review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment to 30 June 2022.

Group non-financial information statement

In accordance with sections 414CA and 414CB of the Companies Act 2006 which outline new requirements for non-financial reporting, the table below is intended to provide our stakeholders with the content they need to understand our development, performance, position and the impact of our activities with regards to specified non-financial matters.

Non-financial matter and relevant sections of Annual Report	Annual Report page reference
Environmental matters	
Relevant sections of Annual Report & Accounts:	
• Case study: Sustainability	• Policy: Pages 23, 32 and 69
• Corporate responsibility: Environmental	• Position and performance: Pages 30 to 32
• Other statutory information	• Risk: Pages 25 and 32
• Principal risks and uncertainties	• Impact: Pages 23, 25 and 30 to 32
Social matters	
Relevant sections of Annual Report & Accounts:	
• Corporate responsibility: Product and design, Social, Community	• Policy: Page 33
	• Position and performance: Page 33
	• Risk: Page 33
	• Impact: Page 33
The Company's employees	
Relevant sections of Annual Report & Accounts:	
• Case study: Culture and People	• Policy: Pages 22, 47 and 69
• Corporate responsibility: Social	• Position and performance: Pages 33 and 69
• Nomination Committee report	• Risk: Pages 33 and 69
• Other statutory information	• Impact: Pages 22 and 33
• Principal risks and uncertainties	
Respect for human rights	
Relevant section of Annual Report & Accounts:	
• Corporate responsibility: Social	• Policy: Pages 33 and 69
	• Position and performance: Page 33
	• Risk: Page 33
	• Impact: Page 33
Anti-corruption and bribery matters	
Relevant section of Annual Report & Accounts:	
• Audit Committee report	• Policy: Page 47
	• Position and performance: Page 47
	• Risk: Page 47
	• Impact: Page 47

Corporate responsibility

The efficiency initiatives we are executing are contributing significantly to our sustainability progress in all aspects of our business – for our people, our products, our customers and the environment.

compacted
products cut emissions
and reduce packaging

Cruelty Free
international certified
products in our
portfolio

small plastic beads
eliminated
from our products
since 2015

91.5%
of waste generated
recycled, reused and
recovered

water use down
7.2%

energy
consumption
reduced
by 2.6%

active
participation in
A.I.S.E. initiatives

green energy
3.3%
of total energy

committed
to the support
of Sustainable
Palm Oil

Corporate responsibility continued

Sustainable product and design

Product and design

Objective: To design, create and supply value products, which are safe to use, whilst minimising environmental impact.

Link to strategy: To ensure that our sustainability capabilities become integral to product development and customer proposition.

Our responsibilities

Consumer choices are increasingly driven by environmental and social concerns and we must respond to this in order to ensure the long-term success of the Company.

Sustainability

We take environmental responsibilities seriously and, where possible, work with customers and accredited ecological bodies to reduce potential environmental impact.

Our Sustainable Packaging Strategy

At the beginning of 2019, we launched our Sustainable Packaging Strategy. The basis of the strategy is to use design as the fundamental framework to develop sustainable packaging. We believe that making packaging recyclable is a key role for McBride to play in the EU plastic strategy and circular economy. Being on top of the waste pyramid, we believe that reducing or eliminating non-recyclable plastics in our production would have a big impact for the environment.

Our efforts in 2019 have been focused on three main activities:

- 1 **Incorporate Post-consumer Recycled (PCR) in our packaging:** to show responsibility and to increase recycling rates to support the circular economy.

50% Post-consumer Recycled PET (R-PET): We have achieved full technical feasibility to produce 50% R-PET across all categories and sites.

50% Post-consumer Recycled PE (R-PE): We are testing 50% R-PE in our sites and we target technical approval by December 2019.

2 **Our route to fully recyclable packaging:** we identified that multi-layered plastic in our doypacks was impossible to recycle.

In order to improve the sustainability profile of this product, we have developed the first mono-material doypack. This will improve recycling rates of these products across the countries we operate in. This was introduced in January 2019 and is made entirely from one fully recyclable material (polyethylene). This product received the Tesco Award for Innovation in March 2019.

3 **'Right' weight of our packaging:** targeting the lowest weight possible, whilst preserving packaging functionality using our computer simulation technology and industrialisation procedures during the development.

We are using the latest design and performance prediction technologies that allows us to produce some of the lightest bottles in the markets in which we operate without compromising on functionality and packaging performance.

Health and safety

We are fully aware of our quality and safety responsibilities to our customers and to consumers who use our products.

Development of a Superior Child Impeding Closure (SCIC) doypack

Product safety is key to our business. In 2018 we completed the introduction of our Superior Child Impeding Closure (SCIC) approved laundry tub and in 2019 we developed and approved the SCIC doypack zip. Full implementation will be completed by May 2020.

Our Trio. The new generation of laundry capsules

The water soluble pods have proved successful with consumers in the laundry category as well as in the auto dishwasher category. The growth of the water-soluble pods market requires further innovation in design and shape with an increase speed to market. Pod designing requires a deep coordination between our marketing team's aspirations, our industrial capabilities and even our third party filling machine suppliers. We have decided to invest in the development of internal skills and the most recent digital tools to bring these innovations in pods design to the market quicker.

Animal testing

Our animal testing policy ensures we do not test products on animals, nor request testing of products or ingredients by any supplier or third party.

Corporate responsibility continued

Environmental

Production and operations

Objective: To continue reducing our environmental impact through efficient and effective process design, production and operational sustainability.

Link to strategy: Continued focus on sustainability defined activities and continued improvement in managing waste in our manufacturing processes.

Sustainability activities

In the last twelve months we have focused on two key areas of sustainability: compaction and sustainable packaging by design.

Compaction

We have developed a full range of laundry liquid formulations that can now be dosed at 55ml per wash compared to 65ml, a 15% reduction in dosage. This has been launched in most of the countries we operate in and our customers will directly see the benefits of packaging weight reduction, optimised logistics and less resources used to obtain the same performance level.

We have also launched our new triple chamber laundry capsules. The capsules are convenient for our consumers and encourage our standard laundry liquid users to switch to this new compacted product. This high-performing, controlled dose capsule has performed well across Europe and is driving our overall chemical consumption down year-on-year.

Sustainable packaging

We have continued our efforts to improve the recyclability of our packaging portfolio. We have developed the first mono material doypack that can be more easily recycled. The product has been launched in the UK and we are trialling this across Europe.

Our capsule tub packaging is fully recyclable and we are working towards having 50% post-consumer recycled content in both our tubs and lids in order to align with the plastics in the circular economy, as guided by the EU plastics strategy.

We now have technical capability in our plants to produce R-PET with 50-100% recycled content. We are currently testing to have R-PE technical approval by December 2020.

Total Group energy consumption

Total Group energy consumption reduced to 541,456 Gjoules (2018: 555,774 Gjoules) during the year. At the same time we achieved energy efficiency of 1,707kg production/Gjoule (2018: 1,656kg production/Gjoule). The Group's efficiency increased over the year due to the closure of a number of sites.

Greenhouse gas

We have been calculating our Scope 1 and 2 GHG emissions since 2008 in accordance with the relevant GHG Protocol Corporate Accounting and Reporting Standards and latest emissions factors from recognised sources, based upon market values.

The overall impact on our operations for Scope 1 and Scope 2 emissions was 44,195 tonnes of CO₂e emissions (2018: 36,603 tCO₂e) with CO₂e efficiency of 20,908kg product/tCO₂e (2018: 25,138kg product/tCO₂e).

Net Scope 1 and 2 CO₂e emissions (tonnes CO₂e)

2019	44,195
2018	36,603
2017	39,111
2009	62,212

Split of energy source index including green element of supplier grid mix 2018/19

1.1%	Solar power
2.2%	Certified green
0.7%	Fuel oil
27.6%	Gas
36.7%	Supplier mix with zero carbon
31.8%	Supplier non-green

The Group is committed to improving its long-term energy efficiency and, as such, we actively assess alternative green energy sources that will help reduce our overall energy consumption and wider environmental impact.

Social

Our people

Objective: To create an environment where people want to work and are able to give their best.

Link to strategy: To ensure that a framework is in place to allow all colleagues to have the opportunity to reach their potential.

Employee support

A key principle of our business success is creating a culture whereby all colleagues across the Group are recognised as a valuable asset and supported to become fully engaged, aligned and achieve their full potential.

Our SMART Growth HR strategy recognises that each phase of our 'Manufacturing our Future' strategy requires different styles, skills and experiences. Our recruitment, talent management and training and development programmes ensure the Group maintains a large pool of talent to deliver its strategic objectives.

Diversity

We recognise and value all forms of diversity in our employees and endeavour to promote diversity in our workplace to enhance the success of our business.

Gender split 2019

Female Directors

$\frac{1}{8}$ 13%

$\frac{4}{12}$ 33%

$\frac{11}{40}$ 28%

$\frac{1,266}{3,422}$ 37%

Gender pay gap reporting

We report annually on our gender pay gap to meet our UK legal obligations. Our Gender Pay Gap Report is available on our website.

Wellbeing

We strive to maintain a safe workplace at all locations we operate in and all colleagues participate in the development, promotion and maintenance of a safe and healthy environment.

Health and safety at Holstebro

Over the last year the site has made a number of changes to promote safe choices, such as courses on 'Risk assessment and Health and Safety Culture' for all production staff, and weekly 'Safety Walks' carried out by managers/leaders. As a result of their efforts, our Holstebro colleagues celebrated 100, 150 and 200 days without a lost time accident.

Their commitment to health and safety will continue with a string of courses this Autumn to educate all employees on interpersonal skills, teamwork, safety, and quality.

Human rights

We take the issue of human rights seriously and continue to strengthen our policies and management systems in this area. Our employee policies are set locally to comply with local law within the overall Group framework and we monitor the employment practices of our supply chain. This has led to an understanding within the Group of the issues associated with these statutes.

We carry out third-party ethical audits which are run under the Sedex System wherever possible or, alternatively, under a specific retailer's own system. All conform with the Ethical Trading Initiative (ETI) and our sites are independently audited at a frequency determined by risk. We maintain full data disclosure under the Sedex System for all sites, regardless of audit frequency.

Our Supplier Code of Conduct sets out the standards of behaviour we expect from all of our suppliers. As a minimum standard, we adhere to the provisions of the ETI and require every supplier to ensure that our Code of Conduct is complied with, along with national and other applicable law. Our Supplier Code of Conduct is published on our website and any breach of the Code may result in a termination of business relationship with a supplier.

Our Anti-Slavery and Human Trafficking Statement (available on our website www.mcbride.co.uk) enshrines our obligations under the Modern Slavery Act 2015. We are committed to ensuring there is transparency in both our own business and in our approach to tackling modern slavery in our supply chain.

The outcome of our policies and procedures is that there have been no known instances of any form of discrimination, slavery or human rights violation.

Corporate responsibility continued

Community

Community and society

Objective: Ensuring that McBride's products and operations benefit our people, local communities and wider society.

Link to strategy: Measure and promote McBride's positive impact on society.

Charitable trust

Purpose:

- To support colleagues
- To support the community
- To support wider society

Mission:

"To give every child of a McBride colleague the opportunity to have a grant towards their further education and to support our colleagues with charity activities in the interest of their health and wellbeing."

Vision:

To offer grants for further education (university/apprenticeships) to our colleagues' children, who are undertaking a supplementary course of study that leads to a recognised national qualification.

To donate to selected charitable causes, local or wider society, championed by colleagues, aimed at promoting health, participation and wellbeing.

During 2018/19 the new trustees board has continued to focus on driving awareness of the charitable trust and working on our three areas of activity.

1. Education

The educational development of McBride colleagues' children has continued to be a focus for the charitable trust this year. In 2018/19 we have awarded a total amount of £19,000 to 96 colleagues' children with educational grants to support their learning in further education. The donation has again been received positively by our colleagues and their children as a great support for their learning.

2. Wider society

Theme 2018/19

We will look to support areas of poverty particularly in respect of children (orphanages, homeless, nurseries) via InKind Direct.

McBride continues to support InKind Direct with stock donations and this year we have donated £4,500 of stock in support of their chosen charities.

3. Wellbeing

We support activities that improve wellbeing and generate funds for our chosen cancer charities in 2018/19. We continue to encourage our colleagues to get active, take part and raise money for local or national cancer charities. We have financially supported many activities this year including:

1. many of our UK commercial colleagues ran the Manchester 10k together in aid of their chosen cancer charity. They also organised a pub quiz for even more colleagues to get involved;
2. our QHSE function (Quality, Health, Safety and Environment) team led a McBride safety quiz which was completed by over 2,000 colleagues across our European sites. It was a great success, not only in raising awareness of safety within our teams, but also raising money for a Belgian cancer charity;
3. the Middleton site led a world environmental event day, which also had a quiz where over 140 colleagues participated. The event included litter picking with Spring the Frog from Spring Hill Hospice and a childrens' 'build a fish from waste plastics and paper' competition; and

4. our Estaimpuis site organised and participated in a number of activities to raise money for Think Pink. Think Pink is an organisation that informs, raises awareness and supports scientific research specifically targeted at breast cancer. Numerous colleagues took part in local running competitions, used their bike to commute to work and participated in a 10K steps event to raise funds for Think Pink.

This year we have supported wellbeing activities to the value of £7,641.

Welcome to Corporate governance

Leadership

See pages 36 to 40 of the Corporate governance report

Effectiveness

See pages 41 and 42 of the Corporate governance report and the Nomination Committee report on pages 48 and 49

Accountability

See page 43 of the Corporate governance report and the Audit Committee report on pages 44 to 47

Remuneration

See the Directors' remuneration report and policy on pages 50 to 65

Relations with shareholders

See page 66

Other statutory information

See pages 67 to 69

Leadership

Board of Directors

The Board of Directors is collectively responsible for the long-term success of the Company.

John Coleman

Chairman

Appointed: July 2016

John brings considerable experience having held office as a Non-Executive Director in various companies across multiple market sectors, including retail and construction. He was Senior Independent Director at Travis Perkins between 2005 and 2014 and has previously held the role of Chairman of Aga Rangemaster Group plc, McColl's Retail Group plc, Holidaybreak plc and Russian consumer electronics retailer PJSC Mvideo.

John has also had significant executive experience in the retail sector, having been CEO of House of Fraser and CEO of Texas Homecare, a part of Ladbroke's plc. Prior to this he was a member of the senior management team at the Burton Group, holding Managing Director roles for a number of its fashion chains.

Other roles: Chairman of Bonmarché Holdings plc and private company Barchester Healthcare Ltd.

Committees:  **Chris Smith**

Interim Chief Executive Officer

Appointed: January 2015

Chris was appointed as Chief Finance Officer in 2015 and since 22 July 2019 has held the position of Interim Chief Executive Officer.

Chris is a chartered accountant and has more than 25 years' experience working in manufacturing businesses in highly competitive industries across the UK, Europe and Asia Pacific.

From 2008 to 2014, Chris was Group Finance Director at API Group plc, the AIM-listed speciality metallic film, foil and laminates manufacturer. Other previous roles have included Scapa plc, where he was Finance and IT Director for Europe & Asia, and he has also held a number of senior finance roles at Courtaulds plc, where he gained extensive international experience, including overseas positions based in Germany and Hong Kong.

Steve Hannam

Senior Independent Non-Executive Director

Appointed: February 2013

Steve brings extensive experience of independent Board-level scrutiny, having held a number of positions as Chairman and Non-Executive Director in listed companies during his career, as well as senior executive positions both internationally and in the UK. Steve brings diversity of style, skill and experience, which makes him ideally suited for the role of Senior Independent Director, ensuring a challenging mindset when setting and monitoring implementation of the Group's strategy.

Steve's previous positions have included Chairman of Aviagen International Inc, Non-Executive Director of Clariant AG and AZ Electronic Materials Services Limited, Group Chief Executive of BTP Chemicals plc and, most recently, Chairman of Devro plc and Senior Independent Director of Low & Bonar plc.

Committees:   **Sandra Turner**

Independent Non-Executive Director

Appointed: August 2011

Sandra brings extensive consumer business insight and experience, from both a retailer and supplier perspective. She was a member of the senior management team of Tesco, one of the Group's major customers, for over 20 years, in the UK and Ireland, latterly as Commercial Director of Tesco Ireland from 2003 to 2009.

Since that time, Sandra has been appointed a Non-Executive Director of a number of listed companies supplying into the FMCG sector, including previously Northern Foods plc. Also, as Remuneration Committee Chair of three listed companies, Sandra brings a broad knowledge, understanding and awareness of this continuously changing field and the importance of linking the Company's strategy and performance to executive remuneration.

Other roles: Non-Executive Director of Huhtamäki Oyj, Non-Executive Director of Carpetright plc, Non-Executive Director of Greene King plc, Senior Independent Director of Greggs plc. Also, Sandra is the Vice Chair of a large independent school.

Committees:   

Neil Harrington

Independent
Non-Executive Director

Appointed: January 2012

Neil, a chartered accountant, brings a strong financial background, having operated as an executive Group Finance Director in a range of global consumer-facing businesses under both PLC and Private Equity ownership, with extensive experience of operating internationally. In particular, Neil has lead complex corporate finance transactions including acquisitions, disposals and corporate restructures, where his wealth of knowledge in debt structuring, financing, investment and banking facilities has been invaluable.

Neil has held senior finance roles in a number of global listed companies, including ASDA/Walmart Stores Inc., Barclays Bank plc, French Connection Group plc and Mothercare PLC. In his previous role Neil was CFO of Cath Kidston Group Limited. Neil's financial background and expertise leave him eminently suitable to hold the role of Audit Committee Chair.

Other roles: Chief Financial Officer of Medivet Limited since 2019.

Committees:   

Igor Kuzniar

Non-Executive Director

Appointed: June 2019

Igor brings a strong background in finance, operational efficiency and strategy. He has twelve years' experience as an investor in mid-sized European companies. He also has experience as a management consultant advising multinational corporations across various industries.

In 2013, Igor co-founded Teleios Capital Partners. Teleios is an investment firm that acquires ownership positions in European public companies, seeking to help them maximise their long-term potential by working constructively with management and other shareholders. Prior to Teleios, he was a Partner at the investment firm Octavian Advisors and a management consultant for McKinsey & Company.

Other roles: Managing Partner at Teleios Capital Partners GmbH.

Committees: 

Jeff Nodland

Independent
Non-Executive Director

Appointed: June 2019

Jeff has eleven years' experience in consumer chemicals manufacturing businesses, including both private label and contract manufacturing activities.

He was most recently President and CEO of KIK Custom Products, retiring in February 2019 after eleven years in the role. KIK is one of North America's largest independent manufacturers of consumer packaged goods, including personal care, branded and private label household care, automotive chemicals and pool and spa chemicals. KIK also had important activities in the EU in their automotive and pool and spa care business units. During that time Jeff led the financial turnaround and growth of the business both organically and via acquisition.

Previously, Jeff held executive positions at specialty chemical businesses including Hexion Specialty Chemicals, Inc., McWhorter Technologies and The Valspar Corporation, with responsibility for activities at a number of chemical plants in Europe.

Other roles: Independent Non-Executive Director of EcoSynthetix. He is also a board member of the Augsburg University in Minneapolis, Minnesota, USA.

Committees:   

Carol Williams

General Counsel and
Company Secretary

Appointed: January 2018

Carol was appointed as General Counsel and Company Secretary on 15 January 2018. Carol joined McBride from the Mars Corporation, where she was Associate General Counsel, and brings a wealth of professional experience in both legal and company secretarial roles from a variety of FTSE 100 to 350 organisations.

 Audit Committee

 Nomination Committee

 Remuneration Committee

 Chair

Leadership

Corporate governance report



We have taken further steps to strengthen our governance structure in order to support management in delivering the long-term success of the Company.

Culture

The Board spends a considerable amount of time meeting with employees and visiting our sites. This level of engagement provides the Board with an understanding of our business and enhances the quality of decision making.

Dear shareholder

I am pleased to introduce McBride's Corporate governance report and to update you on our progress throughout the year. We continue with both the 'Prepare' and 'Grow' initiatives of our strategy in order to strengthen our core activities and ensure sustainable value growth.

The Non-Executive Directors and I remain supportive of the strategic decisions taken by the Group and we have taken further steps to strengthen our governance structure in order to support management in delivering the long-term success of the Company.

Compliance with the UK Corporate Governance Code

I am pleased to report that the Company has complied with the UK Corporate Governance Code 2016 ('the Code'), in so far as it applies to a FTSE SmallCap company, for the period under review and is also complying early with those relevant provisions and principles of the new UK Corporate Governance Code 2018 ('the 2018 Code') that we will be formally reporting on in next year's Annual Report.

Leadership

We have an effective Board and sub-committee structure, underpinned by solid operating principles, policies and controls and we continue to exercise our duties in compliance with all relevant legislation, regulation and guidance.

After constructive interaction with our shareholders regarding composition and governance considerations, we have made changes to strengthen our Board, with the appointment of Non-Executive Directors Igor Kuzniar and Jeff Nodland. Igor brings a strong background in finance, operational efficiency and strategy. The appointment of Jeff enhances the Board's industry experience, including in speciality chemicals. Jeff also provides experience of financial turnaround and organic growth.

Outgoing Chief Executive Officer, Rik De Vos, resigned from the Board with effect from 19 July 2019, with Chief Finance Officer, Chris Smith, being appointed as Interim Chief Executive Officer.

The Board will continue to focus on succession planning throughout 2019/20 in relation to both its search for a permanent CEO and in order to meet the Code's requirement to regularly refresh Board membership. Further details can be found in the Nomination Committee report on page 49.

Effectiveness

As Chairman, I am responsible for ensuring we continue to have an effective and functioning Board. The Board evaluation undertaken at the end of the year ending 30 June 2019 supported the additions to the Board and reconfirmed the continued effectiveness of the sub-committees. Further details of the Board evaluation can be found on page 42.

John Coleman
Chairman

5 September 2019

We recognise the importance of establishing the right culture and values and communicating this message consistently throughout the organisation. It is important that we, as the Board, provide strong and effective leadership, constructive challenge and, along with the Executive Leadership Team (ELT), accept collective accountability for the long-term sustainable success of the Group. In so doing, we will continue to drive and deliver our strategy in the best interests of all our stakeholders.

A strong feature of the Board's effectiveness in delivering the Group's strategy is our inclusive and open style of management which benefits from a free flow of information between the Executive and Non-Executive Directors. The size of our Board encourages Directors to discuss matters openly and freely and to make individual contributions through the exercise of their personal skills and experience. No one individual has unfettered powers of decision making.

All Directors communicate with each other on a regular basis and contact with the Group's executive management is sought and encouraged.

Board sub-committees

Certain activities of the Board are delegated to sub-committees (Audit, Remuneration and Nomination). Each sub-committee is chaired by a member of the Board. The sub-committees enable the Non-Executive Directors to take active roles in influencing and challenging the work, performance and recommendations of the Chief Executive Officer, the ELT and other senior management.

Each sub-committee has been established under its own Terms of Reference which set out its authority, composition, activities and duties. The Terms of Reference are reviewed annually and updated as necessary to ensure ongoing compliance with the provisions of the Code and other best practice guidelines. They were last reviewed in June 2019.

Items reserved for the Board

The schedule of matters specifically reserved for decision by the Board is displayed on the Group's website at www.mcbride.co.uk.

Responsibilities

The roles of Chairman and Chief Executive Officer are separate and clearly differentiated.

John Coleman, as Chairman, is primarily responsible for:

- overall leadership and governance of the Board, ensuring it operates effectively in terms of agenda setting, information management, induction, development and performance evaluation;
- ensuring the Board as a whole has a clear understanding of shareholder views;
- promoting a healthy culture of challenge and debate at Board and sub-committee meetings and encouraging effective decision making;
- fostering effective relationships and open communication between all Directors; and
- ensuring both Board and shareholder meetings are properly conducted.

Chris Smith, as Interim Chief Executive Officer, is primarily responsible for:

- effective leadership and development of the executive management team and operational running of the Group;
- developing and implementing the Group's business model and strategy;
- effectively communicating the Group's strategy and performance; and
- building positive relationships by engaging appropriately with all internal and external stakeholders.

Steve Hannam, as Senior Independent Director, is primarily responsible for:

- providing a sounding board for the Chairman and acting as an intermediary between other Directors when necessary;
- evaluating the performance of the Chairman along with the Non-Executive Directors; and
- being available to shareholders, where contact through the Chairman or Executive Directors is not appropriate.

The key responsibilities of the Non-Executive Directors are:

- to provide the skills, experience and knowledge to assist the Board's decision making;
- developing and agreeing the Group's business model and strategy with the Executive Directors;
- scrutinising and constructively challenging the performance of the Company and the Executive Directors;
- providing support and advice to the Executive Directors;
- overseeing the effectiveness of the Company's risks and internal controls;
- approving remuneration and succession planning for Board Directors and other executive management; and
- monitoring and enhancing the Company's corporate governance and compliance activities.

Leadership

Corporate governance report continued

Attendance at meetings year ended 30 June 2019

Number of Board meetings held 10

Members of the Board	Number of meetings attended	Member since
John Coleman Chairman	10	22/04/2016
Chris Smith Interim Chief Executive Officer	10	07/01/2015
Steve Hannam Senior Independent Non-Executive Director	10	04/02/2013
Neil Harrington Independent Non-Executive Director	10	03/01/2012
Igor Kuzniar ⁽¹⁾ Non-Executive Director	1	03/06/2019
Jeff Nodland ⁽²⁾ Independent Non-Executive Director	1	26/06/2019
Sandra Turner Independent Non-Executive Director	10	01/08/2011
Rik De Vos ⁽²⁾ Outgoing Chief Executive Officer	10	02/02/2015

(1) From date of joining the Company.

(2) To date of resigning as a Director.

Operation of the Board

Board papers are prepared and issued prior to each Board meeting to allow Directors sufficient time to give due consideration to all matters. Directors are able to take independent professional advice, if necessary, at the Company's expense.

The Board holds a minimum of seven meetings a year at regular intervals. Additional meetings are held as required. From time to time, the Board authorises the establishment of an additional sub-committee to consider and, if thought fit, approve certain items of business.

At least one formal and several informal Non-Executive Director meetings have also been held during the year without the Executive Directors being present, and the Senior Independent Director and the Non-Executive Directors have met without the presence of the Chairman as part of the Board performance evaluation exercise.

Board composition

As at 30 June 2019, the Board comprised nine members: the Chairman, two Executive Directors and five Non-Executive Directors. Rik De Vos, outgoing Chief Executive Officer, resigned from the Board on 19 July 2019.

Tenure

Gender

Relevant experience

Under 1 year 2
1-5 years 2
6-8 years 2
8+ years 1

Men 6
Women 1

Manufacturing 3
Retail 3
Chemicals 2
Finance 3

Effectiveness

Non-Executive Directors

All the Non-Executive Directors have been appointed for their specific areas of knowledge and expertise. They are independent of management and exercise their duties in good faith based on judgements informed by their personal experience. This ensures that matters can be debated constructively in relation to both the development of strategy and assessment of performance against the objectives set by the Board.

In line with the Code, the Board has determined that Igor Kuzniar is not considered independent as he is an appointed representative of McBride plc's largest shareholder Teleios Capital Partners GmbH.

It is believed that the balance between non-executive and executive representation continues to encourage healthy independent challenge and has been strengthened with the appointment of two new Non-Executive Directors.

Conflicts of interest

In line with the Companies Act 2006 and the Company's Articles of Association, the Company has a strict process in place to manage conflicts of interest. A Director who becomes aware that they or their connected persons have an interest in an existing or proposed transaction with the Company is required to declare that interest at a meeting of the Board. Such disclosures are recorded and compliance reviewed at each meeting. Under the powers granted by the Company's Articles, the Board is authorised to approve such conflicts where appropriate.

During the period to 30 June 2019, the Board has authorised Igor Kuzniar's conflict of interest as an appointed representative of McBride plc's largest shareholder Teleios Capital Partners GmbH.

No other Director had a material interest at any time in any contract of significance with the Company other than their service contract or letter of appointment.

Operational management of the Group

The management of the Group's business activities is delegated to the Chief Executive Officer, who is ultimately responsible for establishing objectives and monitoring executive actions and for the overall performance of the business. The day-to-day management of the business is delegated via the various ELT members on a structured functional basis.

The ELT is responsible for the strategic management of the business. To support the ELT there is a Trading Team made up of senior functional leaders from the areas of the Group's supply chain. The Trading Team aims to capture the growth of the business in the most efficient way by ensuring related initiatives and projects are delivered well and integrated into the overall strategic objectives of the Group. The Trading Team activity is overseen by the core ELT, who continue to monitor and manage the overall Company strategic objectives, including global governance.

Health, safety and environmental and quality matters are delegated to the Group Manufacturing Directors and social and community matters are delegated to the Group HR Director.

Whilst the Board takes overall responsibility for approving Group policies, including those relating to social responsibility, business ethics, health and safety, environmental matters, anti-bribery and corruption and whistleblowing, their implementation is delegated to the Chief Executive Officer and cascaded throughout the organisation via the ELT and the various functional teams.

Election and re-election of Directors

The Board is satisfied that all the Directors standing for election or re-election perform effectively and demonstrate commitment to their roles. This has been demonstrated during the year by the willingness of the Directors to attend additional informal meetings, including strategy conferences, as well as from the general support they have given to the Executive Directors and other executive management. When appropriate, any changes to the commitments of any Director are considered in advance by the Board to ensure they are still able to fulfil their duties satisfactorily.

Although the Articles of Association require the Directors to submit themselves for re-election at every third Annual General Meeting (AGM), in line with the requirements of the 2018 Code, all Directors are subject to annual re-election at the Company's AGM.

The biographies for each Director seeking election or re-election, set out on pages 36 and 37, illustrate the range of skills and experience they offer to the Company. Voting at the 2018 AGM demonstrated continued support for all Directors who held office at that time.

Induction, development and support

On appointment, all new Directors undergo formal and in-depth induction programmes to provide them with an appropriate understanding of the business and what is expected of them in their role as a Director. This involves site visits, face-to-face meetings with senior management and provision of access to key documents relating to their role. External training may also be provided by independent legal advisers in relation to the key duties of Directors and required governance principles.

The Board recognises the importance of ongoing training and development to ensure Directors have the skills and knowledge to discharge their duties effectively. This can take the form of briefing papers and/or presentations on strategic, regulatory and legislative developments and other topics of specific relevance to ensure that the Directors continually update their knowledge of and familiarity with the Group's business and the markets in which we operate.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operations.

Effectiveness

Corporate governance report continued**Board evaluation**

An internal Board evaluation exercise, led by the Chairman and Company Secretary, was undertaken during the year. This included a questionnaire designed to analyse the effectiveness of the Board across a range of areas, including Board composition and effectiveness, strategic decision making and leadership and culture. The Chairman held individual meetings with each Director and Company Secretary to follow up on the findings and proposed action outputs. The Senior Independent Director also undertook a review of the performance of the Chairman.

This year's exercise confirmed that the recent appointments of Igor Kuzniar and Jeff Nodland had refreshed and strengthened the Board's experience and breadth to enhance the quality of its decision making. The Board also agreed to devote attention and implement action plans for the year ahead in the following areas:

1. Board and senior management succession planning and talent mapping;
2. business sustainability in relation to the Company's environmental and social responsibilities;
3. following the appointment of a new Chief Executive Officer, a review of the strategic direction of the Company; and
4. implementation of a clear two-way communications process with the Group's workforce to support the Board's effectiveness in decision making and ability to influence the Group's culture.

An externally facilitated Board evaluation was last undertaken in the 2011/12 financial year. Given the recent changes to its composition, the Board determined that an external evaluation would not be conducted in 2018/19. As a constituent of the FTSE SmallCap, the requirement for an external evaluation will be considered by the Board further during the 2019/20 financial year.

Board activity year ended 30 June 2019

**Governance
and risk**
20%

**Market and
economic
environment**
20%

**Trading, financial
and operational
performance**
30%

**Strategic
development
opportunities**
30%

**Market and economic
environment****Strategic development
opportunities****Trading, financial and
operational performance****Governance
and risk****Matters considered**

- Market and customer development updates
- Competitor activity analysis
- Sales and marketing activity reviews
- Purchasing performance and feedstock forecasts
- The UK's decision to exit the EU
- Forward outlook for FX and interest rates

Matters considered

- Strategic opportunity (including potential acquisitions and/or disposals in line with the Group's strategic plan) and project progress reviews
- Key operational project progress reviews, including major capital expenditure investment proposals
- Review of strategic growth plan progress

Matters considered

- Approval of budget
- Banking, tax and treasury strategy and policy reviews
- Approval of full-year and half-year announcements and other trading updates
- Annual Report and Accounts review and approval
- Consideration of shareholder views and analyst expectations
- Payment to shareholders, policy and proposals

Matters considered

- Health and safety updates
- Business risk analysis
- Insurance programme renewal
- Board self-evaluation exercise
- Code and legislation compliance reviews
- Corporate policies review and approval
- Talent and succession planning reviews

Accountability

Business risk

The Board recognises that the delivery of the Group's strategic plans will only be achieved within an established system of risk management and an effective internal controls framework, which will ensure that the transformational change and growth of the business is supported by an embedded risk management culture.

Responsibility for monitoring and reviewing the effectiveness of the risk management process is delegated to the Audit Committee and is reported on page 47.

The Group's risks are managed through various activities, including:

- business risk reviews;
- major project and investment reviews;
- strategic risk assessment and specific functional risk mapping activities;
- year-end self-assessment questionnaires supporting internal control procedures, with a quarterly follow-up process to review outstanding control actions; and
- site audits by various internal stakeholders, including Internal Audit and other assurance providers (such as QHSE).

The Board considers that the Group operates a risk-aware culture which facilitates the early identification of problems and issues, so that appropriate action is taken in a timely and proactive way to minimise the impact on the business.

Responsibility for the day-to-day management, monitoring and oversight of risks lies with a cross-functional Risk Council made up of senior management members from across the business. The council acts as a focal point for the identification and evaluation of strategic, emerging risks faced by the Group in pursuit of its strategic objectives and makes recommendations to the ELT for appropriate mitigation strategies in line with the Group's risk appetite. It supports the embedding of the Group's risk management framework through improved risk awareness and the consideration of risk in key decision making.

The Risk Council meets between three and four times a year and reports to the ELT. Its Terms of Reference have been ratified by the Audit Committee and it provides updates to the Committee on a biannual basis.

Internal controls

The Board delegates responsibility to the ELT to consider and assess the effectiveness of the existing internal controls and to identify whether any new risks have arisen as a result of any control weaknesses, a process which is monitored by the Audit Committee. Further information about the effectiveness of the controls in place and how they have been assessed by the Audit Committee is reported on page 46.

Key control procedures undertaken by the Group during the year include:

- regular updates to the Board on the Group's financial performance and position against targets;
- monthly consolidated management accounts reviewed by the ELT;
- monthly reporting on commercial, operational, financial and non-financial KPIs with performance discussed at both functional and Group level;
- a comprehensive annual budgeting process ultimately approved by the Board;
- ongoing monitoring of the Group's cash and debt position with monthly reviews of working capital balances;
- authorisation and control procedures in place for capital expenditure and other major projects with post-completion reviews to highlight issues and learnings, and improve future performance and delivery; and
- regular meetings and site visits with insurance and risk advisers to discuss risk assessments, safety audits, and performance against agreed objectives.

Internal Audit

The Internal Audit function provides independent assurance on the strength and effectiveness of the Group's risk management framework and is responsible for overseeing internal control processes for the Group.

Further information about how our Internal Audit process is monitored can be found in the Audit Committee report on page 47.

Risk management framework

Risk Council	Executive Leadership Team	Audit Committee	The Board
• Provides a cross-functional forum for the discussion, management and monitoring of risks and controls arising from business activities • Identifies and evaluates strategic, significant and emerging risks through access to internal and external knowledge, expertise and insight	• Reviews the Group's risk register and agrees actions to mitigate key risks • Ensures risk management is embedded across the business • Defines the risk appetite of the Group	• Ensures actions to mitigate risks are put in place with ownership and timescales to ensure the Group's strategy can be delivered in the context of the risk management framework • Monitors and reviews key financial, non-financial and internal controls, as well as the external audit process and reports	• Monitors and reviews the effectiveness of the Group's risk management and internal control systems • Approves the risk appetite of the Group • Reviews reports from the Audit Committee on risk management and internal controls

Accountability

Audit Committee report

The Audit Committee is delegated the responsibility to provide effective oversight and governance of the Group's systems of internal control, including all material financial, operational and compliance controls, as well as risk management systems and key corporate policies. It also assesses the quality of the internal and external audit processes.

Main duties:

- to monitor the integrity of the financial and regulatory reporting process of the Group;
- to review the Group's accounting policies, financial reporting standards and disclosure practices and provide independent oversight and challenge to management;
- to review and recommend the Board to approve all financial statements and announcements;
- to review and monitor the effectiveness of the Group's internal controls and risk management systems as well as the Internal Audit function; and
- to oversee the appointment, objectivity, independence, effectiveness and remuneration of the external auditor, including the policy on non-audit services.



The Committee continues to be satisfied that a robust and effective control environment exists.

Attendance at meetings year ended 30 June 2019

The Board is satisfied all members are independent Non-Executive Directors.

Number of Committee meetings held (minimum three per year): 3

Members	Number of meetings attended (quorum is two members)	Member since
Neil Harrington (Chair)	3	03/01/2012
Steve Hannam	3	04/02/2013
Jeff Nodland ⁽¹⁾	1	26/06/2019
Sandra Turner	3	01/08/2011

(1) From date of joining the Company.

The Committee is authorised by the Board to investigate any matters within its Terms of Reference. A copy of the Committee's Terms of Reference is available on the Group's website www.mcbride.co.uk.

On behalf of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 30 June 2019.

Effectiveness of the Audit Committee

The Board is satisfied that Committee members are sufficiently competent in financial matters, in addition to having a wide range of business experience both within the sector and elsewhere. As Committee Chair, I have relevant financial experience and up-to-date knowledge of financial matters, being a member of the Institute of Chartered Accountants and the current Chief Finance Officer of Medivet Group Limited. I have also held other senior finance roles, my most recent being Chief Finance Officer of Cath Kidston Limited and Group Finance Director at Mothercare plc for seven years.

The Board Chairman, Chief Executive Officer, Chief Finance Officer, Igor Kuzniar (a Non-Executive Director), Group Financial Controller, Tax and Treasury Director and Head of Internal Audit attend meetings by invitation. The Company's external auditor, PricewaterhouseCoopers LLP (PwC), also attends meetings by invitation. During the year, PwC attended three meetings.

Independent meetings were also held regularly between the Committee members and the external auditor, in the absence of the Executive Directors.

As Chair of the Committee, I have also had regular meetings with the Head of Internal Audit during the year. This provides me with a better understanding of the key issues and ensures enough time is devoted to them at the subsequent meetings.

Effectiveness of the external auditor

The Audit Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor as submitted to shareholders for their approval at the Company's AGM.

During the year, the Committee has monitored the scope, results and cost effectiveness of the audit and overall independence and objectivity of the external auditor.

The Committee and the Board remain satisfied with the level of independence, objectivity, expertise, fees, resources and general effectiveness of PwC and, accordingly, recommend that a resolution for the re-appointment of PwC as external auditor for the Company should be proposed at the forthcoming AGM in October 2019.

Auditor objectivity and independence

Committee review and auditor assurance

The Committee has undertaken its annual assessment of the external auditor. This included their own evaluation of the reports and services received, such as the scope, strategy and outcome of the interim and year-end audits.

The Committee has sought assurance from the external auditor of their compliance with applicable ethical guidance and, in addition, has taken account of the appropriate independence and objectivity guidelines.

The Committee considers the risk of PwC withdrawing from the market as remote, since they are one of the top four accounting firms in the UK, as well as globally.

The Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 30 June 2019. Fees payable by the Group to PwC totalled £0.7 million (2018: £0.7m) in respect of audit services. There were no contingent fee arrangements with PwC.

Audit tenure

The Committee considered its external audit services, taking into account the UK Corporate Governance Code 2016 and Statutory Audit Services Order 2014. A full tender for the appointment of the external audit firm took place in 2011, as a result of which PwC was appointed as external auditor with effect from November 2011. As noted above, the Committee regularly reviews the performance of the external auditor and continues to be satisfied with PwC's independence, objectivity and expertise and believes the Group is subjected to a rigorous audit process. As such, the Committee does not consider it necessary to undertake an external audit tender process at this time, although this will remain under review.

Non-audit fees

The Company maintains a detailed policy on the engagement of the external auditor for non-audit services, designed to preserve their independence when performing the statutory audit. To avoid any conflict of interest, types of non-audit work are categorised as those for which:

- the auditor can be engaged without referral to the Committee;
- for which a case-by-case decision is necessary; and
- from which the external auditor is excluded.

In accordance with this policy, other providers are considered for non-audit work and such work is awarded on the basis of service and cost. This policy is regularly reviewed and a copy is available from the Group's website at www.mcbride.co.uk.

Fees payable by the Group to PwC totalled £24k (2018: £324k) in respect of non-audit services, equating to 3% of audit fees received by PwC during the same period (2018: 46%).

Accountability

Audit Committee report continued

Accounting and reporting issues

The Committee received regular reports on the Group's trading performance, as well as progress on both the interim and full-year financial statements. Papers and other regular updates from both management and the external auditor have also been provided to assist the Committee in assessing whether suitable accounting policies have been adopted and appropriate judgements made by management.

The significant matters considered and judgements undertaken during the 2018/19 financial year are set out below. The Committee is satisfied that the presentation of the financial statements is appropriate and in accordance with the Group's accounting policies.

Supported by the external auditor's reports and findings, the Committee concluded that there were no major concerns, that there was no evidence of systematic control weaknesses and that the overall control environment was acceptable for a group of McBride's size and nature.

Assurance and internal control environment

The Committee is delegated the responsibility for reviewing the effectiveness of the Group's systems of internal control, including all material financial, operational and compliance controls, as well as risk management systems and key corporate policies.

The Committee receives regular reporting from senior management and the conclusion continues to be that a robust and effective control environment exists. No failings or weaknesses have been identified which had a material effect on the Company's financial performance.

Recommendations arising from the external auditor's internal controls report are reviewed and actions agreed to implement enhanced policies and processes.

Matters considered during the year

Impairment reviews and CGU changes	Following internal review and having taken external advice, the Committee discussed and agreed the most suitable CGU structure for the Group. This included consideration of the interchangeability of sites, management's monitoring of operations and how decision making in terms of continuing or disposing of an entity's assets. Changes were agreed and these are reflected in the financial statements of the Group. Management's judgement on the need (or otherwise) to take impairment charges for goodwill or fixed assets was reviewed, taking into account the trading performance of and the prospects for each CGU. Recommendations were discussed and agreed with the external auditor. Refer to note 13 to the financial statements.
Tax and treasury matters	The Committee continued to review the Group's tax strategy and monitor tax governance and compliance with global transfer pricing. In accordance with the terms of the Group's debt facilities, the Committee continued to monitor compliance with all relevant covenants to ensure the Group could continue to have sufficient funding capacity to deliver its strategy. The Committee also reviewed the Group's debt funding strategy and policies on currency and interest rate hedging transactions.
Going concern status and longer-term viability statements	Reviews of the Group's going concern status were carried out by the Committee both at the half and full-year period ends. Detailed papers setting out all the relevant considerations were tabled by management and discussed by the Committee together with the external auditor. The Committee also considered the modelling and assessments undertaken by management relating to the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The content of both the going concern and viability statements can be found on page 27.
M&A accounting inputs for disposals	Following a review in the previous year, the Committee monitored the allocation of revenues and costs to discontinued operations in the financial statements.
Accounting Policy refresh	The Committee evaluated management's review of the Group's Accounting Policy, as well as external adviser's input. The accessibility of the policy was considered, as well as the need for continuous refreshment, with appropriate amendments being made.
Segmental change	After taking a consistent approach to the Group's segmental reporting in the first half of the year, the Committee reviewed the organisational management structure in the second half following the sale of PC Liquids. Changes were agreed and these are reflected in the financial statements of the Group.

Internal Audit

The Internal Audit function serves to provide assurance to the Committee that relevant, adequate, effective and fit-for-purpose controls are in place across the Group. Regular meetings are held between the Head of Internal Audit and the Chair of the Audit Committee and the Committee actively engages the Internal Audit function to understand and evaluate specific control activities, whilst considering the extent to which the internal control environment can be improved. Information on specific key control procedures undertaken by the Group can be found on page 43.

At the start of each financial year, the Committee reviews and agrees the Internal Audit Plan, confirming its alignment with the Group's strategic priorities, risk management outputs and compliance control monitoring requirements. The Audit Plan remains flexible to address new and emerging risks throughout the year.

At each meeting, the Committee considers the results of any audits undertaken and the adequacy and timeliness of management's response to matters raised. Any recurring themes across a number of locations are challenged and these, along with any significant audit findings, could result in specific follow-up reviews, informing and influencing the scope of work undertaken in the Internal Audit Plan.

The Committee continues to be satisfied that the Internal Audit function has sufficient resource and provides an important and effective role.

Risk management

The Committee monitors and challenges the adequacy of the Company's procedures in respect of business risk identification, assessment, monitoring and reporting. On behalf of the Board, the Committee considered specifically those risks and uncertainties facing the business which should be classified as significant and sought comfort from management on the mitigating factors being used. The current principal risks and uncertainties affecting the Group can be found on pages 25 to 26.

The Committee ratifies the Risk Council's Terms of Reference and is provided with biannual updates of matters the Risk Council has considered. Information on the matters considered by the Risk Council can be found on pages 43.

Anti-bribery and corruption and whistleblowing policies

During the year, the Committee undertook its annual review of procedures in relation to whistleblowing and fraud detection. The Committee continues to believe that appropriate key policies are in place to ensure reasonable steps have been taken to prevent fraud and to allow any improprieties to be reported.

Anti-bribery and corruption

The Group's Anti-Bribery and Corruption Policy extends to all of the Group's business dealings and transactions in all countries in which it operates. All employees are required to familiarise themselves and adhere to the rules set out in the policy and report any suspected instances of bribery or corruption to one of the Group's designated Anti-Corruption Compliance Officers, either the General Counsel and Company Secretary or the Head of Internal Audit.

To support the prevention of anti-bribery and corruption, all employees are required to comply with the Group's Gifts and Hospitality Policy, which permits the giving or receiving of sensible and proportionate gifts and hospitality for legitimate business purposes only. Employees are required to follow a reporting framework for the authorisation of gifts and hospitality, with reportable events being included on a Group register which is maintained by the General Counsel and Company Secretary and considered by the Board on an annual basis. There has been no known violation of applicable laws and policies.

Whistleblowing

The Group's Whistleblowing Policy sets out the procedure for employees to report any issues of genuine concern they may have about possible malpractice or wrongdoing by any employee, supplier, customer, competitor or contractor. The policy sets out a clear reporting path for concerns and provides assurance to employees by explaining how issues are investigated and the timescales in which they are dealt with. Instances of whistleblowing are reported to the Committee as and when they occur and, in any case, on an annual basis.

The Group continues to be committed to carrying out business fairly, honestly and openly with a zero tolerance policy in relation to bribery and corruption.

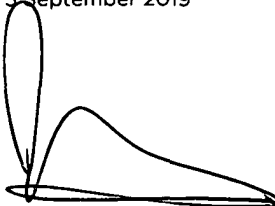
Copies of the policies are available from the Group's website at www.mcbride.co.uk.

Fair, balanced and understandable

Having given due and full consideration to all the matters referred to above, the Committee is satisfied that the financial statements present a fair, balanced and understandable view and provide shareholders with the necessary information to assess the Group's position and performance, strategy and business model, and has undertaken to report accordingly to the Board.

Neil Harrington
Chair of the Audit Committee

5 September 2019



Effectiveness

Nomination Committee report

Main duties:

- to review the structure, size and composition of the Board, including diversity considerations;
- to review the leadership needs of the Company to ensure its continued ability to compete effectively in the marketplace;
- to consider and recommend the nomination of candidates for appointment as Directors;
- to consider the roles and capabilities required for each new appointment, taking into account the skills and experience with the existing Directors; and
- to ensure that new appointees are provided with detailed and appropriate induction training.

Attendance at meetings year ended 30 June 2019

The Board is satisfied that the majority of members are independent Non-Executive Directors.

Number of Committee meetings held
(minimum one per year): 5



The Committee's work for the forthcoming year will continue to focus on Board succession planning, as well as talent and diversity.

Members	Number of meetings attended (quorum is three members)	Member since
John Coleman (Chair)	5	22/04/2016
Steve Hannam	5	04/02/2013
Neil Harrington	5	03/01/2013
Igor Kuzniar ⁽¹⁾	2	03/06/2019
Jeff Nodland ⁽¹⁾	1	26/06/2019
Sandra Turner	5	01/08/2011
Rik De Vos ⁽²⁾	1 ⁽³⁾	02/02/2015

(1) From date of joining the Company.

(2) Resigned from the Committee with effect from 17 June 2019.

(3) A number of meetings took place following Rik De Vos' resignation. The Committee met to discuss the recruitment process for a new Chief Executive Officer and therefore Rik De Vos did not attend these meetings.

The Committee is authorised by the Board to investigate any matters within its Terms of Reference. A copy of the Committee's Terms of Reference is available on the Group's website www.mcbride.co.uk.

On behalf of the Nomination Committee I am pleased to present the Nomination Committee report for the year ended 30 June 2019.

Succession planning and Board appointment

1. The Committee continually evaluates and looks to refresh the composition of the Board to maintain the appropriate balance of knowledge, skills and experience to ensure its continued effectiveness. This is particularly important going forward, given that a number of the Non-Executive Directors are nearing their nine-year term.
2. When considering candidates for appointment as Directors of the Company, the Committee prepares a detailed job specification and candidate profile. Once agreed, the Committee then works with an appropriate external search and selection agency to identify a shortlist of candidates of the appropriate calibre. The Board will only engage with such agencies that are signed up to the voluntary code of conduct on gender diversity.
3. Shortlisted candidates are then invited to be interviewed by the Committee members, and if recommended by the Committee, will meet the entire Board before any decision is taken relating to the appointment.

Key actions and decisions taken during 2018/19:

- reviewing the Board composition and the leadership needs of the Company taking into account strategic issues and commercial changes affecting the Company and the markets in which it operates;
- conducting the successful appointment of two Non-Executive Directors to strengthen the Board's expertise and diversity;
- undertaking a recruitment process for a new Chief Executive Officer;
- considering the contributions made by the individual Directors prior to recommending their election/re-election at the AGM, taking account of the outputs from the internal Board performance evaluation exercise carried out during the year; and
- considering the re-appointment of the Senior Independent Director and Chairs of the sub-committees.

No Committee member participated in any discussion relating to their personal position.

Diversity

The Committee recognises the recommendations regarding Board diversity and acknowledges that diversity is a key element to broaden the contribution made to Board deliberations. However, given the size of the Board, we continue to believe that quotas are not appropriate. We also accept that there are many other aspects to diversity in addition to gender, including professional and industry-specific experience, understanding of geographical markets and different cultures, all of which can also be an aid to the Board's effectiveness by ensuring a variety of outlook and interest. Board appointments will ultimately continue to be made based on merit and calibre. The Board Diversity Statement is available on the Group's website www.mcbride.co.uk.

2019/20 objectives

The Committee's work for the forthcoming year will continue to focus on Board succession planning, as well as talent and diversity in the context of the Committee's expected scope under the 2018 Code.

John Coleman
Chair of the Nomination Committee
5 September 2019



Remuneration

Remuneration report



The Committee focus on ensuring that Executive remuneration packages reflect the achievement of the Group's strategy and sustained shareholder growth.

Main duties:

- to review the ongoing appropriateness and relevance of the Remuneration Policy;
- to apply formal and transparent procedures regarding executive remuneration packages;
- to consider and make recommendations to the Board on remuneration issues for the Executive Directors and other senior executives, taking into account the interests of relevant stakeholders;
- to ensure that failure is not rewarded and that steps are taken to mitigate loss on termination to contractual obligations where appropriate; and
- to review the implementation and operation of any Company share option schemes, bonus schemes and Long-Term Incentive Plans (LTIP) and to review the formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

Attendance at meetings year ended 30 June 2019

The Board is satisfied that all members are independent Non-Executive Directors, with the exception of John Coleman, who satisfied the independence condition on his appointment as a Non-Executive Director in 2016.

Number of Committee meetings held (minimum two per year): 4

Members	Number of meetings attended (quorum is two members)	Member since
Sandra Turner (Chair)	4	01/08/2011
John Coleman	4	22/04/2016
Steve Hannam	4	04/02/2013
Neil Harrington	4	03/01/2012
Jeff Nodland ⁽¹⁾	1	26/06/2019

(1) From date of joining the Company.

The Committee is authorised by the Board to investigate any matters within its Terms of Reference. A copy of the Committee's Terms of Reference is available on the Group's website www.mcbride.co.uk.

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration report for the year ended 30 June 2019.

This Remuneration report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and is split into three sections: the Annual Statement; Remuneration Policy report; and Annual Report on Remuneration.

Remuneration decisions taken in 2018/19

A summary of the key decisions taken by the Committee during the year is as follows:

- in relation to the Annual Bonus Plan, due to the financial performance in 2018/19, the Committee determined that none of the financial targets in the year had been met and therefore no payment under the Annual Bonus Plan would be made to Chris Smith covering this period. Further detail can be found on page 60;
- in relation to the LTIP awards granted in September 2016, the Committee reviewed the performance conditions and determined that performance for these awards was below the threshold levels. The awards have, therefore, lapsed;
- the deferred share awards granted to Chris Smith as part of the 2016 annual bonus will vest in September 2019. There are no performance conditions attached to these awards (other than the participant being in employment at the date of vesting). Details of these awards can be found on page 62;
- Rik De Vos, the outgoing Chief Executive Officer, was treated as a normal leaver by the Committee under all applicable policies and rules. As such, he was not entitled to receive any form of bonus covering this period and all LTIP and deferred share awards lapsed upon receipt of his resignation as a Director in May 2019; and
- the Committee reviewed performance targets and objectives in relation to the Executive Director 2019/20 annual bonus and LTIP awards and determined they would continue to be broadly in line with measures used in the previous year. Granting of any LTIP awards will be subject to a two-year post-vesting holding period, after the initial three-year performance period. Further details can be found on page 59.

Remuneration Policy review in 2020

I am grateful for the continued engagement and support received from shareholders. We are now beginning the process of reviewing the Company's Remuneration Policy, where we will focus on ensuring that Executive Director remuneration packages, including incentive plans and associated performance conditions, reflect the nature and priorities of the Group's strategy and its implementation, with the key performance driver of substantial and sustained total shareholder return at its core.

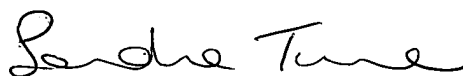
The Committee will also look to develop its remuneration approach in line with the requirements and implications of the 2018 UK Corporate Governance Code, where it has not done so already.

The Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM. We continue to value the support and feedback provided by shareholders and welcome your support at the upcoming AGM.

Sandra Turner

Chair of the Remuneration Committee

5 September 2019



Remuneration

Remuneration Policy report

Remuneration Policy principles

The Group's approach for all employees, including executives, is to set remuneration that takes account of market practice, economic conditions, the performance of the Group and of teams or individuals, recognising any collective agreements that may apply as well as any legal or regulatory requirements in jurisdictions where it operates. Our Remuneration Policy ('the Policy') aims to attract, motivate and retain suitably effective employees.

The basic principles that guide our Remuneration Policy for executives, including the Executive Directors, are as follows:

Remuneration principle

Component

Remuneration links to business strategy and long-term investor interests

- Both short and long-term rewards are linked to performance and Company strategy to maximise long-term shareholder value.
- The Policy provides an appropriate balance between fixed remuneration, short-term bonus and long-term incentives.
- Executives are encouraged to build and maintain a targeted shareholding as this represents the best way to align their interests with those of shareholders.

Fair reward to individuals for successful contribution made to the business

- The annual bonus targets are split between Company financial performance and personal objectives which align with key business objectives in a given year.
- Long-term incentives are targeted against metrics which align with shareholder interests.
- Environmental, safety, sustainability, social and governance issues are taken into account.

Performance targets are appropriate and sufficiently demanding

- Performance conditions for the variable elements of executive pay are set independently by the Committee at the outset of each year and assessed by the Committee, both quantitatively and qualitatively, at the end of each performance period.

The personal objectives rewards in annual bonus plans for senior executives are specific and are reviewed by the Committee to ensure they adequately reflect the business objectives of the Group and are only paid on measurable success

- Whilst the Committee does not consult with employees specifically on its policy for Executive Director remuneration, general pay and employment conditions across the Group (including salary increases and benefits) are taken into account when setting executive remuneration. The Committee is kept informed of such matters via regular interaction with the Group's HR function.
- The Committee consults with the Chief Executive Officer and pays due regard to his recommendations for other senior executives. Individual Directors are not involved in decisions concerning their own remuneration.
- The Committee is committed to keeping its Policy under regular review, taking into account changes in the competitive environment, remuneration practices and guidelines set by the key institutional shareholder bodies. The Committee has and will continue to take into account the views and feedback of its major shareholders to ensure the Remuneration Policy reflects, as far as practicable, prevailing sentiment.

Future Policy table

The following table summarises the main elements of our Remuneration Policy for Directors.

Element: Executive Director base salary

Purpose and link to strategy	To ensure the Group is able to recruit and retain high-calibre executives.
Operation	- Salaries are set by the Committee taking into account individual experience, performance, skills and responsibilities, prevailing market conditions (by reference to companies of a similar size and complexity and other companies in the same industry) and internal relativities. - Salaries are paid monthly in arrears by bank transfer and are normally reviewed annually with any changes effective from January.
Maximum	- Details of current salaries of the Executive Directors are detailed on page 58. - Salaries are reviewed annually and may be increased each year. Increases will generally be in line with those awarded to the Group's workforce, as well as reflective of the overall financial performance of the Group. - Increases beyond this may be awarded in limited circumstances, such as where there is a change in responsibility, experience or a significant change in the scale of the role and/or size, value and/or complexity of the Group.
Performance measures	Not applicable.

Element: benefits

Purpose and link to strategy	To provide market-competitive benefits, in line with those provided to other Group employees.
Operation	- Benefits include private medical insurance, sick pay, a fully expensed car (or equivalent cash allowance), disability and life assurance cover. - The Company has the ability to reimburse the tax payable (grossed up) on any business expenses captured as taxable benefits.
Maximum	The benefit provision is reviewed periodically. No maximum level is set on the value or cost of benefits provided.
Performance measures	Not applicable.

Element: pension

Purpose and link to strategy	Retirement benefits are regarded as an important element of the Group's basic benefits package to attract and retain talent.
Operation	Membership of the Company's defined contribution, or similar, pension scheme, or in agreed circumstances, a cash allowance in lieu of pension.
Maximum	Up to 25% of base salary.
Performance measures	Not applicable.

Remuneration

Remuneration Policy report continued

Future Policy table continued

Element: annual bonus

Purpose and link to strategy	The purpose of the annual bonus is to incentivise delivery of the Group's financial and non-financial objectives and to ensure that Executive Directors and senior executives are fairly rewarded for their contribution to the success of the Group.
Operation	- Performance conditions are set independently by the Committee at the start of each year. - Performance criteria include the financial targets of the Group as agreed by the Board and specific annual targets based on clear and measurable objectives that underpin, and are key to achievement of, the Group's strategy. - Personal objectives are reviewed by the Committee to ensure they contribute to the strategic aims of the Group. - To further align the interests of Directors with shareholders, a portion of the bonus is paid in deferred shares. Shares awarded under the Deferred Annual Bonus Plan (DBP) vest after three years and are normally only payable if the Director remains employed by the Group at the end of that period. The deferred shares awarded are held by an Employee Benefit Trust until vesting. - A 'dividend equivalent' provision is also available on the DBP shares at the discretion of the Committee, enabling dividend or dividend equivalent payments to be paid, in cash or shares, on any shares that vest. - Both the cash and deferred share elements of the annual bonus are subject to clawback in the event of a material misstatement of the financial results, serious misconduct by a participant or other defined reasons.
Maximum	100% of base salary.
Performance measures	- A bonus of 80% of salary is based against a sliding scale of challenging and stretching financial performance targets, of which the first 50% of salary is payable in cash and the remaining 30% of salary in deferred shares under the DBP. A bonus of up to 20% of salary, which is payable in cash, is based on the achievement of specific and measurable personal targets. Irrespective of achievement against the personal targets, no bonus is payable unless a minimum level of financial performance is achieved. - The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the annual bonus if certain events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

Element: LTIP

Purpose and link to strategy	- The objectives of the LTIP are to align the long-term interests of shareholders and management and reward achievement of long-term, stretching targets. - Awards are made to Executive Directors and to senior executives who have a significant influence over the Group's ability to meet its strategic objectives. Whilst it is not a requirement of the LTIP, senior executives are encouraged to use the scheme to increase their share ownership in the Company.
Operation	- Annual awards are granted, subject to individual performance and Committee discretion. The awards vest after three years subject to continued employment and the satisfaction of challenging performance conditions. A two-year post-vesting holding period applies to all shares (less any shares required to be sold to cover withholding tax) that vest. - LTIP awards are subject to clawback in the event of a material misstatement of the financial results, serious misconduct by a participant or other defined reasons. - A 'dividend equivalent' provision is also available at the discretion of the Committee, enabling dividend equivalent payments to be paid, in cash or shares, on any shares that vest under the LTIP. - The Committee will operate the LTIP according to its respective rules and in accordance with the Listing Rules and HMRC rules, where relevant. - The Committee retains discretion, consistent with market practice, in regard to the operation and administration of the LTIP, including: the option to provide different types of awards; settling any vesting awards in cash; when dealing with a change of control (e.g. the timing of testing performance conditions) or restructuring of the Group; determination of a good/bad leaver based on the rules of each plan and the appropriate treatment chosen; and adjustments in certain circumstances, such as rights issues, corporate restructuring, events and special dividends.

Element: LTIP continued

Maximum	125% of salary for the Chief Executive Officer and 110% of salary for the Chief Finance Officer in any financial year. The Committee reviews the quantum of awards annually to ensure they are in line with market levels and appropriate given the performance of the individual and the Company. - Actual award levels to Executive Directors are set out in the Annual Report on Remuneration.
Performance measures	- Vesting of awards would normally be based on: - the Company's Total Shareholder Return (TSR) performance measured over no less than three years against a peer group of companies selected by the Committee as at the start of the performance period; and - key financial measures of performance (such as, but not limited to, Earnings Per Share (EPS)) selected by the Committee over a period of no less than three financial years. - Targets are set by the Committee for each award on a sliding scale basis. No more than 25% of awards will vest for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions. - Different performance measures and/or weightings may be used for future awards to help drive the strategy of the business. - EPS is a measure of the Company's overall financial success and TSR provides an external assessment of the Company's performance against comparable companies on the London Stock Exchange. It also aligns the rewards received by executives with the returns received by shareholders. - Details of the performance conditions applied to awards granted in the year under review and for the awards to be granted in the forthcoming year are set out on pages 58, 59 and 60 respectively. - The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the LTIP if events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

Element: Non-Executive Director fees

Purpose and link to strategy	To ensure the Group is able to attract and retain experienced and skilled Non-Executive Directors able to advise and assist with establishing and monitoring the strategic objectives of the Company.
Operation	- The remuneration of the Chairman and the Non-Executive Directors is payable in cash fees. They are not eligible to participate in bonus or share incentive schemes. Their services do not qualify for pension or other benefits. Fees are paid monthly and reasonable expenses are reimbursed where appropriate. Tax may be reimbursed if these expenses are determined to be a taxable benefit. - Fee levels are determined by the full Board with reference to those paid by other companies of similar size and complexity, and to reflect the amount of time they are expected to devote to the Group's activities during the year. A supplementary fee is also paid to Committee Chairs and to the Senior Independent Director to reflect their additional responsibilities.
Maximum	Details of the current fees for the Chairman and Non-Executive Directors are set out on page 58. Under the Company's current Articles of Association, the aggregate annual sum for Non-Executive Director fees cannot exceed £400,000 p.a. The Company does not intend to seek shareholder approval for any increase to this maximum in the short to medium term.
Performance measures	No element of the Chairman's or Non-Executive Directors' fees is performance related.

Remuneration

Remuneration Policy report continued

Future Policy table continued

Element: share ownership guidelines

Purpose and link to strategy	Both the Executive and Non-Executive Directors and other senior executives are encouraged to build and maintain a shareholding in the Company as this represents the best way to align their interests with those of shareholders. Levels are set in relation to earnings and according to the post held in the Company.
Operation	- The expectation is that executives will build up to these levels over a period of time, through retaining shares received under the Company's incentive arrangements and/or purchased in their own right. - The Executive Directors are also required to maintain a shareholding worth up to 100% of their salary for a minimum of twelve months after cessation of employment.
Maximum	There is no maximum; however, target levels are set at 200% of salary for Executive Directors, 33% of annual fees for Non-Executive Directors and 50% of salary for other senior executives.
Performance measures	Not applicable.

Element: recruitment remuneration

Purpose and link to strategy	To ensure the Group is able to recruit and retain high-calibre Executive and Non-Executive Directors.
Operation	- New Director remuneration arrangements will be based upon and within the limits of the various elements as set out on pages 53 to 55. In addition: - Executive Director buy-out payments may be made in exceptional circumstances; typically when these are considered to be in the best interests of the Company to facilitate the buy-out of value forfeited on joining the Company. These payments would typically be in the form of an enhanced LTIP award under the rules and maximums permitted under the Company's LTIP rules at that time or, if required, using Listing Rule 9.4.2. Such payment would take account of remuneration being relinquished, including the nature and time horizons attached to such remuneration and the impact of any performance conditions. In exceptional circumstances, payments could be made in the form of a cash payment or Restricted Share Award. When in the form of a cash payment, this would normally be subject to clawback in certain situations, in line with other elements under the Company's Remuneration Policy. Shareholders will be informed of any such payments at the time of appointment. - Relocation packages, generally consisting of out-of-pocket expenses, together with any additional costs solely attributable to the relocation may be offered in situations deemed essential in order to carry out the relevant role successfully. Any package will be designed to ensure the new recruit becomes effective in their role as soon as possible, with minimal distractions from any relocation. - In respect of internal promotions, any remuneration commitments made before such promotion (whether or not they would fall within the principles of the Company's current Remuneration Policy) may form part of that Director's remuneration package, with the expectation that any such commitments would be phased out over time.
Maximum	It is intended that the value of any element of normal remuneration will generally be on the same basis as the existing Directors (pro-rated where appropriate dependent on time of joining the Company) and elements such as buy-out payments being no higher than the expected value of the forfeited arrangements.

Element: Executive Director compensation on loss of office

Purpose and link to strategy	On termination of an Executive Director's service contract, the Committee will seek to provide the minimum compensation applicable to the individual's employment contract.		
Operation	- Executive Director service contracts will stipulate the Company's compensation commitments to be honoured in an early termination event. Any commitments will be within the principles of the Company's Remuneration Policy. - Directors' service contracts confirm that the Company may terminate the contract with immediate effect by making a payment equal to base salary for any unexpired period of notice. The Company also has the option to pay notice month by month that would reduce or cease if the departing Director obtained other employment. - There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur in the event of a takeover bid. It is also the Company's policy not to include liquidated damages clauses in service contracts, unless there is a clear explainable benefit for the Company in doing so. None of the Executive Director service contracts contain any such liquidated damages provision. - Statutory redundancy payments will be made as appropriate. - Costs attributable to outplacement and/or legal fees associated with the termination of an Executive Director's service contract (including the settlement of any claims brought against the Company, such as unfair dismissal) may be paid by the Company where appropriate. - In circumstances in which a leaving Director may be entitled to pursue a legal claim, the Company may negotiate settlement terms if it considers this to be in the best interests of the Company and, with the approval of the Committee on the remuneration elements therein, enter into a settlement agreement.		
Maximum	Any compensation arrangements will not be beyond those stipulated in the Directors' service contracts and will normally be limited to base salary, benefits and pension elements. Dependent upon the circumstances (and subject to the Committee's discretion) as shown below, a Director's performance-related remuneration elements may also be included.		
	Normal exit (termination for reasons of resignation or dismissal).	Good leaver (termination for reasons of death, ill health, retirement, redundancy, or at the discretion of the Committee).	Change of control (excludes a reorganisation or reconstruction where ownership does not materially change).
Annual bonus	No entitlement for year of exit. Payments in earlier years may be subject to clawback in certain circumstances.	Pro-rated (based upon timing and performance) for year of exit. Any DBP awards (at Committee discretion) vest at either normal vesting date or on cessation of employment.	Extent to which performance requirements are satisfied in year determines level of annual bonus. Any unvested DBP awards will vest on date of the relevant event.
LTIP	Unvested awards lapse. Vested awards may be subject to clawback in certain circumstances.	Unvested awards pro-rated based upon rules of LTIP plan (at Committee discretion) and vest on either normal vesting date or cessation of employment.	Unvested awards are pro-rated based upon rules of LTIP plan (at Committee discretion) and vest on the date of the relevant event.

Remuneration

Remuneration Policy report continued**Executive Directors' service contracts**

Service contracts stipulate that the Executive Directors will provide services to the Company on a full-time basis.

Executive Director ⁽¹⁾	Date of service contract	Notice period ⁽²⁾
Chris Smith	15/07/2014	6 months

(1) All Directors are re-elected on an annual basis.

(2) By either the Company or Executive Director. In exceptional circumstances, notice periods of up to a maximum of twelve months may be offered to newly recruited Directors.

The contracts contain restrictive covenants for periods of up to six months post-employment relating to non-competition and non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any intellectual property rights created by the Directors in the course of their employment.

The service contract for the outgoing Chief Executive Officer, Rik De Vos, contained the above provisions and included a six-month notice period.

Remuneration performance scenarios 2019/20

The chart below illustrates how the composition of the Chief Finance Officer's remuneration package could vary at different levels of performance under the Company's 2019/20 implementation of the Remuneration Policy as a total value opportunity.

(1) Below target represents fixed pay only (consisting of base salary, benefits and pension).

(2) On-target performance assumes a bonus award of 60% of salary and 22.5% vesting under the LTIP. The DBP and LTIP elements are calculated as an award percentage of base salary multiplied by the relevant vesting percentage. No assumptions are made as to likely share price growth for the DBP or LTIP.

(3) Maximum performance assumes a bonus award of 100% of salary, cash and deferred shares, and full vesting under the LTIP. The DBP and LTIP elements are calculated as an award percentage of base salary multiplied by the relevant vesting percentage. No assumptions are made as to likely share price growth for the DBP or LTIP.

External appointments

Executive Directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. Where the Company releases Executive Directors to carry out non-executive duties, they will be required to disclose the fact that they retain any earnings and the amount of such remuneration. Neither of the Executive Directors held any external directorships during the year ended 30 June 2019.

Non-Executive Directors' letters of appointment

Set out below is information regarding the dates of the letters of appointment and notice periods for the Chairman and the Non-Executive Directors.

Director ⁽¹⁾	Latest letter of appointment	Date first appointed to the Board	Notice period ⁽²⁾
John Coleman	03/09/2019	22/04/2016	3 months
Steve Hannam	03/09/2019	04/02/2013	3 months
Neil Harrington	03/09/2019	03/01/2012	3 months
Igor Kuzniar	31/05/2019	03/06/2019	3 months
Jeff Nodland	21/06/2019	26/06/2019	3 months
Sandra Turner	03/09/2019	01/08/2011	3 months

(1) All Directors are re-elected on an annual basis.

(2) Terminable at the discretion of either party. Appointments may be terminated without compensation in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles.

Any appointment for more than nine years in total will be subject to annual review by the Board, as well as shareholder approval. Consideration will be given to the importance of refreshing the membership of the Board and avoiding any undue reliance on any particular individual, whilst assessing the contribution made by that individual, together with the ongoing commitment required to the role and the benefit gained from any continuity of handover with newer members of the Board.

Application of the Remuneration Policy for the 2019/20 financial year

The table below sets out how the Remuneration Policy, approved by shareholders in 2017, will be applied for the 2019/20 financial year.

Element	Application of policy for 2019/20	Explanation
Executive Director base salary	The base salary for Chris Smith remains at £294,000 (2018/19: £294,000). The Committee determined that for the period Chris acts as Interim Chief Executive Officer he will receive a non-pensionable salary supplement of £10,000 gross per month. This will be paid as a lump sum upon the commencement date of the replacement permanent Chief Executive Officer. This supplement will also not count towards bonus or LTIP entitlement. The remuneration package to be agreed with the incoming permanent Chief Executive Officer will be in line with the current Remuneration Policy.	It is not expected that there will be any further material increase to the Executive Director salaries during the lifetime of the current Remuneration Policy.
Benefits and pension	Chris Smith will continue to receive the Company's standard benefits package, including a cash sum in lieu of a pension contribution at 20% of annual base salary.	The current benefits are considered to be appropriate.
Annual bonus	The structure and operation of the annual bonus scheme will continue in line with the previous financial year. The maximum bonus opportunity for the Executive Directors continues to be 100% of salary: 80% of the award will be subject to a sliding scale of challenging operating profit targets and 20% will be subject to specific measurable personal targets.	The Committee considers that the forward-looking targets are commercially sensitive and has, therefore, chosen not to disclose them in advance. Details of the targets will be set out retrospectively in next year's Remuneration report. However, the targets are considered to be demanding in the context of the Company's circumstances.
LTIP	The LTIP awards to be granted in 2019/20 will continue to be subject to EPS and relative TSR performance conditions. The intended Executive Director grant level for the LTIP is 125% of salary for the Chief Executive Officer and 110% of salary for the Chief Finance Officer. The TSR schedule and comparator group is based upon the FTSE SmallCap Ex. Investment Companies Index with 25% of this element of the award vesting for median performance; with full vesting for upper quartile performance. EPS targets continue to align to the Company's three-year business targets and our plans for EPS growth. Awards subject to the EPS condition will lapse unless the Company's EPS Compound Annual Growth Rate (CAGR) (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 8%, at which level 20% of this element will vest. For performance above this level, awards will vest on a rising scale, with full vesting only if EPS CAGR reaches 17%.	TSR provides an external assessment of the Company's performance against its competitors. It also aligns the rewards received by executives with the returns received by shareholders. The EPS performance measure has been selected as it is one of the KPIs used in the business and is a measure well understood by the senior executives. It is also something which they can influence directly.
Non-Executive Director fees	The fee policy for the Chairman and Non-Executive Directors continues to be as follows: • base Chairman fee: £150,000; • base Non-Executive Director fee: £45,000; • Chair of the Audit and Remuneration Committees: £7,000 (additional fee); and • Senior Independent Director: £7,000 (additional fee).	Non-Executive Director fees were increased in 2017, the previous increase of fees being in July 2009.

Remuneration

Annual Report on Remuneration

Application of the shareholder-approved 2017 Remuneration Policy for 2018/19

Single total remuneration figure for the Executive Directors (audited)

The table below sets out a single total remuneration figure for the position of the Executive Directors in office for the 2018/19 financial year:

	Fixed remuneration				Performance related			Total remuneration £'000
	Base salary ⁽²⁾ £'000	Benefits ⁽³⁾ £'000	Pension ⁽⁴⁾ £'000	Sub total £'000	Annual bonus ⁽⁵⁾ £'000	LTIPs ⁽⁶⁾ £'000	Sub total £'000	
Chris Smith								
2018/19	294	13	59	366	—	—	—	366
2017/18	294	12	59	365	—	195	195	560
Rik De Vos⁽¹⁾								
2018/19	460	40	92	592	—	—	—	592
2017/18	460	25	92	577	—	313	313	890

(1) Rik De Vos resigned as a Director with effect from 19 July 2019 and left the business on 31 August 2019. No payments for loss of office were made to him (see exit payments section on page 65 for more detail).

(2) Full base salary paid during the relevant financial year.

(3) Benefits consist of the provision of a company car and fuel (or cash equivalent), private healthcare, disability insurance and life cover and in the case of Rik De Vos compensation for personal tax loss.

(4) The pension figure represents the value of the Company's contribution to the individual's pension scheme and/or the cash value of payments in lieu of pension contribution.

(5) The annual bonus is the cash value of the bonus in respect of the year ended 30 June 2019, including any deferred shares which must be held for a minimum three-year period.

(6) The value of the LTIPs for the 2018/19 financial year represents the estimated value of the September 2016 award (the performance period for which ended on 30 June 2019), using the three-month average share price to 30 June 2019.

Pension (audited)

During the year, the Company paid Chris Smith and Rik De Vos a cash sum in lieu of a pension contribution at 20% of annual base salary. The Company has a contracted agreement with the Executive Directors that this payment relieves the Company of any liability for pension provision on their behalf.

Annual bonus (audited)

For the 2018/19 financial year, the maximum bonus opportunity for the Executive Directors was 100% of salary. 80% of bonus was based upon financial performance and 20% for performance against demanding specific measurable personal targets. The Committee determined that as the financial element outcome had not been achieved, no bonus would be payable, irrespective of the achievement outcome of the respective personal objectives. In any event, in respect of Rik De Vos, upon tendering his resignation, the Committee determined that, in line with the Remuneration Policy, no bonus would be payable to him.

Financial element outcomes

	Performance targets ⁽²⁾ (£m)			Actual performance £m	Payout (% of salary)
	Threshold	Target	Stretch		
Group EBITA ⁽¹⁾	36.9	43.0	47.0	28.6	—

(1) Excludes amortisation of intangibles, exceptional costs at 2018/19 internal budgeted exchange rates.

(2) Achievement between the minimum and maximum calculated on a straight-line basis between the three reference points.

Personal element outcomes

Executive Director	Measure	Weighting (% of salary)	Performance targets ⁽²⁾			Actual performance	Payout (% of salary)
			Threshold	Target	Stretch		
Chris Smith	Trading Working Capital ⁽¹⁾	10	11.50%	11.25%	11.00%	11.80%	—
Rik De Vos	Trading Working Capital ⁽¹⁾	10	11.50%	11.25%	11.00%	11.80%	—

(1) Trade Working Capital means the values of Inventory plus Trade Debtors less Trade Creditors as per the financial statements and management reports. The calculation is based on average of twelve monthly trailing three month Trade Working Capital % ratios.

(2) Achievement between the minimum and maximum calculated on a straight-line basis between the three reference points.

In addition, a proportion of both Executive Directors' personal objectives included the successful achievement of distinct M&A projects, which the Committee determined were either partially or fully achieved.

LTIP (audited)

In the year under review, LTIP awards were granted to the Executive Directors in September 2018 under the McBride plc 2014 LTIP.

Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on page 120.

Interests of Directors under the McBride plc 2014 LTIP at 1 July 2018 and 30 June 2019 are set out below:

Director	Date of award	Number of awards at 1 July 2018	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2019	Market price at date of award (£)	Vesting date
Chris Smith	09/09/2015	206,185	—	128,907	77,278	—	1.2125	10/09/2018
	09/09/2016	142,857	—	—	—	142,857 ⁽²⁾	1.7500	10/09/2019
	11/09/2017	164,371	—	—	—	164,371	1.9675	12/09/2020
	10/09/2018	—	248,006 ⁽¹⁾	—	—	248,006	1.3040	11/09/2021
Rik De Vos	09/09/2015	329,896	—	206,251	123,645	—	1.2125	10/09/2018
	09/09/2016	228,571	—	—	228,571 ⁽³⁾	—	1.7500	10/09/2019
	11/09/2017	292,249	—	—	292,249 ⁽³⁾	—	1.9675	12/09/2020
	10/09/2018	—	440,950 ⁽¹⁾	—	440,950 ⁽³⁾	—	1.3040	11/09/2021

(1) Awards were granted on the basis of 125% of salary for Rik De Vos and 110% of salary for Chris Smith. The face value of the awards are Rik De Vos: £575,000 and Chris Smith: £323,400. Threshold vesting under the TSR condition would be 25% of that part of the award (12.5% of the total award). Threshold vesting under the EPS condition would be 20% of that part of the award (10% of the total award).

(2) The LTIP awards granted on 9 September 2016 are based on performance over the three years to 30 June 2019. The Committee reviewed the related performance conditions (as detailed in the tables below) and determined that the Company had not achieved threshold performance in either element and all the awards therefore lapsed.

(3) Rik De Vos' LTIP awards lapsed on date of resignation.

The performance conditions attaching to awards under the LTIP are:

- a. 50% of the awards are subject to a TSR performance condition measured against the FTSE SmallCap Ex. Investment Companies Index as the comparator group. If the Company's TSR performance is lower than the median of the comparator group, awards subject to the TSR condition will lapse.
The TSR measure is based upon the average of three months' share prices immediately preceding the relevant performance date and is independently calculated for the Committee.

TSR performance of the Company relative to the comparator group ⁽¹⁾	% of total award vesting (max 50%)
Below the median	0
Equal to the median	12.5
Upper quartile	50

(1) Intermediate performance vesting on straight-line basis.

- b. 50% of the award is subject to an EPS performance condition as set out in the table below. Awards subject to the EPS condition will lapse if below the stated minimum growth rate in each year.

% of total award vesting (max 50%) ⁽¹⁾	EPS Compound Annual Growth Rate (CAGR) ⁽²⁾		
	Grant Sept 2016	Grant Sept 2017	Grant Sept 2018
0	<8% p.a.	<8% p.a.	<8% p.a.
10	8% p.a.	8% p.a.	8% p.a.
50	17% p.a.	17% p.a.	17% p.a.

(1) Intermediate performance vesting on straight-line basis.

(2) Adjusted to include effects of amortisation of intangible assets and exceptional items.

TSR and EPS performance are measured over the period of three consecutive financial years of the Company, beginning with the year of grant of the award. There will be no resetting or retesting of the performance conditions, other than in exceptional circumstances as set out on pages 55 and 56.

Remuneration

Annual Report on Remuneration continued

Deferred Annual Bonus Plan (DBP) (audited)

Interests of Directors under the McBride plc 2012 Deferred Annual Bonus Plan at 1 July 2018 and 30 June 2019 are shown in the table below.

The awards granted under the DBP, as shown in the table below, reflect the proportion of the respective year's annual bonus deferred in the year as agreed by the Committee at that time.

There is no exercise price applicable to the awards, which are subject to a restricted period of three years and will normally vest on the expiry of this period. Awards granted under the DBP are eligible for dividend equivalent payments.

No awards under the DBP were granted in the year 2018/19.

Director	Date of award	Number of awards at 1 July 2018	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2019	Market price at date of award (£)	Vesting date
Chris Smith	19/09/2015	28,170	—	28,170	—	—	1.2800	11/09/2018
	09/09/2016	42,857	—	—	—	42,857	1.7500	10/09/2019
	11/09/2017	1,064	—	—	—	1,064	1.9675	12/09/2020
Rik De Vos	10/09/2015	39,062	—	39,062	—	—	1.2800	11/09/2018
	09/09/2016	68,571	—	—	—	68,571 ⁽¹⁾	1.7500	10/09/2019
	11/09/2017	1,682	—	—	—	1,682 ⁽¹⁾	1.9675	12/09/2020

(1) Rik De Vos resigned as a Director with effect from 19 July 2019, with all outstanding DBP awards lapsing as of that date.

Single total remuneration figure for the Non-Executive Directors (audited)

	2018/19			2017/18		
	Base fee £'000	Committee Chair/ SID fee £'000	Total £'000	Base fee ⁽³⁾ £'000	Committee Chair/ SID fee ⁽⁴⁾ £'000	Total £'000
John Coleman	150	—	150	150	—	150
Steve Hannam	45	7	52	44	7	51
Neil Harrington	45	7	52	44	7	51
Igor Kuzniar ⁽¹⁾	4	—	4	—	—	—
Jeff Nodland ⁽²⁾	1	—	1	—	—	—
Sandra Turner	45	7	52	44	7	51

(1) Igor Kuzniar was appointed as a Non-Executive Director with effect from 3 June 2019.

(2) Jeff Nodland was appointed as a Non-Executive Director with effect from 26 June 2019.

(3) The Non-Executive Director base fee (excluding the Chairman) was increased to £45,000 with effect from September 2017.

(4) The Committee Chair/SID additional fee was increased to £7,000 with effect from September 2017.

Statement of Directors' shareholding and share interests (audited)

	At 30 June 2019				At 1 July 2018	
	Total shares beneficially owned ⁽³⁾	Value of shares of £'000	% of annual base salary	Conditional share awards ⁽⁴⁾	Total shares beneficially owned	Conditional share awards
John Coleman	40,000	32	21	—	40,000	—
Chris Smith	283,857	227	77	599,235	122,772	585,504
Steve Hannam	12,000	10	22	—	12,000	—
Neil Harrington	30,000	24	53	—	30,000	—
Igor Kuzniar ⁽¹⁾	—	—	—	—	—	—
Jeff Nodland ⁽²⁾	—	—	—	—	—	—
Sandra Turner	10,000	8	18	—	10,000	—
Rik De Vos	314,041	251	55	—	176,887	960,031

(1) Igor Kuzniar was appointed as a Non-Executive Director with effect from 3 June 2019. Igor is Managing Partner of Teleios Capital Partners, GmbH, the largest shareholder of McBride plc. See page 68 for further details.

(2) Jeff Nodland was appointed as a Non-Executive Director with effect from 26 June 2019.

(3) There have been no changes from those detailed below between 30 June 2019 and the date of this report.

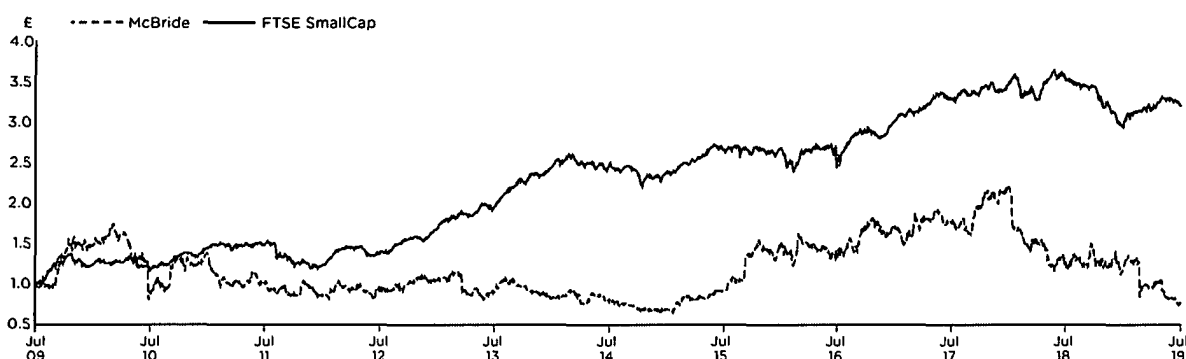
(4) The conditional share awards have been made under the McBride plc 2014 LTIP and Deferred Annual Bonus Plan.

(5) Rik De Vos resigned as a Director with effect from 19 July 2019, with all conditional awards lapsing as of that date. All of Rik De Vos' conditional awards lapsed on receipt of his resignation.

None of the Directors had any interest in the shares of any subsidiary company.

Review of past performance

The graph below charts the TSR (share value movement plus reinvested dividends), over the ten years to 30 June 2019, of shares in McBride plc compared with that of a hypothetical holding in the FTSE SmallCap Ex. Investment Companies Index. The Directors consider this index to be an appropriate comparator group for assessing the Company's TSR as it provides a well defined, understood and accessible benchmark.



Remuneration

Annual Report on Remuneration continued

Review of past performance continued

The following table shows the historic Chief Executive Officers' levels of total remuneration (single figure of total remuneration), together with annual bonus and LTIP awards as a percentage of the maximum available.

CEO/financial year	Total remuneration £'000	Annual bonus % of maximum	LTIP % of maximum
Rik De Vos			
2018/19 ⁽¹⁾	592	—	—
2017/18	890	—	62.5
2016/17	1,169	70.8	100.0
2015/16	893	98.5	—
2014/15 ⁽²⁾	357	89.0	—
Chris Bull			
2014/15 ⁽²⁾	253	—	—
2013/14	512	—	—
2012/13	512	—	—
2011/12	704	48.0	—
2010/11	531	5.0	—
2009/10 ⁽³⁾	83	—	—
Miles Roberts			
2009/10 ⁽³⁾	519	—	—

(1) Rik De Vos left the business on 31 August 2019.

(2) Chris Bull left the business on 18 December 2014, with Rik De Vos appointed with effect from 2 February 2015.

(3) Miles Roberts left the business on 30 April 2010, with Chris Bull appointed with effect from 4 May 2010.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in the outgoing Chief Executive Officer annual remuneration from the prior year compared to the average percentage in remuneration for all UK employees (888 employees). Although the Company has an international workforce, this group has been chosen as it continues to represent the most meaningful comparator group to the UK-based Chief Executive Officer.

	% change 2018/19		
	Base salary	Taxable benefits	Annual bonus
Chief Executive Officer	—	7.8 ⁽¹⁾	—
Comparator group	3.4	—	(20)

(1) This excludes the compensation for personal tax loss shown in the 2018/19 single total remuneration figure on page 60.

Relative importance of spend on pay

Exit payments (audited)

On termination of an Executive Director's service contract, the Committee will seek to provide the minimum compensation applicable to the individual's employment contract and will normally be limited to base salary, benefit and pension elements. Dependent upon the termination circumstances, and subject to the Committee's discretion, a Director's performance-related remuneration element may also be included (subject to the achievement of the relevant performance conditions and time pro-rating).

During the year, Rik De Vos, the outgoing Chief Executive Officer, resigned from the Company, with the Committee determining that it would not exercise any discretion in relation to any bonus or LTIP awards and, accordingly, any entitlements lapsed on his resignation as a Director of the Company.

Payments to third parties

No payments were made to third parties for making available the services of any of the Directors during 2018/19.

Remuneration Committee support

Meetings may be attended by the Chief Executive Officer on all matters except those relating to his own remuneration. The Chief Finance Officer, Igor Kuzniar (a Non-Executive Director), the Group HR Director and the Company's independent remuneration consultants also attend meetings by invitation. The Company Secretary attended each meeting as Secretary to the Committee. No Director participates in any discussion relating to his or her own remuneration.

Remuneration Committee advisers

During the year, the Committee continued to engage the services of the independent consultants, the Executive Compensation practice of Aon plc ('Aon') for the purposes of providing professional advice to guide the Committee in its decision making. Aon received £23,639 in respect of the services provided for the 2018/19 financial year (2017/18: £34,770). Aon is a signatory to the Remuneration Consultant Group's Code of Conduct. Aon UK Limited continues to act as the Group's insurance broker. Aon has confirmed that no conflict arises by these appointments.

Statement of shareholder voting

The table below shows the voting outcome at the October 2018 AGM for the approval of the Company's 2017/18 Remuneration report:

Resolution	Votes for	%	Votes against	%	Votes withheld
Approval of Remuneration report (advisory vote)	137,952,390	99.93	96,271	0.07	48,975

The current Remuneration Policy was approved by shareholders with 99.88% votes in favour at the October 2017 AGM. I will be available at the AGM to respond to any questions shareholders may raise on the Committee's activities during the year.

This Remuneration report was approved by the Board on 5 September 2019.

On behalf of the Board

Sandra Turner

Chair of the Remuneration Committee

5 September 2019



Relations with shareholders

Shareholder engagement

We place considerable importance on maintaining effective and balanced dialogue with all shareholders to discuss the Company's strategy and other associated objectives.

All announcements released by the London Stock Exchange's Regulatory News Service are published on the Company's website along with a range of other corporate information available for investor review.

The Chairman and Executive Directors continue to proactively engage with both existing and potential shareholders. In addition, the Executive Directors deliver formal presentations of full-year and half-year results and attend face-to-face meetings with analysts, brokers and fund managers to promote a better understanding of the business and its strategic plans.

The Board is kept informed of investors' views through the distribution and regular discussion of analysts' and brokers' briefings and through summaries of investor opinion feedback. The Chairman, Senior Independent Director and Chair of the Remuneration Committee are available to discuss governance and strategy with major shareholders and are prepared to contact individual shareholders should any specific areas of concern or enquiry be raised.

All the Directors attend the AGM and are available to answer questions. The proxy votes cast in relation to all resolutions, including details of votes withheld, are disclosed during the meeting and the results made available on our website and announced via the Regulatory News Service.

Information on share capital

Information about share capital can be found in the Other statutory information section on pages 67 to 68.

Shareholder queries

Our share register is managed by Link Asset Services. Their contact details can be found on page 135.

Electronic communications

Shareholders are able to register to receive communications from McBride electronically. McBride encourages shareholders to elect to receive all communications electronically, to enable more secure and prompt communication which reduces cost and environmental impact through saving paper, mailing and transportation.

You can register directly by visiting www.signalshares.com and following the online instructions. Alternatively, you can access the service via the investor relations section of McBride's website at www.mcbride.co.uk.

Online shareholder services

McBride provides a number of services online in the investor relations section of its website at www.mcbride.co.uk, including:

- view and/or download annual and interim reports;
- check current or historic share prices (there is an historic share price download facility);
- check the amounts and dates of historic payments to shareholders;
- use interactive tools to calculate the value of shareholdings and chart McBride ordinary share price changes against indices; and
- register to receive email alerts regarding press releases, including regulatory news announcements, Annual Reports and Company presentations.

Other statutory information

Reporting requirements

The Group is required to produce a Strategic report complying with the requirements of section 414A of the Companies Act 2006 ('the Act'). The Group has complied with this requirement and incorporates a detailed review of the Group's activities, its business performance and developments during the year and an indication of likely future developments on pages 1 to 34.

The Corporate governance statement, as required by Rule 7.2.1 of the Financial Conduct Authority Disclosure and Transparency Rules, is set out on pages 35 to 36 of the Corporate governance report and forms part of the Directors' report.

For the purposes of DTR 4.1.5R(2) and DTR 4.1.8R the Directors' report is the management report.

For the purposes of LR 9.8.4CR, the information required to be disclosed can be found in the following locations:

Section	Topic	Location
1, 2, 5-9 & 11-14	Not applicable	Not applicable
4	Details of long-term incentive schemes	Remuneration report, page 61
10	Contracts of significance	Other statutory information section, page 68

Group results

The results for the year are set out in the Consolidated income statement on page 78 and a discussion of the Group's financial performance and progress is set out in the Strategic report.

Directors and their interests

The Directors who held office during the year were John Coleman, Rik De Vos, Chris Smith, Steve Hannam, Neil Harrington, Sandra Turner, Igor Kuzniar and Jeff Nodland. With the exception of Rik De Vos, who resigned from the Board with effect from 19 July 2019, the biographical details of all Directors appear on pages 36 and 37.

Information on the Directors' remuneration and service contracts is given in the Remuneration report on pages 50 to 65.

The beneficial interests of the Directors in the share capital of the Company are shown in the Remuneration report on page 63.

Directors and their powers

The Company's Articles give power to the Board to appoint Directors, but also require Directors to retire and submit themselves for election at the first AGM following their appointment. Specific information regarding the election and re-election of Directors is contained in the Corporate governance section on page 41. As required under the 2018 Code, our external Board appointments procedure now requires the Board to give prior approval to Directors' external Board appointments, taking into account other time commitments.

The Company's Articles place a general prohibition on a Director voting in respect of any contract or arrangement in which a Director has a material interest other than by virtue of their interest in shares in the Company.

The Board may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's Articles.

The Company's Articles (which are available on the Group's website www.mcbride.co.uk) may only be amended by special resolution at a general meeting.

Indemnification of Directors

The Company has granted an indemnity to the Directors in respect of liabilities incurred as a result of their office. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a Directors' and officers' liability insurance policy throughout the period.

Although their defence costs may be met, neither the Company's indemnity nor the insurance policy provides cover in the event that the Director is proved to have acted fraudulently or dishonestly. The Company is also permitted to advance costs to Directors for their defence in investigations or legal actions.

Access to external advice

Directors are able to take independent professional advice in the course of their duties and all Directors have access to the advice and service of the Company Secretary. Directors are entitled to require the Company Secretary to minute any concerns they have and, upon their resignation, Non-Executive Directors are asked to provide a written statement to the Chairman should they have any concerns.

Share capital

Details of the Company's share capital are shown in note 26 to the consolidated financial statements on page 122.

The ordinary shares of the Company carry equal rights to dividends, voting and return of capital on the winding up of the Company. There are no restrictions on the transfer of securities in the Company (other than following service of a notice under section 793 of the Act) and there are no restrictions on any voting rights or deadlines, other than those prescribed by law, nor is the Company aware of any arrangements between holders of its shares which may result in restrictions on the transfer of securities or on voting rights.

Participants in employee share schemes have no voting or other rights in respect of the shares subject to those awards until the allocations are exercised, at which time the shares rank *pari passu* in all respects with shares already in issue. No such schemes have any rights with regard to control of the Company.

The holders of B Shares have equal rights to a preferential dividend and return of capital on the winding up of the Company, and are entitled to redeem such B Shares if the Directors believe it is appropriate.

Other statutory information continued

Share capital continued

They are not entitled to attend, speak or vote at general meetings, except on a resolution relating to the winding up of the Company. The B Shares are not admitted to the Official List nor are they traded on the London Stock Exchange or any other recognised trading exchange.

Share repurchases

At the 2018 AGM, shareholder approval was granted to allow the Company to repurchase up to 18,256,990 ordinary shares. The existing authority will expire on the date of the 2019 AGM, when the Directors will be seeking authority from shareholders to buy back shares which will be cancelled or may be held as treasury shares for the purpose of meeting obligations under LTIP and employee share schemes.

At the beginning of the financial year, the Company held 270,398 ordinary shares as treasury shares and during the financial year no ordinary shares were repurchased. At the end of the year, 42,041 shares were held as treasury shares.

Payment to shareholders

The Company intends that, for the foreseeable future, all payments to shareholders will be made by the issue of non-cumulative redeemable preference shares ('B Shares').

Subject to shareholder approval to renew the B Share scheme at the AGM, the Board is recommending the allotment of 18 B Shares (equivalent to 1.8 pence) per ordinary share held (2018: 2.8p), giving a total allotment for the year of 33 B Shares (equivalent to 3.3 pence) per ordinary share (2018: 4.3p). Further details of payments to shareholders are shown in note 12 to the consolidated financial statements on page 102.

Related party transactions

Details on related parties can be found in note 28 on page 123.

Significant agreements/takeovers directive

There are a number of agreements that take effect, alter or terminate upon a change of control of the Group, such as commercial contracts, bank loan agreements and employee share schemes. Other than bank loan agreements, none of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole in the event of a change of control.

Substantial shareholdings

The Company had been notified of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 22 August 2019 (being the last practicable date prior to the date of this report).

Shareholder	As at 22 August 2019		As at 30 June 2019	
	Number of shares	%	Number of shares	%
Teleios Capital Partners GmbH	51,175,645	28.00	51,175,645	28.00
Invesco Asset Management	15,291,588	8.37	15,291,588	8.37
NN Investment Partners BV	14,935,376	8.17	14,935,376	8.17
Gilead Capital, LP	10,795,710	5.91	8,481,225	4.64
Miton Asset Management Limited	8,808,520	4.82	8,808,520	4.82
J O Hambro Capital Management	5,949,502	3.25	10,859,198	5.94

All the above are institutional holders.

Financial instruments

Information on the Group's financial risk management objectives, policies and activities and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 21 to the consolidated financial statements on pages 110 to 116.

Going concern

The Going concern statement can be found on page 27 of the Strategic report.

Viability statement

The Viability statement can be found on page 27 of the Strategic report.

Directors' statement regarding disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information (that is, information needed by the auditor in connection with preparing their report) and to establish that the Company's auditor is aware of that information.

Independent auditor

On the recommendation of the Audit Committee, in accordance with section 489 of the Act, resolutions are to be proposed at the AGM for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company and to authorise the Board to fix their remuneration. The remuneration of the auditor for the year ended 30 June 2019 is fully disclosed in note 7 to the consolidated financial statements on page 96.

Annual General Meeting

The notice convening the Company's 2019 AGM at its Central Park office at Northampton Road, Manchester M40 5BP on 22 October 2019 at 2.30pm is set out in a separate document issued to shareholders.

The Annual Report and Accounts for the year ended 30 June 2019 is available from the Group's website at www.mcbride.co.uk or can be obtained free of charge from the Company's registered office.

Tax Strategy

We are committed to being a responsible and compliant taxpayer in the countries in which we operate.

In accordance with our obligations under the Finance Act 2016, our Tax Strategy, which is approved by the Board, is published on our website at www.mcbride.co.uk.

Political donations

It is the Group's policy not to make political donations and no such donations were made during the year (2018: nil).

Environment and greenhouse gas emissions reporting

The Group is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions during the year ended 30 June 2019 are set out in the Corporate responsibility section on page 32.

Research and development

The Group recognises the importance of investing in research and development of new products and materials and for the further development of existing products. Research and development expenditure in the year was £6.6 million (2018: £7.5m).

Employees

In order to deliver our strategy we require the best calibre of staff. It is important that we attract and retain appropriately qualified and experienced employees.

The Group employed an average of 3,400 people during the year ended 30 June 2019.

We are committed to involving employees and we consider that good communication at, and across, all levels of the business helps to achieve this. All sites have regular briefings which are designed to keep colleagues informed of, amongst other things, the financial and economic factors that affect the Company's performance and the Chief Executive Officer publishes regular announcements which update employees on progress against key priorities and projects.

We are keen to engage our employees by providing an open environment where they can contribute their own ideas and challenge those of others. Employees are encouraged to embrace teamwork and align personal development with the strategy of the business. Eligible employees participate in performance-related bonus schemes and some senior management participate in an LTIP.

The Board recognises the importance of developing internal talent across its global workforce. It is our policy to ensure equal opportunity for all employees and we have an equal opportunities and diversity policy in place which is monitored through the HR function. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation.

As required by UK legislation, we published our second UK Gender Pay Gap in April 2019. More information on the results of this reporting is found on page 33. Our Gender Pay Gap Report is available on our website www.mcbride.co.uk.

Disabled people are afforded equal opportunities in recruitment and promotion and full and fair consideration is given to providing opportunities for training and development of people with disabilities according to their skills and capabilities. We aim to provide a supportive working environment and to offer terms and conditions of service which allow disabled people with the necessary skills and qualifications to obtain employment with the Group. If current employees become disabled they will continue to be employed, wherever practicable in the same job. If this is not practicable, every effort is made to find and provide appropriate retraining and redeployment. Signed by order of the Board

Carol Williams

General Counsel and Company Secretary
5 September 2019



Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced Disclosure Framework', and applicable law). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Board of Directors confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Executive review includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

Welcome to our financial statements

Group financial statements

Independent auditor's report

See pages 72 to 77

Primary statements

See pages 78 to 83

Notes to the consolidated financial statements

See pages 84 to 123

Company financial statements

Primary statements

See pages 124 to 125

Notes to the Company financial statements

See pages 126 to 133

Independent auditor's report to the members of McBride plc

Report on the audit of the financial statements

Opinion

In our opinion:

- McBride plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 30 June 2019; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated reconciliation of net cash flow to movement in net debt, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Our audit approach

Overview

Materiality

- Overall group materiality: £3.0 million (2018: £3.0 million), based on 0.5% of total revenue.
- Overall company materiality: £1.5 million (2018: £1.5 million), based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).

Audit scope

- We conducted our audit work in three key locations: UK, France and Belgium. Our work incorporated full scope audits of the Group's components in the UK, France, Belgium and Germany plus limited scope procedures in relation to some of the Group's other components.
- The territories where we conducted audit work, together with audit work performed at shared service centres and group level, accounted for approximately 82% of the group's revenue and 74% of the group's profit before tax.

Key audit matters

- Fraud in relation to rebates (Group).
- Valuation of Goodwill, Other intangible assets and Property, plant and equipment (Group).
- Valuation of Investments in subsidiaries (Company).
- Valuation of Amounts owed by subsidiary undertakings (Company).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 July 2018 to 30 June 2019.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to potential breaches of company laws and regulations such as, but not limited to, unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Listing Rules and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of manual journals to manipulate financial performance, management bias in accounting judgements and estimates and significant one-off or unusual transactions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- Understanding and evaluation of the design of management's internal controls designed to prevent and detect irregularities;

Key audit matter

Fraud in relation to rebates (Group)

ISAs (UK) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.

In the consumer products industry, rebate agreements with customers (typically retailers) are common. We identified this as an area where possible fraud in revenue recognition could occur, particularly in relation to the accruals at the year-end which had not been settled.

Whilst rebates are relatively small in the context of the group's revenue, they are inherently complex, non-standardised and require management judgement to interpret contractual arrangements.

- Incorporating an element of unpredictability into the nature, timing and extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing a sample of journals that we considered to be potentially indicative of fraudulent activity.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

How our audit addressed the key audit matter

We agreed rebates recognised to supporting evidence, agreements with customers and underlying sales data to check they were appropriately calculated and accounted for. We focused on the period in which the rebate was recorded and in particular the appropriateness of the accrual at the year end.

We assessed the utilisation of the opening accrual along with any releases to the profit and loss account in the year.

Furthermore, we used computer assisted auditing techniques in order to test revenue and tested a selection of journals which impacted revenue and rebates.

Independent auditor's report continued

to the members of McBride plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter

Valuation of Goodwill, Other intangible assets and Property, plant and equipment (Group)

Refer to notes 13, 14 and 15 to the Group financial statements.

Goodwill of £20.4m (2018: £20.4m), Other intangible assets of £9.1m (£9.5m) and Property, plant and equipment of £136.0m (2018: £135.6m) are material to the Group financial statements.

The carrying values of the Group's cash generating units (CGUs) are considered annually for impairment with reference to a value in use model. This model incorporates a number of estimates, including:

- Forecast cash flows for the five years subsequent to the balance sheet date;
- Long term growth rates; and
- Discount rates.

The Directors have sensitised the value in use model to assess the financial impact of a number of risks that the Directors believe have a reasonable likelihood of occurrence.

No impairment charges have been recorded in the current year.

Valuation of Investments in subsidiaries (Company)

Refer to note 5 to the Company financial statements

The Company financial statements include Investments in subsidiaries of £158.2m (2018: £158.2m).

Investments in subsidiaries are valued at cost less provisions for impairment. The Directors have performed an impairment review in accordance with IAS 36 'Impairment of assets', company the carrying value of investments to their recoverable amount, determined using the value in use method.

If an impairment charge were to be required it would impact the distributable reserves of the Company.

The value in use model is based on the Group impairment review described in the key audit matter above related to the valuation of Goodwill, Other intangible assets and Property, plant and equipment.

No impairment charges have been recorded in the current year.

How our audit addressed the key audit matter

We evaluated and assessed the Group's future cash flow forecasts, the process by which they were drawn up and tested the underlying value in use calculations.

We compared the Group's forecasts to the latest Board approved budget and five year plan and found them to be consistent. We discussed the cash flow forecasts with management and compared these to external market research in order to identify any inconsistencies.

We compared the current period's actual results with previous forecasts to assess historical accuracy of the forecasts and incorporated the variances identified into the sensitivity analysis performed.

We also assessed:

- Management's key assumptions for long-term growth rates by comparing with external forecasts of long-term growth rates; and
- The discount rates used by assessing the cost of capital calculations for the Group and comparing against comparable organisations.

We have considered management's analysis of the potential impact of reasonably possible changes in key assumptions. This work included consideration of all key assumptions and changes that could be considered to be reasonably possible based on the related risks.

We have also reviewed the disclosures made regarding the assumptions and the sensitivities which draw attention to the more significant areas of judgement sensitive to change.

In addition to the procedures described in the key audit matter above related to the valuation of Goodwill, Other intangible assets and Property, plant and equipment, we performed the following work:

- Assessed the method by which the value in use of the Group's CGUs were mapped to the Company's subsidiaries;
- Compared the value in use attributed to the Company's subsidiaries to the carrying values of the related investments; and
- Assessed management's reconciliation of the Group's market capitalisation at the year end to the carrying value of Investments in subsidiaries.

Key audit matter**Valuation of Amounts owed by subsidiary undertakings (Company)**

Refer to note 6 to the Company financial statements.

The Company financial statements include Amounts owed by subsidiary undertakings of £256.6m (2018: £254.6m).

The Directors have performed an impairment review of Amounts owed by subsidiary undertakings in accordance with IFRS 9 'Financial instruments', which has been adopted for the first time in the year ended 30 June 2019.

If an impairment charge were to be required it would impact the distributable reserves of the Company.

The impairment review has involved assessing the terms of the agreements with counterparties and also the ability of the counterparty to repay in accordance with these terms which are either at a fixed point in time or on demand.

Amounts owed by counterparties that are not able to repay immediately have been discounted, based on the contractual interest rates, over the period of time that management estimates it would take for the counterparty to access the required funds. Management's plan to access funds includes trading profits, dividends and drawing down on the Group's external debt.

No impairment charges have been recorded in the current year.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is a manufacturer of private label household and personal care products. It operates across 12 countries, with 15 manufacturing facilities. The group is structured in three operating segments: household; aerosols; and corporate. The group financial statements are a consolidation of the Group's 22 reporting units within these segments comprising the group's operating businesses, holding entities and centralised functions. In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors operating under our instruction. Where work was performed by component auditors, we determined the level of involvement we needed to have in this work to be able to conclude that sufficient appropriate audit evidence had been obtained.

How our audit addressed the key audit matter

We assessed the impairment review performed in order to confirm that it is consistent with the requirements of IFRS 9 'Financial instruments'.

We traced the contractual terms of Amounts owed by subsidiary undertakings to the related borrowing agreements.

We compared the financial position of the counterparties used in the impairment review to the financial information used in the Group consolidation to confirm that these were consistent.

We evaluated the plans to access funds included in the impairment model to confirm that the judgements made were reasonable, for example:

- We confirmed the availability of amounts that could be remitted by subsidiary entities as dividends; and
- We confirmed that the subsidiary entities are able to draw down on the Group's external debt, that sufficient borrowing headroom existed at the year end and that the financial covenants would allow the required amount to be borrowed.

We conducted our audit work in three key locations: UK, France and Belgium. Our work incorporated full scope audits of the Group's components in the UK, France, Belgium and Germany plus limited scope procedures in relation to some of the Group's other components.

The territories where we conducted audit work, together with audit work performed at shared service centres and group level, accounted for approximately 82% of the group's revenue and 74% of the group's profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£3.0 million (2018: £3.0 million).	£1.5 million (2018: £1.5 million).
How we determined it	0.5% of total revenue.	Based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).
Rationale for benchmark applied	Consistent with last year, we applied this benchmark as we believe that revenue is the most relevant measure of recurring performance.	We believe that calculating statutory materiality based on 1% of total assets is a typical primary measure for users of the financial statements of holding companies, and is a generally accepted auditing benchmark.

Independent auditor's report continued

to the members of McBride plc

Report on the audit of the financial statements continued

Our audit approach continued

Materiality continued

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £0.5 million and £2.7 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £150,000 (Group audit) (2018: £150,000) and £150,000 (Company audit) (2018: £150,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation

We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Outcome

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

We have nothing to report.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 27 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 27 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 70, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 44 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 14 November 2011 to audit the financial statements for the year ended 30 June 2012 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 30 June 2012 to 30 June 2019.


Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

5 September 2019

Consolidated income statement

for the year ended 30 June 2019

	Note	2019			2018		
		Adjusted	Adjusting items	Total	Adjusted	Adjusting items	Total
		£m	(see note 11)	£m	£m	(see note 11)	£m
Continuing operations							
Revenue	4	721.3	—	721.3	689.8	—	689.8
Cost of sales		(480.9)	—	(480.9)	(454.2)	—	(454.2)
Gross profit		240.4	—	240.4	235.6	—	235.6
Distribution costs		(56.6)	—	(56.6)	(48.9)	—	(48.9)
Administrative costs		(154.9)	(2.3)	(157.2)	(149.0)	(5.9)	(154.9)
Operating profit	8	28.9	(2.3)	26.6	37.7	(5.9)	31.8
Finance costs	9	(4.4)	(0.2)	(4.6)	(4.5)	(0.8)	(5.3)
Profit before taxation		24.5	(2.5)	22.0	33.2	(6.7)	26.5
Taxation	10	(6.8)	(3.2)	(10.0)	(10.0)	2.5	(7.5)
Profit for the year from continuing operations		17.7	(5.7)	12.0	23.2	(4.2)	19.0
Discontinued operations							
Loss for the year from discontinued operations	18	(0.6)	(3.3)	(3.9)	(1.0)	(14.6)	(15.6)
Profit for the year		17.1	(9.0)	8.1	22.2	(18.8)	3.4
Earnings/(loss) per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the year	11						
Basic earnings/(loss) per share							
From continuing operations				6.5p			10.4p
From discontinued operations				(2.1p)			(8.5p)
From profit for the year				4.4p			1.9p
Diluted earnings/(loss) per share							
From continuing operations				6.5p			10.4p
From discontinued operations				(2.1p)			(8.5p)
From profit for the year				4.4p			1.9p
Operating profit				26.6			31.8
Adjusted for:							
Amortisation of intangible assets	14			1.9			1.4
Exceptional items	5			0.4			4.5
Adjusted operating profit	4			28.9			37.7

Consolidated statement of comprehensive income

for the year ended 30 June 2019

	Note	2019 £m	2018 £m
Profit for the year		8.1	3.4
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		0.6	0.6
(Loss)/gain on net investment hedges		(0.9)	0.1
(Loss)/gain on cash flow hedges in the year		(0.2)	0.1
Gain/(loss) on cash flow hedges transferred to profit or loss		0.2	(0.6)
Taxation relating to items above	10	—	0.1
Purchase of non-controlling interest of Fortune Organics		—	(0.5)
		(0.3)	(0.2)
Items that will not be reclassified to profit or loss:			
Net actuarial (loss)/gain on post-employment benefits	23	(3.5)	9.5
Taxation relating to item above	10	0.5	(1.6)
		(3.0)	7.9
Total other comprehensive (expense)/income		(3.3)	7.7
Total comprehensive income		4.8	11.1
Attributable to:			
Owners of the parent		4.8	11.7
Non-controlling interests		—	(0.6)
Total comprehensive income		4.8	11.1
Total comprehensive income/(expense) attributable to equity shareholders arises from:			
Continuing operations		8.7	26.7
Discontinued operations		(3.9)	(15.6)
		4.8	11.1

Strategic report

Corporate governance

Financial statements

Additional information

Consolidated balance sheet

at 30 June 2019

	Note	2019 £m	2018 £m
Non-current assets			
Goodwill	13	20.4	20.4
Other intangible assets	14	9.1	9.5
Property, plant and equipment	15	136.0	135.6
Derivative financial instruments	21	0.1	0.1
Deferred tax assets	10	10.9	12.9
Other non-current assets		0.6	0.6
		177.1	179.1
Current assets			
Inventories	16	95.0	88.9
Trade and other receivables	17	145.9	155.2
Current tax asset		2.1	0.8
Derivative financial instruments	21	0.6	0.3
Cash and cash equivalents		14.4	11.7
Assets classified as held for sale	18	—	12.1
		258.0	269.0
Total assets		435.1	448.1
Current liabilities			
Trade and other payables	19	182.3	202.2
Borrowings	20	43.5	43.6
Derivative financial instruments	21	0.3	0.3
Current tax liabilities		7.4	7.3
Provisions	25	3.7	3.0
		237.2	256.4
Non-current liabilities			
Borrowings	20	91.8	82.4
Derivative financial instruments	21	0.4	0.2
Pensions and other post-employment benefits	23	31.1	30.9
Provisions	25	4.2	4.2
Deferred tax liabilities	10	6.2	6.4
		133.7	124.1
Total liabilities		370.9	380.5
Net assets		64.2	67.6
Equity			
Issued share capital	26	18.3	18.3
Share premium account	26	73.9	81.8
Other reserves	26	69.9	61.6
Accumulated loss		(97.9)	(94.1)
Equity attributable to owners of the parent		64.2	67.6
Total equity		64.2	67.6

The financial statements on pages 78 to 123 were approved by the Board of Directors on 5 September 2019 and were signed on its behalf by:

Chris Smith
Director



Consolidated cash flow statement

for the year ended 30 June 2019

	Note	2019 £m	2018 £m
Operating activities			
Profit before tax		16.2	7.8
Net finance costs	9	4.6	5.3
Exceptional items	5	5.4	21.7
Share-based payments credit	6	(0.2)	(0.4)
Depreciation of property, plant and equipment	15	18.4	19.1
Amortisation of intangible assets	14	1.9	1.4
Operating cash flow before changes in working capital		46.3	54.9
Decrease/(increase) in receivables		8.1	(7.7)
Increase in inventories		(3.6)	(7.6)
(Decrease)/increase in payables		(20.9)	6.4
Operating cash flow after changes in working capital		29.9	46.0
Additional cash funding of pension schemes	23	(4.2)	(3.0)
Cash generated from operations before exceptional items		25.7	43.0
Cash outflow in respect of exceptional items		(6.9)	(4.1)
Cash generated from operations		18.8	38.9
Interest paid		(4.3)	(3.7)
Taxation paid		(7.2)	(6.8)
Net cash generated from operating activities		7.3	28.4
Investing activities			
Proceeds from sale of Brno		—	1.0
Proceeds from sale of Solaro		1.6	—
Purchase of property, plant and equipment	15	(17.1)	(22.4)
Purchase of intangible assets	14	(1.6)	(1.2)
Purchase of non-controlling interest of Fortune Organics		—	(0.5)
Purchase of Danlind, net of cash and borrowings acquired		—	(35.7)
Proceeds from sale of PC Liquids		12.5	—
Sale of plant and equipment in Hull		0.8	—
Settlement of derivatives used in net investment hedges		(0.8)	0.2
Net cash used in investing activities		(4.6)	(58.6)
Financing activities			
Redemption of B Shares	12	(8.6)	(7.7)
Net drawdown of bank loans and overdrafts		8.9	23.7
Capital element of finance lease rentals		(0.2)	(0.1)
Net cash generated from financing activities		0.1	15.9
Increase/(decrease) in net cash and cash equivalents		2.8	(14.3)
Net cash and cash equivalents at the start of the year		11.7	26.0
Currency translation differences		(0.1)	—
Net cash and cash equivalents at the end of the year		14.4	11.7

Strategic report

Corporate governance

Financial statements

Additional information

Consolidated reconciliation of net cash flow to movement in net debt
for the year ended 30 June 2019

	Note	2019 £m	2018 £m
Increase/(decrease) in net cash and cash equivalents		2.8	(14.3)
Net drawdown of bank loans and overdrafts		(8.9)	(23.7)
Capital element of finance lease rentals		0.2	0.1
Change in net debt resulting from cash flows		(5.9)	(37.9)
Currency translation differences		(0.7)	(0.7)
Movement in net debt in the year		(6.6)	(38.6)
Net debt at the beginning of the year		(114.3)	(75.7)
Net debt at the end of the year	22	(120.9)	(114.3)

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated losses £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m				
At 1 July 2017	10.3	89.8	0.4	(1.3)	54.5	(98.1)	63.6	0.6	64.2
Year ended 30 June 2018									
Profit for the year	—	—	—	—	—	3.4	3.4	—	3.4
Other comprehensive income/(expense)									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	—	—	—	0.6	—	—	0.6	—	0.6
Gain on net investment hedges	—	—	—	0.1	—	—	0.1	—	0.1
Gain on cash flow hedges in the year	—	—	0.1	—	—	—	0.1	—	0.1
Loss on cash flow hedges transferred to profit or loss	—	—	(0.6)	—	—	—	(0.6)	—	(0.6)
Taxation relating to items above	—	—	0.1	—	—	—	0.1	—	0.1
Purchase of non-controlling interest of Fortune Organics	—	—	—	—	—	0.1	0.1	(0.6)	(0.5)
	—	—	(0.4)	0.7	—	0.1	0.4	(0.6)	(0.2)
Items that will not be reclassified to profit or loss:									
Net actuarial gain on post-employment benefits	—	—	—	—	—	9.5	9.5	—	9.5
Taxation relating to item above	—	—	—	—	—	(1.6)	(1.6)	—	(1.6)
	—	—	—	—	—	7.9	7.9	—	7.9
Total other comprehensive income/(expense)	—	—	(0.4)	0.7	—	8.0	8.3	(0.6)	7.7
Total comprehensive income/(expense)	—	—	(0.4)	0.7	—	11.4	11.7	(0.6)	11.1
Transactions with owners of the parent									
Issue of B Shares	—	(8.0)	—	—	—	—	(8.0)	—	(8.0)
Redemption of B Shares	—	—	—	—	7.7	(7.7)	—	—	—
Share-based payments	—	—	—	—	—	0.3	0.3	—	0.3
At 30 June 2018	18.3	81.8	—	(0.6)	62.2	(94.1)	67.6	—	67.6
IFRS 15 transition (note 3)	—	—	—	—	—	(0.4)	(0.4)	—	(0.4)
At 1 July 2018	18.3	81.8	—	(0.6)	62.2	(94.5)	67.2	—	67.2
Year ended 30 June 2019									
Profit for the year	—	—	—	—	—	8.1	8.1	—	8.1
Other comprehensive income/(expense)									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	—	—	—	0.6	—	—	0.6	—	0.6
Loss on net investment hedges	—	—	—	(0.9)	—	—	(0.9)	—	(0.9)
Loss on cash flow hedges in the year	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)
Loss on cash flow hedges transferred to profit or loss	—	—	0.2	—	—	—	0.2	—	0.2
Taxation relating to items above	—	—	—	—	—	—	—	—	—
	—	—	—	(0.3)	—	—	(0.3)	—	(0.3)
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	—	—	—	—	—	(3.5)	(3.5)	—	(3.5)
Taxation relating to item above	—	—	—	—	—	0.5	0.5	—	0.5
	—	—	—	—	—	(3.0)	(3.0)	—	(3.0)
Total other comprehensive income/(expense)	—	—	—	(0.3)	—	(3.0)	(3.3)	—	(3.3)
Total comprehensive income/(expense)	—	—	—	(0.3)	—	5.1	4.8	—	4.8
Transactions with owners of the parent									
Issue of B Shares	—	(7.9)	—	—	—	—	(7.9)	—	(7.9)
Redemption of B Shares	—	—	—	—	8.6	(8.6)	—	—	—
Share-based payments	—	—	—	—	—	0.1	0.1	—	0.1
At 30 June 2019	18.3	73.9	—	(0.9)	70.8	(97.9)	64.2	—	64.2

At 30 June 2019, the accumulated loss includes a deduction of £0.0 million (2018: £0.4m) for the cost of own shares held in relation to employee share schemes. Further information on own shares is presented in note 26.

Notes to the consolidated financial statements

for the year ended 30 June 2019

1. Basis of preparation

Description of business

McBride plc ('the Company') is a public company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The Company's ordinary shares are listed on the London Stock Exchange. The registered office of the Company is Middleton Way, Middleton, Manchester M24 4DP.

The Company and its subsidiaries (together, 'the Group') is Europe's leading provider of Private Label Household products. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

Accounting period

The Group's annual financial statements are drawn up to 30 June. These financial statements cover the year ended 30 June 2019 ('2019') with comparative amounts for the year ended 30 June 2018 ('2018').

Basis of accounting

The consolidated financial statements on pages 78 to 123 have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, IFRS Interpretations Committee and those parts of the Companies Act 2006 ('the Act') applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of contingent consideration, financial assets and liabilities (derivative financial instruments) at fair value through profit or loss and assets held for sale.

The Group's principal accounting policies are set out in note 2.

Going concern

For the reasons set out on page 27, the Directors have adopted the going concern basis in preparing the Company and the Group financial statements.

Segmental reporting

Financial information is presented to the Board by product category for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. It is considered that Household products have different market characteristics to Aerosols in terms of volumes, market share and production requirements. Accordingly, the Group's operating segments are determined by product category, being Household and Personal Care & Aerosols.

The Board uses adjusted operating profit to measure the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the years under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and exceptional items.

Following the disposal of the Group's Czech Skincare business and Personal Care Liquids assets, the respective results of these businesses have been disclosed as discontinued operations.

Segment information is presented in note 4.

Use of adjusted measures

Adjusted operating profit and adjusted earnings per share exclude specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses and are used for internal performance analysis and in relation to employee incentive arrangements. The Directors present these measures in the financial statements in order to assist investors in their assessment of the trading performance of the Group.

During the years under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and exceptional items.

Exceptional items and amortisation are excluded from adjusted operating profit because they are not considered to be representative of the trading performance of the Group's businesses during the year.

Adjusted earnings per share (see note 11) is based on the Group's profit for the year adjusted for the items excluded from operating profit in arriving at adjusted operating profit, the unwinding of the discount on contingent consideration arising on business combinations, the unwinding of discount on provisions, exceptional tax charges and the tax relating to those items.

'Adjusted operating profit' and 'adjusted earnings per share' are not defined under IFRS and, therefore, these measures as defined by the Group may not be comparable with similarly titled measures used by other companies. The Directors do not regard these measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

Revenue

Revenue is stated after deduction of rebates and discounts given or expected to be given, which vary according to contractual arrangements with individual customers. Accrual is made at the time of sale for the estimated rebates or discounts payable, based on, amongst other things, expected sales to the customer during the period to which the rebate or discount relates, historical experience and market information.

The type of rebates and discounts given by the Group include:

- volume-related rebates for achieving sales targets within a set period; and
- promotional, marketing and other allowances to support specific promotional pricing discounts, in-store displays and cost reimbursement.

At 30 June 2019, the carrying amount of accruals relating to rebates and discounts amounted to £3.7 million (2018: £3.4m). Rebates equate to less than 1% of revenue. There is an element of judgement applied to the level of future achieved sales within volume-related rebates.

Provisions

Provision is made for liabilities of uncertain timing or amount where management considers that the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the liability and the payment can be measured reliably.

At 30 June 2019, the Group held provisions amounting to £7.9 million (2018: £7.2m), which principally represented reorganisation and restructuring costs and environmental remediation provisions. Adjustment to the amounts recognised would arise if it becomes necessary to revise the assumptions and estimates on which the provisions are based, if circumstances change such that contingent liabilities must be recognised or if management becomes aware of obligations that are currently unknown.

Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies as described in note 2, the Directors are required to make judgements, and estimates and assumptions that affect the reported amounts of its assets, liabilities, income and expenses that are not readily identifiable from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates and affect the Group's results in future years.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors consider the following to be the critical judgements and key sources of estimation uncertainty made in preparing these financial statements that, if not borne out in practice, may affect the Group's results during the next financial year.

Critical judgements

(i) Determination of cash-generating units (CGUs)

A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment testing requires management to determine the net discounted cash flows expected to arise from a CGU. Management are therefore required to determine the Group's CGUs and judgement is applied as to which groups of assets generate largely independent cash flows. In the year, the CGUs have been determined as Household Liquids, Household Powders and Tablets, Aerosols and Asia, these being based on technologies and the separate Asia location. All CGUs are lower than, or equal to, operating segments. This represents a change in judgement from previous reporting periods where CGUs were determined as each individual manufacturing site. The CGUs were revised as a result of a change in the underlying operational processes in the Group whereby the independence of certain cash flows has changed. Management consider the adoption of the current CGUs results in a more reliable and accurate approach to impairment reviews.

Key sources of estimation uncertainty

(i) Impairment of goodwill, other intangible assets and property, plant and equipment
Impairment testing requires management to estimate the recoverable amount of an asset or group of assets. The recoverable amount represents the higher of value-in-use and fair value less costs to sell. Where the recoverable amount is lower than the carrying amount, an impairment charge is recognised in profit and loss in the year in which the impairment is identified.

Value-in-use represents the net present value of the net cash flows expected to arise from an asset or group of assets and its calculation requires management to estimate those cash flows and to apply a suitable discount rate to them.

Cash flows are estimated by applying assumptions to budgeted sales, production costs and overheads over a five-year forecast period and by applying a perpetuity growth rate to the forecast cash flow in the fifth year. Forecasts are reviewed and approved by the board.

Cash flows are discounted using a discount rate based on the Group's weighted average cost of capital adjusted for risks specific to the asset or group of assets. The weighted average cost of capital is affected by estimates of interest rates, equity returns and market and country-related risks. During the year no impairment arose (2018: £0.2m charge).

At 30 June 2019, the carrying amount of goodwill, other intangible assets and property, plant and equipment was £165.5 million (2018: £165.5m). If cash flow or discount rate assumptions were to change, further impairment losses may be recognised in the next financial year.

Details of the assumptions applied and the sensitivity of the carrying amount of goodwill in relation to the business is presented in note 13.

(ii) Pensions and other post-employment benefits
Under IAS 19, 'Employee benefits', the cost of defined benefit schemes is determined based on actuarial valuations that are carried out annually at the balance sheet date. Actuarial valuations are dependent on assumptions about the future that are made by the Directors on the advice of independent qualified actuaries. If actual experience differs from these assumptions, there could be a material change in the amounts recognised by the Group in respect of defined benefit schemes in the next financial year.

At 30 June 2019, the present value of defined benefit obligations was £156.2 million (2018: £144.4m). It was calculated using a number of assumptions, including future CPI rate changes, increases to pension benefits and mortality rates. The present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date.

At 30 June 2019, the fair value of the scheme assets was £125.1 million (2018: £113.5m). The scheme assets consist largely of securities and managed funds whose values are subject to fluctuation in response to changes in market conditions. Changes in the actuarial assumptions underlying the benefit obligation, changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the scheme's assets are classified as actuarial gains and losses and are recognised in other comprehensive income. During 2019, the Group recognised a net actuarial loss of £3.5 million (2018: gain of £9.5m).

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. Basis of preparation continued

Key sources of estimation uncertainty continued

(ii) Pensions and other post-employment benefits continued

An analysis of the assumptions that will be used by the Directors to determine the cost of the defined benefit scheme that will be recognised in profit or loss in the next financial year and the sensitivity of the benefit obligation to key assumptions is presented in note 23.

(iii) Taxation

The Group operates in a number of tax jurisdictions. The Directors are required to apply estimation in determining the Group's provision for income taxes.

Estimation is required of taxable profit in order to determine the Group's current tax liability and estimation is required in situations where the Group's tax position is uncertain and may be subject to review and challenge by the tax authorities. Further detail on uncertain tax positions is given in note 10.

Estimation is also required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where there exist deductible temporary differences, estimation is required as to the extent of available future taxable profits against which those assets could be recovered. At 30 June 2019, the Group recognised deferred tax assets of £10.9 million (2018: £12.9m), including £1.1 million (2018: £0.7m) in respect of tax losses. Deferred tax assets amounting to £10.0 million (2018: £3.4m) were not recognised in respect of tax losses and tax credits carried forward. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from estimates.

2. Principal accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2018, except for:

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2018:

- IFRS 9, 'Financial Instruments'; and
- IFRS 15, 'Revenue from Contracts with Customers'.

The impact on first-time application of these new standards is disclosed in note 3 of these financial statements.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Company and its subsidiaries. Details of the Company's subsidiaries at 30 June 2019 are set out on pages 132 and 133.

A subsidiary is an entity controlled, either directly or indirectly, by the Company where control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Control generally exists where the Group owns a shareholding that gives it more than one half of the voting rights in the entity.

A non-controlling interest in a subsidiary represents the share of the net assets of the subsidiary that are attributable to the equity interests in the subsidiary that are not owned by the Group. Non-controlling interests are presented in the balance sheet within equity, separately from equity attributable to owners of the Company.

In situations where the Group is contractually committed to purchase those equity shares in a subsidiary that it does not already own, a non-controlling interest in the subsidiary is recognised only to the extent that the risks and rewards of ownership are considered to remain with the minority shareholders.

The Group's results, cash flows and assets and liabilities include those of each of its subsidiaries from the date on which the Company obtains control until such time as the Company loses control. Intra-Group balances and transactions, and any unrealised gains and losses arising from intra-Group transactions, are eliminated on consolidation. Consistent accounting policies are adopted across the Group.

Business combinations

A business combination is a transaction or other event in which the Group obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

Goodwill arising in a business combination represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired business and, in a business combination achieved in stages, the fair value at the acquisition date of the Group's previously held equity interest, over the net total of the identifiable assets and liabilities of the acquired business at the acquisition date. If the identifiable assets and liabilities of the acquired business exceed the aggregate of the consideration transferred, the amount of any non-controlling interest in the business and the fair value at the acquisition date of any previously held equity interest, the excess is recognised as a gain in profit or loss. The fair value of assets and liabilities can be revised up to twelve months following the date of acquisition. Consideration transferred in a business combination represents the sum of the fair values at the acquisition date of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control over the acquired business.

Acquisition-related costs are charged to profit or loss in the period in which they are incurred.

Changes in the amount of contingent consideration payable that result from events after the acquisition date, such as meeting a revenue or profit target, are not measurement period adjustments and are, therefore, recognised in profit or loss.

Any non-controlling interest in the acquired business is measured either at fair value or at the non-controlling interest's proportionate share of the identifiable assets and liabilities of the business.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity.

If the Group loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the subsidiary and measures any investment retained in the former subsidiary at its fair value at the date when control is lost. Any gain or loss on a loss of control is recognised in profit or loss.

Foreign currency translation

The Group's presentational and functional currency is Sterling, its primary trading currency.

At an entity level, transactions in foreign currencies are translated into the entity's functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Currency translation differences arising at entity level are recognised in profit or loss.

On consolidation, the results of foreign operations are translated into Sterling at the average exchange rate for the period and their assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date. Currency translation differences arising on consolidation are recognised in other comprehensive income and taken to the currency translation reserve.

In the event that a foreign operation is sold, the gain or loss on disposal recognised in profit or loss is determined after taking into account the cumulative currency translation differences arising on consolidation of the operation subsequent to the adoption of IFRS.

In the cash flow statement, the cash flows of foreign operations are translated into Sterling at the average exchange rate for the period.

Revenue

Revenue from the sale of goods is measured at the invoiced amount, net of sales rebates, discounts, value added tax and other sales taxes.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods.

Revenue is recognised on the transfer of the control of goods upon delivery of the goods to the customer and when all contractual performance obligations have been met.

Accruals for sales rebates and discounts are established at the time of sale based on management's best estimate of the amounts payable under the contractual arrangements with the customer.

Payment is typically due 60 days after despatch.

The Group has an obligation for returns due to damages and recognises a credit note provision and corresponding adjustment to revenue.

Exceptional items

Exceptional items are items that are material either individually or, if of a similar type, in aggregate and which, due to their nature or the infrequency of the events giving rise to them, are presented separately to assist users of the financial statements in assessing the trading performance of the Group's businesses either year-on-year or with other businesses.

Borrowing costs

Borrowing costs directly attributable to the construction of a manufacturing or distribution facility are capitalised as part of the cost of the facility if, at the outset of construction, the facility was expected to take a substantial period of time to get ready for its intended use.

Costs attributable to the arrangement of term borrowing facilities are amortised over the life of those facilities. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Goodwill

Goodwill arising in a business combination is recognised as an intangible asset and is allocated to the cash-generating unit (CGU) or group of CGUs that are expected to benefit from the synergies of the acquisition.

Goodwill is not amortised but is tested for impairment annually and whenever there are events or changes in circumstances that indicate that its carrying amount may not be recoverable.

Goodwill is carried at cost less any recognised impairment losses. Impairment charges are recognised in administrative expenses.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is recognised in administrative expenses.

(i) Assets acquired in business combinations

An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights. An acquired intangible asset with a definite useful life is amortised on a straight-line basis so as to charge its fair value at the date of acquisition to profit or loss over its expected useful life as follows:

Patents, brands and trademarks – up to five years
Customer relationships – up to eight years

(ii) Product development costs

All research expenditure is charged to profit or loss in the period in which it is incurred.

Development expenditure is charged to profit or loss in the period in which it is incurred, unless it relates to the development of a new or significantly improved product or process whose technical and commercial feasibility is proven at the time of development and therefore capitalised.

(iii) Computer software

Computer software and software licences are recognised as intangible assets measured at cost and are amortised on a straight-line basis over their expected useful lives, which are in the range three to five years.

Directly attributable costs that are capitalised as part of computer software include the related software development employee costs.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use by management.

Freehold land and assets under construction are not depreciated. Otherwise, property, plant and equipment is depreciated on a straight-line basis so as to charge its cost, less any residual value, to profit or loss over the expected useful life of the asset as follows:

Freehold buildings – 50 years
Leasehold building – length of the lease
Plant and equipment – three to ten years

Property, plant and equipment acquired in a business combination is depreciated on a straight-line basis so as to charge its fair value at the date of acquisition, less any residual value, to profit or loss over the remaining expected useful life of the asset.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

2. Principal accounting policies continued

Leased assets

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets within property, plant and equipment, initially measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, and a corresponding liability is recognised. Subsequently, the assets are depreciated over the shorter of the expected useful life of the asset or term of the lease. At inception of the lease, the lease payments are apportioned between an interest element and a capital element so as to achieve a constant periodic rate of interest on the outstanding liability. Thereafter, the interest element is recognised as an expense in profit or loss while the capital element is applied to reduce the outstanding liability.

Operating lease payments, and any incentives receivable, are recognised in profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Goodwill, other intangible assets and property, plant and equipment are tested for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Additionally, goodwill is subject to an annual impairment test whether or not there are any indicators of impairment.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount, which represents the higher of the asset's value-in-use and its fair value less costs to sell. An asset's value-in-use represents the present value of the future cash flows expected to be derived from the continued use of the asset. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. An asset's CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs to which it is allocated.

Value-in-use is based on estimates of pre-tax cash flows discounted at a pre-tax discount rate that reflects the risks specific to the CGU to which the asset belongs.

Where necessary, impairment of non-financial assets other than goodwill is recognised before goodwill is tested for impairment. When goodwill is tested for impairment and the carrying amount of the CGU or group of CGUs to which it is allocated exceeds its recoverable amount, the impairment is allocated first to reduce the carrying amount of the goodwill and then to the other non-financial assets belonging to the CGU or group of CGUs pro-rata on the basis of their respective carrying amounts.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in previous periods for assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment been recognised in previous periods. Impairment losses recognised in respect of goodwill cannot be reversed.

Assets held for sale

Non-current assets are classified as held for sale if it is expected that their carrying amount will be recovered by sale rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its current condition and the sale must be expected to be completed within twelve months. An extension of the period required to complete the sale does not preclude the asset from continuing to be classified as held for sale, provided the delay was for reasons beyond the Group's control and management remains committed to its plan to sell the asset. An asset that is classified as held for sale is measured at the lower of its carrying amount when classified as held for sale and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value with due allowance for any excess, obsolete or slow-moving items. Cost represents the expenditure incurred in bringing each product to its present location and condition. The cost of raw materials is measured on a first-in, first-out (FIFO) basis. The cost of finished goods and work in progress comprises the cost of raw materials, direct labour and other direct costs, together with related production overheads based on normal operating capacity. Net realisable value is the estimated selling price less estimated costs of completion and estimated selling and distribution costs.

Financial instruments

From 1 July 2018, the Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss;
- **fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss; and
- **fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under the Group's business model, trade and other receivables are held for collection of contractual cash flows and represent solely payments of principal and interest. A provision for impairment of trade receivables is established based on the expected credit loss (ECL). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the balance sheet within trade receivables. Movements in the provision are recognised in the profit and loss account in administrative expenses.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

(iii) Trade payables

Trade payables are initially recognised at fair value and subsequently held at amortised cost.

(iv) Bank and other loans

Bank and other loans are initially recognised at fair value, net of directly attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

(v) Net debt

Net debt comprises cash and cash equivalents, overdrafts, bank and other loans and finance lease liabilities.

(vi) Derivative financial instruments

The Group uses derivative financial instruments, principally forward currency contracts and interest rate swaps, to reduce its exposure to exchange rate and interest rate movements. The Group does not hold or issue derivatives for speculative purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognised in profit or loss. Derivative financial instruments are, therefore, likely to cause volatility in profit or loss in situations where the hedged item is not recognised in the financial statements or is recognised but its carrying amount is not adjusted to reflect fair value changes arising from the hedged risk, or is so adjusted but that adjustment is not recognised in profit or loss. Provided the conditions specified by IFRS 9, 'Financial instruments' are met, hedge accounting may be used to mitigate this volatility in profit or loss.

Derivative financial instruments are classified as current assets or liabilities unless they are in a designated hedging relationship and the hedge item is classified as a non-current asset or liability. Derivative financial instruments that are not in a designated hedging relationship are classified as FVPL.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Hedge accounting

For a hedging relationship to qualify for hedge accounting, it must be documented on inception together with the Group's risk management objective and strategy for initiating the hedge, and it must both be expected to be highly effective in offsetting the changes in cash flows or fair value attributed to the hedged risk and actually be highly effective in doing so. When hedge accounting is used, the hedging relationship is classified as a cash flow hedge or a net investment hedge.

When forward contracts are used to hedge forecast transactions, the Group generally designates the change in the fair value of the forward contract related to both the spot component and forward element as the hedging instrument. For option contracts the change in the fair value of the option contract related to the intrinsic value is designated as the hedging instrument. The time value of money is treated as the cost of hedging.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

2. Principal accounting policies continued

Hedge accounting continued

(i) Cash flow hedge

Hedging relationships are classified as cash flow hedges where the hedging instrument hedges exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability (such as interest payments on variable rate debt), a highly probable forecast transaction (such as forecast revenue) or a firm commitment that could affect profit or loss.

Where a hedging relationship is classified as a cash flow hedge, to the extent that the hedge is effective, the change in the fair value of the hedging instrument is recognised in other comprehensive income rather than in profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. When the hedged item affects profit or loss (for example, when a forecast sale that is hedged takes place), the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss. When a forecast transaction that has been hedged results in the recognition of a non-financial asset (for example, inventory), the cumulative gain or loss recognised in other comprehensive income is transferred from equity as an adjustment to the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Net investment hedge

A net investment hedge is the hedge of the currency exposure on the retranslation of the Group's net investment in a foreign operation. Net investment hedges are accounted for similarly to cash flow hedges. Changes in the fair value of the hedging instrument are, to the extent that the hedge is effective, recognised in other comprehensive income. In the event that the foreign operation is disposed of, the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss and included in the gain or loss on disposal of the foreign operation.

Pensions and other post-employment benefits

Post-employment benefits principally comprise pension benefits provided to employees in the UK and Continental Europe. The Group operates both defined benefit and defined contribution pension schemes.

(i) Defined contribution schemes

Under a defined contribution pension scheme, the Group makes fixed contributions to a separate pension fund. The amount of pension that the employee will receive on retirement is dependent entirely on the investment performance of the fund and the Group has no obligation with regard to the future pension values received by employees.

Payments to defined contribution schemes are recognised in profit or loss in the period in which they fall due. To the extent defined contribution scheme contributions are due but unpaid, amounts outstanding are recognised in other payables.

(ii) Defined benefit schemes

Under a defined benefit pension scheme, the amount of pension that an employee will receive on retirement is fixed based on factors such as pensionable salary, years of service and age on retirement. In most cases, the schemes are funded by contributions from the Group and the participating employees. The Group is obliged to make additional contributions if the fund has insufficient assets to meet its obligation to pay accrued pension benefits.

Actuarial valuations of the defined benefit schemes are carried out annually at the balance sheet date by independent qualified actuaries. Scheme assets are measured at their fair value at the balance sheet date. Benefit obligations are measured on an actuarial basis using the projected unit credit method and are discounted using the market yields on high-quality corporate bonds at the balance sheet date. The defined benefit liability or asset recognised in the balance sheet comprises the difference between the present value of the benefit obligations and the fair value of the scheme assets. Where a scheme is in surplus, the asset recognised is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions.

Defined benefit schemes are recognised in profit or loss by way of the service cost and the net interest cost on the benefit obligation. The service cost represents the increase in the present value of the benefit obligation relating to additional years of service accrued during the period, less employee contributions.

Gains or losses on curtailments or settlements are recognised in profit or loss in the period in which the curtailment or settlement occurs.

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Share-based payments

The Group operates share schemes under which it grants equity-settled and cash-settled awards over ordinary shares in the Company to certain of its employees. The Group recognises a compensation expense that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the compensation expense is recognised on a straight-line basis over the vesting period. For equity-settled awards, a corresponding credit is recognised in equity while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

In the event of the cancellation of an equity-settled award, whether by the Group or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

Provisions

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a payment will be required to settle the obligation and the payment can be estimated reliably.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and the plan has been communicated to the parties that may be affected by it. Gains from the expected disposal of assets are not taken into account in measuring restructuring provisions and provision is not made for future operating losses.

Provisions are discounted where the effect of the time value of money is material.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or deductible in earlier or subsequent periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amount of an asset or liability and its tax base used in calculating taxable profit. Deferred tax is accounted for using the liability method, whereby deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the foreseeable future against which the deductible temporary differences may be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

Deferred tax is provided on temporary differences arising on investments in foreign subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is calculated using the enacted or substantively enacted tax rates that are expected to apply when the asset is recovered or the liability is settled.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the amounts and management intends to settle on a net basis. Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current tax and deferred tax is recognised in profit or loss unless it relates to an item that is recognised in the same or a different period outside profit or loss, in which case it too is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Payments to shareholders

Subject to shareholder approval at each Annual General Meeting (AGM), it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made by the issue of non-cumulative redeemable preference shares (B Shares). B Shares issued but not redeemed are classified as current liabilities.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored ESOP trust in relation to the Group's employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from equity. Gains or losses on the subsequent transfer or sale of own shares are also recognised in equity.

Accounting standards issued but not yet adopted

The Group is currently assessing the impact of the following new standards and interpretations that are not yet effective and will provide a fuller assessment of the potential impact in future years.

- IFRS 16, 'Leases' is effective for periods beginning on or after 1 January 2019. This will be effective in the Group financial statements for the accounting period commencing 1 July 2019. IFRS 16 will affect the presentation of the Group consolidated financial statements introducing a single, on-balance sheet lease accounting model for lessees.

A lessee recognises a right-of-use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments. There are recognition exemptions available for short-term leases and leases of low-value items, which the Group plans to adopt.

Through the work performed by the Group to date to assess the impact on transition, the Group has sought professional advice and held accounting workshops to evaluate the impact on the Group's results, financial position and budgets.

The Group will recognise additional lease liabilities of c.£7.9 million and right-of-use assets of c.£7.2 million as at 1 July 2019. Overall, this will result in a c.£0.7 million reduction in net assets. The Group will also derecognise onerous lease provisions for rents associated with leases. Net debt will increase by c.£8.0 million.

However, through the work performed by the Group to date to assess the impact on transition, the net impact on the income statement and cash flow is estimated to be immaterial. In the year commencing 1 July 2019, the impact is expected to be the recognition of an additional depreciation charge of c.£2.4 million and an interest charge of c.£0.2 million replacing an operating lease administrative expense of c.£3.4 million. Net cash flows will remain unchanged, but payments will be classified as financing activities as opposed to their current classification as operating activities.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

2. Principal accounting policies continued

Accounting standards issued but not yet adopted continued

The Group will adopt the standard for the year ending 30 June 2020 using the modified retrospective approach.

- IFRIC 23, 'Uncertainty over Income Tax Treatments' (effective for the Group 1 July 2019)
- Amendments to IFRS 9, 'Financial Instruments' (effective for the Group 1 July 2019)
- Annual improvements 2015-2017 (effective 1 January 2019)⁽¹⁾
- Amendments to IAS 19, 'Employee Benefits' (effective for the Group 1 July 2019)⁽¹⁾
- Amendments to IFRS 3, 'Business Combinations' (effective 1 January 2020)⁽¹⁾
- Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective 1 January 2020)⁽¹⁾

Management does not believe the impact of adopting the other new or amended standards and interpretations, with the exception of IFRS 16, will have a material impact on the results or net assets of the Group.

3. Adoption of new and revised standards

New and amended IFRS standards that are effective for the current year

Impact of initial application of IFRS 9, 'Financial Instruments'

In the current year, the Group has applied IFRS 9, 'Financial Instruments' (as revised in July 2014) and the related consequential amendments to other IFRS standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Group adopted consequential amendments to IFRS 7, 'Financial Instruments: Disclosures' that were applied to the disclosures for the year commencing 1 July 2018.

IFRS 9 introduced new requirements for:

- (1) the classification and measurement of financial assets and financial liabilities;
- (2) impairment of financial assets; and
- (3) hedge accounting.

Details of these new requirements are described below. No material impact on the net assets or the income statement of the Group arose on the initial application of IFRS 9.

(1) Classification and measurement of financial assets and financial liabilities

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that were recognised as at 1 July 2018 and has not applied the requirements to instruments that had already been derecognised as at 1 July 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Details of the application of these policies under IFRS 9 are disclosed in the principal accounting policies in note 2.

The Directors of the Company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no material impact on the Group's financial assets as regards their classification and measurement.

Financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Financial assets classified as Held for Trading under IAS 39 are now classified as FVPL under IFRS 9.

(2) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to twelve months' ECL. IFRS 9 also allows a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For trade receivables, the Group and Company's provision methodology has been updated to consider expected losses based on their ageing profile and history of credit loss. The adoption of the expected credit loss approach has not resulted in a material change in the impairment provision at 1 July 2018.

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

(1) Not yet endorsed by the EU.

(3) Hedge accounting

The new hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced. In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018.

The Group's qualifying hedging relationships in place as at 1 July 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018.

The application of the IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Group.

Impact of initial application of IFRS 15,

'Revenue from Contracts with Customers'

In the current year, the Group has applied IFRS 15, 'Revenue from Contracts with Customers' (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The impact of this change is not material to either the income statement or balance sheet and therefore the modified retrospective method has been applied.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2 above. The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

Under the modified retrospective method, opening retained earnings in equity at 1 July 2018 has been adjusted by a reduction of £0.4 million. This adjustment relates to certain goods whereby revenue was previously recognised upon despatch but now, in accordance with IFRS 15, is recognised upon delivery.

4. Segment information

Background

Financial information is presented to the Board by product category for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. It is considered that Household products have different market characteristics to Aerosols in terms of volumes, market share and production requirements. Accordingly, the Group's operating segments are determined by product category, being Household and Personal Care & Aerosols. Following the organisational changes which became effective from 1 July 2018, our segmental reporting has been amended so as to now fully integrate Danlind within our current segmental structure, whilst treating our French operations as a separate region within our Household activities to provide new management focus.

Corporate costs, which include the costs associated with the Board and the Executive Leadership Team, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately to Household and Personal Care & Aerosols.

The Board uses adjusted operating profit to measure the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the years under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and exceptional items.

Following the disposal of the Group's Skincare business in the Czech Republic and Personal Care Liquids assets, the respective results of these divisions will be disclosed as discontinued operations. For reporting disclosure, Personal Care has been combined with the Aerosols segment as it is distinct from the Household product category.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

4. Segment information continued

Analysis by reportable segment

2019	Household – Regions						Operating segments		Total segments	Corporate ⁽⁵⁾	Total Group
	UK £m	France £m	North ⁽¹⁾ £m	South ⁽²⁾ £m	East ⁽³⁾ £m	Asia £m	Total Household £m	Personal Care & Aerosols ⁽⁴⁾ £m			
Continuing operations											
Segment revenue	173.1	122.0	111.3	79.4	166.4	21.4	673.6	47.7	721.3	—	721.3
Adjusted operating profit/(loss)							39.9	(4.0)	35.9	(7.0)	28.9
Amortisation of intangible assets											(1.9)
Exceptional items (see note 5)											(0.4)
Operating profit											26.6
Net finance costs											(4.6)
Profit before taxation											22.0
Discontinued operations											
Segment revenue	—	—	—	—	—	—	—	21.9	21.9	—	21.9
Adjusted operating loss							—	(0.8)	(0.8)	—	(0.8)
Inventories							90.3	4.7	95.0	—	95.0
Capital expenditure							17.1	1.6	18.7	—	18.7
Amortisation and depreciation							20.1	0.2	20.3	—	20.3

2018 ⁽⁶⁾	Household – Regions						Operating segments		Total segments	Corporate ⁽⁵⁾	Total Group
	UK £m	France £m	North ⁽¹⁾ £m	South ⁽²⁾ £m	East ⁽³⁾ £m	Asia £m	Total Household £m	Personal Care & Aerosols ⁽⁴⁾ £m			
Continuing operations											
Segment revenue	163.9	125.8	108.5	77.3	141.6	19.6	636.7	53.1	689.8	—	689.8
Adjusted operating profit/(loss)							46.7	(2.2)	44.5	(6.8)	37.7
Amortisation of intangible assets											(1.4)
Exceptional items (see note 5)											(4.5)
Operating profit											31.8
Net finance costs											(5.3)
Profit before taxation											26.5
Discontinued operations											
Segment revenue	—	—	—	—	—	—	—	65.2	65.2	—	65.2
Adjusted operating loss							—	(1.5)	(1.5)	—	(1.5)
Inventories							76.7	12.2	88.9	—	88.9
Capital expenditure							21.0	0.9	21.9	—	21.9
Amortisation and depreciation							18.9	1.6	20.5	—	20.5

(1) Belgium, Holland and Scandinavia.

(2) Italy and Spain.

(3) Germany, Poland, Luxembourg and other Eastern Europe.

(4) Continuing operations relates to Aerosols activity only.

(5) Corporate represents costs related to the Board, the Executive Leadership Team and key supporting functions.

(6) 2018 comparatives have been restated to reflect the revised reportable segments.

Revenue by major customer

In 2019 and 2018, no individual customer provided more than 10% of the Group's revenue.

During 2019, the top ten customers accounted for 50% of total Group revenue (2018: 51%).

5. Exceptional items

Analysis of exceptional items

	2019 £m	2018 £m
Continuing operations		
Reorganisation and restructuring costs:		
Acquisition of Danlind	0.7	1.6
UK Aerosols reorganisation	(1.2)	2.9
Efficiency based restructuring	0.8	—
Other	0.1	—
Total charged to operating profit	0.4	4.5
Group refinancing:		
Danlind finance charges incurred at acquisition	—	0.3
Total charged to financing costs	—	0.3
Reduction of ACT deferred tax asset	4.1	—
Total charged to taxation	4.1	—
Total continuing operations	4.5	4.8
Discontinued operations		
Impairment of goodwill, other intangible assets, property, plant and equipment, and inventory		
PC Liquids	—	6.2
Fair value impairment for assets held for sale	—	8.5
Impairment of goodwill PC Liquids	—	0.2
Disposal of Brno, Czech Republic	—	4.1
	5.0	19.0
Sale of PC Liquids business	5.0	1.2
Change in contingent consideration	—	(3.0)
Total discontinued operations	5.0	17.2
Total	9.5	22.0

Total exceptional items of £9.5 million were recorded during the year (2018: £22.0m). The charge primarily comprises the following:

Items relating to continuing operations

Total exceptional items incurred in relation to the continuing business of £4.5 million were recorded during the year (2018: £4.8m). The charge comprises the following:

- exceptional charge of £0.7 million incurred as part of the further integration of the Danlind operations;
- exceptional charge of £1.0 million related to closure costs for the Hull site and a £2.2 million gain from the reversal of the impairment provision for the Hull site following its closure and updating the market assessment for the closed site's net realisable sale value from value-in-use to fair value less costs to sell;
- exceptional charge of £0.8 million from restructuring activities to reduce the functional cost base; and
- exceptional charge of £4.1 million from the reduction in the recoverability of the ACT tax asset.

Items relating to discontinuing operations

Total exceptional costs of £5.0 million were incurred in relation to the discontinued business during the year (2018: £17.2m). As part of the disposal of the European PC Liquids activities, £1.8 million relates to termination costs and additional legal and consultancy costs, £2.6 million relates to an onerous lease provision for the closed St Helens site, and an additional £0.6 million has been incurred as a loss on disposal of the assets previously held for sale.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

6. Employee information

The monthly average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2019			2018		
	Continuing operations Number	Discontinued operations Number	Total Number	Continuing operations Number	Discontinued operations Number	Total Number
Manufacturing	2,776	120	2,896	2,902	484	3,386
Sales, general and administration	513	13	526	596	94	690
Total	3,289	133	3,422	3,498	578	4,076

Headcount for discontinued operations in the year relates only to the period to 16 November 2018.

Aggregate payroll costs were as follows:

	2019			2018		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Wages and salaries	107.7	1.8	109.5	103.6	15.1	118.7
Social security costs	20.9	0.4	21.3	21.1	3.1	24.2
Share options granted to Directors and employees	(0.2)	—	(0.2)	(0.4)	—	(0.4)
Other pension costs	2.2	0.1	2.3	2.8	0.4	3.2
Total	130.6	2.3	132.9	127.1	18.6	145.7

Pension costs comprise the payments made by the Group to defined contribution schemes (see note 23).

Directors' emoluments are included in the above and are detailed further in the Directors' remuneration report on pages 50 to 65.

7. Auditor's remuneration

Fees payable by the Group to the Company's independent auditor, PricewaterhouseCoopers LLP (PwC), and its associates, were as follows:

	2019 £m	2018 £m
Audit fees:		
Audit of the Company's financial statements	0.1	0.1
Other services:		
Audit of the financial statements of the Company's subsidiaries	0.6	0.6
Total fees	0.7	0.7

Fees for the audit of the Company's financial statements represent fees payable to PwC in respect of the audit of the Company's individual financial statements and the Group's consolidated financial statements. Non-audit fees payable to PwC in relation to other advisory services amounted to £0.0 million (2018: £0.3m).

8. Operating profit

Operating profit is stated after charging/(crediting):

	2019			2018		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Cost of inventories (included in cost of sales)	429.6	15.0	444.6	401.4	37.4	438.8
Employee costs (see note 6)	130.9	2.3	133.2	127.1	18.6	145.7
Amortisation of intangible assets (see note 14)	1.9	—	1.9	1.4	—	1.4
Depreciation of property, plant and equipment (see note 15)	18.4	—	18.4	17.4	1.7	19.1
Impairment/(writeback):						
Property, plant and equipment (see note 15)	(1.5)	—	(1.5)	—	17.8	17.8
Inventories (see note 16)	0.2	—	0.2	1.5	0.3	1.8
Trade receivables (see note 17)	0.1	—	0.1	(0.1)	—	(0.1)
Rentals payable under operating leases	4.0	0.2	4.2	3.7	0.4	4.1
Research and development costs not capitalised	6.5	0.1	6.6	6.7	0.8	7.5
Net foreign exchange losses	0.9	—	0.9	0.2	—	0.2

Corporate governance

9. Finance costs

	2019 £m	2018 £m
Finance costs		
Interest on bank loans and overdrafts	2.5	2.3
Interest differentials on net investment hedges	—	0.1
Net foreign exchange losses	0.3	—
Amortisation of facility fees	0.3	0.3
Non-utilisation fees	0.5	0.5
Finance lease interest	—	—
Premium on average rate currency options	0.1	0.2
	3.7	3.4
Post-employment benefits:		
Net interest cost on defined benefit obligation (see note 23)	0.7	1.1
Adjusted finance costs	4.4	4.5
Unwind of discount on provisions (see note 25)	0.2	0.5
Exceptional costs	—	0.3
Total finance costs	4.6	5.3

Interest rate swaps are used to manage the interest rate profile of the Group's borrowings. Accordingly, net interest payable or receivable on interest rate swaps is included in finance costs.

Financial statements

Additional information

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

10. Taxation

Income tax expense/(credit)

	2019			2018		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
From continuing operations						
Current tax expense/(credit)						
Current year	—	7.8	7.8	3.6	7.5	11.1
Adjustment for prior years	(1.1)	(0.3)	(1.4)	(1.2)	(0.4)	(1.6)
	(1.1)	7.5	6.4	2.4	7.1	9.5
Deferred tax expense/(credit)						
Origination and reversal of temporary differences	4.3	1.4	5.7	(1.8)	1.3	(0.5)
Adjustment for prior years	(0.6)	(1.5)	(2.1)	(0.7)	0.1	(0.6)
Impact of change in tax rate	—	—	—	—	(0.9)	(0.9)
	3.7	(0.1)	3.6	(2.5)	0.5	(2.0)
Income tax expense/(credit)	2.6	7.4	10.0	(0.1)	7.6	7.5
From discontinued operations						
Current tax credit						
Current year	—	(0.4)	(0.4)	(1.8)	(0.2)	(2.0)
	—	(0.4)	(0.4)	(1.8)	(0.2)	(2.0)
Deferred tax expense/(credit)						
Origination and reversal of temporary differences	(0.9)	0.1	(0.8)	—	(1.0)	(1.0)
Adjustment for prior years	(0.7)	—	(0.7)	—	—	—
Impact of change in tax rate	—	—	—	—	(0.1)	(0.1)
	(1.6)	0.1	(1.5)	—	(1.1)	(1.1)
Income tax credit	(1.6)	(0.3)	(1.9)	(1.8)	(1.3)	(3.1)
Total attributable to ordinary shareholders						
Current tax expense/(credit)						
Current year	—	7.4	7.4	1.8	7.3	9.1
Adjustment for prior years	(1.1)	(0.3)	(1.4)	(1.2)	(0.4)	(1.6)
	(1.1)	7.1	6.0	0.6	6.9	7.5
Deferred tax expense/(credit)						
Origination and reversal of temporary differences	3.4	1.5	4.9	(1.8)	0.3	(1.5)
Adjustment for prior years	(1.3)	(1.5)	(2.8)	(0.7)	0.1	(0.6)
Impact of change in tax rate	—	—	—	—	(1.0)	(1.0)
	2.1	—	2.1	(2.5)	(0.6)	(3.1)
Income tax expense/(credit)	1.0	7.1	8.1	(1.9)	6.3	4.4

Reconciliation to UK statutory tax rate

The total tax charge on the Group's profit before tax for the year differs from the theoretical amount that would be charged at the UK standard rate of corporation tax for the following reasons:

	2019 £m	2018 £m
From continuing operations		
Profit before tax	22.0	26.5
Profit before tax multiplied by the UK corporation tax rate of 19% (2018: 19.00%)	4.2	5.0
Effect of tax rates in foreign jurisdictions	2.2	3.0
Non-deductible expenses	2.4	2.4
Tax incentives/non-taxable income	(0.6)	(0.5)
Tax losses for which no deferred tax recognised	0.9	0.2
Change in tax rate	—	(0.9)
Reduction of ACT asset	4.1	—
Other differences	0.3	0.5
Adjustment for prior years	(3.5)	(2.2)
Total tax expense in profit or loss	10.0	7.5
Taxation is provided at current rates on the profits earned for the year.		
From discontinued operations		
Loss before tax	(5.8)	(18.7)
Loss before tax multiplied by the UK corporation tax rate of 19.00% (2018: 19.00%)	(1.1)	(3.5)
Effect of tax rates in foreign jurisdictions	—	(0.5)
Non-deductible expenses	0.4	1.0
Tax incentives/non-taxable income	(0.5)	—
Change in tax rate	—	(0.1)
Adjustment for prior years	(0.7)	—
Total tax credit in profit or loss	(1.9)	(3.1)
Taxation is provided at current rates on the profits earned for the year.		
Total attributable to ordinary shareholders		
Profit before tax	16.2	7.8
Profit before tax multiplied by the UK corporation tax rate of 19% (2018: 19.00%)	3.1	1.5
Effect of tax rates in foreign jurisdictions	2.2	2.5
Non-deductible expenses	2.8	3.4
Tax incentives/non-taxable income	(1.1)	(0.5)
Tax losses for which no deferred tax recognised	0.9	0.2
Change in tax rate	—	(1.0)
Reduction of ACT asset	4.1	—
Other differences	0.3	0.5
Adjustment for prior years	(4.2)	(2.2)
Total tax expense in profit or loss	8.1	4.4

Taxation is provided at current rates on the profits earned for the year.

To the extent that dividends remitted from overseas affiliates are expected to result in additional taxes, these amounts have been provided for. No deferred tax has been recognised in respect of timing differences associated with the unremitted earnings of overseas subsidiaries as these are considered permanently employed in the business of these companies. Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double tax relief) if distributed as dividends. The aggregate amount of temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities have not been recognised totalled approximately £1.1 million at 30 June 2019 (2018: £1.3m).

The Group believes it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities or litigation where appropriate. In assessing these income tax uncertainties, management is required to determine the unit of account, the evaluation of the circumstances, facts and other relevant information in respect of the tax position taken together with estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. As McBride operates in a multi-national tax environment, the nature of the uncertain tax positions is often complex and subject to change. Original estimates are always refined as additional information becomes known. McBride reviews and measures uncertain tax positions using internal expertise, experience and judgement, together with assistance and opinions from professional advisers.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

10. Taxation continued

Reconciliation to UK statutory tax rate continued

The main rate of UK corporation tax was reduced from 20.00% to 19.00% with effect from 1 April 2017. The Group's effective UK corporation tax rate for the year was, therefore, 19.00% (2018: 19.00%).

Factors affecting future tax charges

The Finance Act 2016, which was published on 15 September 2016, includes legislation reducing the main rate of UK corporation tax to 17.00% with effect from 1 April 2020.

Tax on items recognised in other comprehensive income

	2019 £m	2018 £m
Items that may be reclassified to profit or loss:		
Loss on cash flow hedges in the year	—	(0.1)
	—	(0.1)
Items that will not be transferred to profit or loss:		
Net actuarial loss on post-employment benefits:		
Deferred tax	(0.5)	1.6
Total tax (credit)/charge in other comprehensive income	(0.5)	1.5

Deferred tax

The movement in the net deferred tax balances during the year was:

	Accelerated tax depreciation £m	Intangible assets £m	Share- based payments £m	Tax losses £m	Retirement benefit obligations £m	Surplus ACT £m	Other £m	Total £m
At 1 July 2017	(7.3)	(1.8)	0.1	1.9	6.7	4.1	1.5	5.2
Credit/(charge) to profit or loss	3.3	—	0.1	(1.4)	(0.3)	—	0.4	2.1
(Charge)/credit to other comprehensive income	—	—	—	—	(1.6)	—	0.1	(1.5)
Impact of acquisition of Danlind	(0.3)	(1.1)	—	0.4	—	—	0.6	(0.4)
Credit to equity	—	—	0.1	—	—	—	—	0.1
Effect of the change in tax rate	1.3	(0.1)	—	(0.2)	—	—	—	1.0
Exchange movements	0.9	(0.1)	—	—	—	—	(0.8)	—
At 30 June 2018	(2.1)	(3.1)	0.3	0.7	4.8	4.1	1.8	6.5
Credit/(charge) to profit or loss	2.3	0.4	—	0.4	(0.6)	(4.1)	(0.5)	(2.1)
Credit to other comprehensive income	—	—	—	—	0.5	—	—	0.5
Charge to equity	—	—	(0.1)	—	—	—	—	(0.1)
Effect of the change in tax rate	0.1	—	—	—	—	—	—	0.1
Exchange movements	(0.1)	—	—	—	—	—	(0.1)	(0.2)
At 30 June 2019	0.2	(2.7)	0.2	1.1	4.7	—	1.2	4.7

Deferred tax assets and liabilities are presented in the Group's balance sheet as follows:

	2019 £m	2018 £m
Deferred tax assets	10.9	12.9
Deferred tax liabilities	(6.2)	(6.4)
Total	4.7	6.5

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Unrecognised deferred tax assets

At 30 June 2019, the Group had unused tax losses of £13.2 million (2018: £6.3m) available for offset against future profits. No deferred tax asset has been recognised in respect of £8.5 million (2018: £3.4m) of these losses due to the uncertainty of future profit streams. The majority of these tax losses arise in tax jurisdictions where they do not expire.

No deferred tax asset has been recognised in relation to the surplus Advanced Corporation Tax (ACT) of £7.0 million (2018: £2.9m) due to uncertainty as to future ACT capacity and taxable profits.

11. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the Company's ordinary shares in issue during the financial year. The weighted average number of the Company's ordinary shares in issue excludes 42,041 shares (2018: 270,398 shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

	Reference	2019	2018
Weighted average number of ordinary shares in issue (million)	a	182.8	182.6
Effect of dilutive LTIP awards (million)		0.1	0.7
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	182.9	183.3

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares.

During the year, the Company had equity-settled LTIP awards with a nil exercise price that are potentially dilutive ordinary shares.

Adjusted earnings per share measures are calculated based on profit for the year attributable to owners of the Company before adjusting items as follows:

	Reference	2019 £m	2018 £m
From continuing operations			
Earnings for calculating basic and diluted earnings per share	c	12.0	19.0
Adjusted for:			
Amortisation of intangible assets (see note 14)		1.9	1.4
Exceptional items (see note 5)		0.4	4.8
Unwind of discount on contingent consideration		—	—
Unwind of discount on provisions (see note 25)		0.2	0.5
Taxation relating to the above items		(0.9)	(2.5)
Exceptional items – taxation (see note 5)		4.1	—
Earnings for calculating adjusted earnings per share	d	17.7	23.2

	Reference	2019 pence	2018 pence
Basic earnings per share	c/a	6.5	10.4
Diluted earnings per share	c/b	6.5	10.4
Adjusted basic earnings per share	d/a	9.7	12.7
Adjusted diluted earnings per share	d/b	9.7	12.7

	Reference	2019 £m	2018 £m
From discontinued operations			
Losses for calculating basic and diluted earnings per share	c	(3.9)	(15.6)
Adjusted for:			
Exceptional items (see note 5)		5.0	17.2
Taxation relating to the above items		(1.7)	(2.6)
Losses for calculating adjusted earnings per share	d	(0.6)	(1.0)

	Reference	2019 pence	2018 pence
Basic loss per share	c/a	(2.1)	(8.5)
Diluted loss per share	c/b	(2.1)	(8.5)
Adjusted basic loss per share	d/a	(0.3)	(0.5)
Adjusted diluted loss per share	d/b	(0.3)	(0.5)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

11. Earnings per ordinary share continued

	Reference	2019 £m	2018 £m
Total attributable to ordinary shareholders			
Earnings for calculating basic and diluted earnings per share	c	8.1	3.4
Adjusted for:			
Amortisation of intangible assets (see note 14)		1.9	1.4
Exceptional items (see note 5)		5.4	22.0
Unwind of discount on contingent consideration		—	—
Unwind of discount on provisions (see note 25)		0.2	0.5
Taxation relating to the above items		(2.6)	(5.1)
Exceptional items - taxation (see note 5)		4.1	—
Earnings for calculating adjusted earnings per share	d	17.1	22.2
	Reference	2019 pence	2018 pence
Basic earnings per share	c/a	4.4	1.9
Diluted earnings per share	c/b	4.4	1.9
Adjusted basic earnings per share	d/a	9.4	12.2
Adjusted diluted earnings per share	d/b	9.4	12.1

12. Payments to shareholders

Payments to ordinary shareholders are made by way of the issue of B Shares in place of income distributions. Ordinary shareholders are able to redeem any number of the B Shares issued to them for cash. Any B Shares that they retain attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis. Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2019		2018	
	Pence per share	£m	Pence per share	£m
Interim	1.5	2.7	1.5	2.7
Final	1.8	3.3	2.8	5.2
Total for the year	3.3	6.0	4.3	7.9

The proposed final payment in respect of 2019 of 1.8 pence per ordinary share is subject to approval by shareholders at the Company's 2019 AGM and has therefore not been recognised in these financial statements.

Movements in the number of B Shares outstanding were as follows:

	2019		2018	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	1,560,374	1.5	1,205,612	1.2
Issued	7,860,325	7.9	8,022,619	8.0
Redeemed	(8,605,068)	(8.6)	(7,667,857)	(7.7)
At 30 June	815,631	0.8	1,560,374	1.5

B Shares carry no rights to attend, speak or vote at Company meetings, except on a resolution relating to the winding up of the Company.

13. Goodwill

	2019 £m	2018 £m
Carrying amount		
At 1 July	20.4	17.5
Acquisition of subsidiary	—	3.1
Impairment	—	(0.2)
At 30 June	20.4	20.4

Goodwill is allocated to cash-generating units (CGUs) as follows:

	2019 £m	2018 £m
Household Liquids	16.1	16.1
Household Powders and Tablets	4.1	4.1
Asia	0.2	0.2
Aerosols	—	—
At 30 June	20.4	20.4

Impairment of Personal Care Liquids goodwill

Following a strategic review of the PC business, culminating in the sale of the PC Liquids business, management fully impaired the goodwill relating to PC Liquids in 2018 (£0.2 million). This was recognised as an exceptional item from discontinued operations (see note 5).

Impairment tests carried out during the year

Goodwill is tested for impairment annually at the level of the CGU to which it is allocated. In each of the tests carried out during 2019, the recoverable amount of the CGUs concerned was measured on a value-in-use basis.

Value-in-use represents the present value of the future cash flows that are expected to be generated by the CGU to which the goodwill is allocated. Management based its cash flow estimates on the Group's Board-approved budget for the 2020 financial year. Cash flows in the following four years were forecast by applying assumptions to budgeted sales, production costs and overheads. Aggregate cash flows beyond the fifth year were estimated by applying a perpetuity growth rate to the forecast cash flow in the fifth year that was based on long-term growth rates for the CGU's products in its end markets.

Management estimates sales growth for each CGU based on forecasts of the future volume of the end markets for the CGU's products. CGUs to which significant goodwill is allocated supply the Household Liquid market and the Household Powder and Tablet market in the UK.

Management estimates the cost of material inputs and other direct and indirect costs based on current prices and market expectations of future price changes. Beyond the budget year, unless there are reasons to suggest otherwise, management assumes that future changes in material input prices are reflected in the price of the Group's products. General cost inflation is based on management's expectations of cost increases in the business.

To forecast growth beyond the detailed cash flows into perpetuity, long-term average growth rates of 1.9% in Household Liquids, 2.1% in Household Powders and Tablets, 1.6% in Aerosols and 5.9% in Asia have been applied. These rates are based on a weighted average of country-specific rates that are not greater than the published International Monetary Fund average growth rates in gross domestic product in the territories in which the CGUs operate. Management estimates that, in the case of Household Liquids, Household Powders and Tablets, Aerosols and Asia, a reduction in the perpetual growth rate to 0.0% would not result in an impairment charge.

Discount rates applied to the cash flow projections were determined using a capital asset pricing model and reflected current market interest rates, relevant equity and size risk premiums and the risks specific to the CGU concerned. Pre-tax discount rates used in calculating the value-in-use of CGUs in the current year were as follows: Household Liquids 12.3%; Household Powders and Tablets 11.7%; Aerosols 11.9%; Asia 15.8%. Management estimates that, in the case of Household Powders and Tablets, an increase in the pre-tax discount rate from 11.7% to 19.0% would reduce the headroom in the cash generating unit to nil but would not result in an impairment charge. No reasonable movement in the discount rate applied to the remaining CGUs would result in nil headroom or impairment.

As disclosed in note 2, determination of CGUs was changed in the year. In the prior year impairment tests, the long-term average growth rates applied were 1.6% in the UK, 2.0% in Europe and 6.0% in Asia for the relevant CGUs in those territories. The pre-tax discount rates used were 11% to all manufacturing sites.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

13. Goodwill continued

Impairment tests carried out during the year continued

Having performed the annual impairment tests, no further impairment has been recognised for the year ended 30 June 2019 (30 June 2018: £0.2m). As part of forming this conclusion a sensitivity analysis has been performed which focused on the change required in key assumptions (long-term growth and the pre-tax discount rate), both individually and collectively, to give rise to an impairment. The Directors believe that any reasonably possible changes in the key assumptions on which the recoverable amount of Household Liquids, Aerosols and Asia have been based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

Due to current market conditions at the year end, the recoverable amount of Household Powders and Tablets is closer to book value. The impairment model sensitivity to gross margin is such that a reduction in the forecast gross margin by 1.74 percentage points in the terminal value calculation would reduce the headroom to nil, but would not result in an impairment charge. The sensitivity of the recoverable amount and resulting impairment to the long-term growth rate and discount rate is presented above.

14. Other intangible assets

	Patents, brands and trademarks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 July 2017	2.0	8.3	8.7	0.7	19.7
Additions	—	1.3	—	—	1.3
Acquisition of subsidiary	1.8	—	3.7	—	5.5
Disposal of subsidiary	—	(0.3)	(0.3)	—	(0.6)
Currency translation differences	—	—	—	—	—
At 30 June 2018	3.8	9.3	12.1	0.7	25.9
Additions	—	1.6	—	—	1.6
Acquisition of subsidiary	—	—	—	—	—
Disposal of subsidiary	—	—	—	—	—
Currency translation differences	—	—	—	—	—
At 30 June 2019	3.8	10.9	12.1	0.7	27.5
Accumulated amortisation and impairment					
At 1 July 2017	(2.0)	(4.1)	(8.7)	(0.7)	(15.5)
Charge for the year	(0.3)	(0.8)	(0.3)	—	(1.4)
Disposal of subsidiary	—	0.3	0.3	—	0.6
Currency translation differences	—	—	(0.1)	—	(0.1)
At 30 June 2018	(2.3)	(4.6)	(8.8)	(0.7)	(16.4)
Charge for the year	(0.4)	(1.1)	(0.4)	—	(1.9)
Disposal of subsidiary	—	—	—	—	—
Currency translation differences	—	—	(0.1)	—	(0.1)
At 30 June 2019	(2.7)	(5.7)	(9.3)	(0.7)	(18.4)
Net book value					
At 30 June 2019	1.1	5.2	2.8	—	9.1
At 30 June 2018	1.5	4.7	3.3	—	9.5

Upon the acquisition of Danlind a/s in the year ended 30 June 2018, customer relationships with a fair value of £3.7 million were recognised, which will be amortised over a useful economic life of eight years. Management does not consider that any customer relationships are individually material. In addition, a brand name was also acquired on acquisition of Danlind a/s with a fair value of £1.8 million, which will be amortised over a useful economic life of five years.

15. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in the course of construction £m	Total £m
Cost				
At 1 July 2017	106.4	473.4	5.0	584.8
Additions	0.9	19.2	0.5	20.6
Acquisition of Danlind	1.0	12.8	0.1	13.9
Disposals of Brno	(5.7)	(3.3)	—	(9.0)
Disposal of assets	(0.1)	(8.9)	—	(9.0)
Transfers to assets held for sale	(18.4)	(58.8)	—	(77.2)
Transfers	—	0.2	(0.2)	—
Currency translation differences	0.7	2.0	—	2.7
At 30 June 2018	84.8	436.6	5.4	526.8
Additions	0.6	14.7	1.8	17.1
Disposal of assets	(6.6)	(14.7)	(1.0)	(22.3)
Transfers	—	0.4	(0.4)	—
Currency translation differences	1.1	3.9	0.1	5.1
At 30 June 2019	79.9	440.9	5.9	526.7
Accumulated depreciation and impairment				
At 1 July 2017	(47.8)	(396.1)	—	(443.9)
Charge for the year	(2.2)	(16.9)	—	(19.1)
Disposals of Brno	5.7	3.3	—	9.0
Impairment	(9.8)	(8.0)	—	(17.8)
Transfers to assets held for sale	15.7	58.1	—	73.8
Disposal of assets	—	8.9	—	8.9
Currency translation differences	(0.4)	(1.7)	—	(2.1)
At 30 June 2018	(38.8)	(352.4)	—	(391.2)
Charge for the year	(2.3)	(16.1)	—	(18.4)
Disposals	4.9	15.8	—	20.7
Impairment	—	(0.7)	—	(0.7)
Impairment reversal of Hull site (see note 5)	2.2	—	—	2.2
Currency translation differences	(0.5)	(2.8)	—	(3.3)
At 30 June 2019	(34.5)	(356.2)	—	(390.7)
Net book value				
At 30 June 2019	45.4	84.7	5.9	136.0
At 30 June 2018	46.0	84.2	5.4	135.6

The net book value of assets held under finance leases amounted to £0.3 million (2018: £0.4m), and is held under plant and equipment. Depreciation charged in the year on assets held under finance leases totalled £0.1 million (2018: £0.1m). Included within land and buildings is £2.2 million representing the property at the Hull site. Post year end, this met the definition of a non-current asset held for sale. The site is currently being marketed and a sale is expected to complete within twelve months of the year end.

Corporate governance

Financial statements

Additional information

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

16. Inventories

	2019 £m	2018 £m
Raw materials, packaging and consumables	44.2	44.3
Finished goods and goods for resale	50.8	44.6
Total	95.0	88.9

Inventories are stated net of an allowance of £2.8 million (2018: £4.2m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2019 £m	2018 £m
At 1 July	(4.2)	(3.9)
Utilisation	1.6	1.5
Acquisition of subsidiary	—	(0.7)
Charged to profit or loss	(0.2)	(1.8)
Disposal of subsidiary	—	0.3
Impact of assets transferred to held for sale	—	0.4
At 30 June	(2.8)	(4.2)

The cost of inventories recognised in cost of sales as an expense amounted to £444.6 million (2018: £438.8m).

17. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	134.8	144.6
Less: Provision for impairment of trade receivables	(0.6)	(0.5)
Trade receivables - net	134.2	144.1
Other receivables	19.3	7.4
Prepayments and accrued income	2.4	3.7
Total	145.9	155.2

Trade receivables amounting to £29.7 million (2018: £39.2m) are secured under the invoice discounting facilities described in note 21.

Trade terms are a maximum of 135 days' credit.

Due to their short-term nature, the fair value of trade and other receivables does not differ from the book value.

The impairment of trade receivables charged to the income statement was £0.1 million (2018: £0.1m credit). There is no impairment of any receivables other than trade receivables.

Trade receivables are regularly reviewed for bad and doubtful debts. Bad debts are written off and an allowance is established based on the ECL model. The expected loss rates are based on payment profiles of sales over a period of three years before 30 June 2019 or 1 July 2018 respectively and the corresponding historical credit losses experienced within this period as well as current economic conditions.

On that basis, the credit loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of IFRS 9) was determined as follows:

30 June 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	—	—	—	20%	100%	
Gross carrying amount	127.0	5.8	1.3	0.5	0.2	134.8
Credit loss allowance	—	—	—	0.1	0.2	0.3

1 July 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	—	—	—	20%	100%	
Gross carrying amount	138.0	5.1	0.9	0.4	0.2	144.6
Credit loss allowance	—	—	—	0.1	0.2	0.3

In addition to the credit loss allowance, the provision for impairment of trade receivables includes £0.3 million (2018: £0.2m) of credit note provisions.

Movements in the allowance for doubtful debts were as follows:

	2019 £m	2018 £m
At 1 July	(0.5)	(0.6)
Utilisation	—	—
(Charged)/credited to profit or loss	(0.1)	0.1
At 30 June	(0.6)	(0.5)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 365 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The carrying amount of trade and other receivables are denominated in the following currencies:

	2019 £m	2018 £m
Sterling	26.7	33.4
Euro	109.2	108.9
Polish Zloty	2.4	3.2
Danish Krone	2.4	2.1
Malaysian Ringgit	1.8	1.5
Other	1.6	2.9
	144.1	152.0

Trade receivables are generally not interest bearing.

18. Assets classified as held for sale

Assets held for sale at Bradford and Ieper Personal Care Liquids sites

On 3 July 2018, the Group signed an agreement for the disposal of the Group's Personal Care Liquids activities, which comprises two manufacturing sites at Bradford, UK and Ieper, Belgium, supplying customers with a range of personal hygiene, haircare and oral care products.

This sale represented the disposal of the majority of the Group's PC Liquids business, therefore, in accordance with IFRS 5, the results of PC Liquids are now included in discontinued operations as at 30 June 2018 and 30 June 2019. The transaction completed on 16 November 2018 and therefore results up to that date are presented as discontinued.

The transaction comprised the disposal of the trade and assets of the Group's Personal Care Liquids business for a cash consideration of £12.5 million payable on completion.

(i) Assets of disposal group classified as held for sale

	2019 £m	2018 £m
Assets of disposal group classified as held for sale		
Property, plant and equipment	—	3.4
Inventories	—	7.5
	—	10.9

In accordance with IFRS 5, the fixed assets held for sale were written down to their fair value less costs to sell of £3.4 million. This is a non-recurring fair value which was measured using observable inputs, being the agreed sales price in an arm's length transaction, and is therefore within Level 2 of the fair value hierarchy.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

18. Assets classified as held for sale continued

Assets held for sale at Bradford and Ieper Personal Care Liquids sites continued

(i) Assets of disposal group classified as held for sale continued

Analysis of the results of the discontinued operations, and the result recognised on the remeasurement of assets of the disposal group, is as follows:

	2019 £m	2018 £m
Revenue	21.9	56.2
Expenses	(27.1) ⁽¹⁾	(65.3) ⁽¹⁾
Loss before tax of discontinued operations	(5.2)	(9.1)
Tax credit	1.2	2.0
Loss after tax of discontinued operations	(4.0)	(7.1)
Pre-tax loss recognised on the remeasurement of assets of disposal group	—	(8.5)
Loss on disposal	(0.6)	—
Tax credit	0.7	1.1
After-tax loss recognised on the remeasurement of assets of disposal group	0.1	(7.4)
Loss for the year from discontinued operations	(3.9)	(14.5)

(1) Including exceptional charges in 2019 of £4.4 million, including £1.8 million for termination, legal and consultancy costs and £2.6 million for the onerous lease provision. In 2018 these were £7.6 million, including £6.2 million for the impairment of assets, £0.2 million for the write off of goodwill, and £1.2 million for reorganisation costs.

(ii) Cash flow

	2019 £m	2018 £m
Operating cash flows	(0.7)	(2.0)
Investing cash flows	(0.8)	(0.4)
Financing cash flows	—	—
Total cash flows	(1.5)	(2.4)

Disposal of the Skincare business based at Brno Czech Republic

The sale of the Czech Republic-based Skincare business completed on 21 February 2018 and accordingly was treated as discontinued in the prior year. The result for this discontinued operation is as follows:

	2019 £m	2018 £m
Revenue	—	9.0
Expenses	—	(10.1) ⁽¹⁾
Loss before taxation from discontinued operations	—	(1.1)
Taxation	—	—
Loss after taxation of discontinued operations	—	(1.1)

(1) Includes exceptional charges of £nil (2018: £1.1m).

	2019 £m	2018 £m
Operating cash flows	—	(0.4)
Investing cash flows	—	—
Financing cash flows	—	0.4
Total cash flows	—	—

Assets held for sale at Solaro, Italy

At 30 June 2019, assets held for sale amounting to £nil (2018: £1.2m) comprised freehold land and buildings at a former manufacturing site in Italy.

On 25 July 2018, the Group entered into an agreement for the sale of the Solaro site in Italy. Consideration of £1.6 million has been received with respect to this sale and the site had been sold by 30 June 2019.

19. Trade and other payables

	2019 £m	2018 £m
Current liabilities		
Trade payables	137.4	153.6
Taxation and social security	2.7	3.8
Other payables	25.6	26.2
Accrued expenses	12.1	13.8
Deferred income	3.7	3.3
B Shares (see note 12)	0.8	1.5
Total	182.3	202.2

Trade payables are generally not interest bearing.

The Directors consider the carrying amount of trade and other payables to approximate their fair values.

20. Borrowings

Borrowings may be analysed as follows:

	2019			2018		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	13.4	—	13.4	4.1	—	4.1
Bank and other loans:						
Unsecured loans	—	91.0	91.0	—	81.1	81.1
Secured loans	0.4	0.8	1.2	0.3	1.1	1.4
Invoice discounting facilities (see note 21)	29.7	—	29.7	39.2	—	39.2
	30.1	91.8	121.9	39.5	82.2	121.7
Finance lease liabilities	—	—	—	—	0.2	0.2
Total	43.5	91.8	135.3	43.6	82.4	126.0

Bank and other loans are repayable as follows:

	2019 £m	2018 £m
Within one year	30.1	39.5
Between one and two years	0.4	0.2
Between two and five years	91.4	82.0
More than five years	—	—
Total	121.9	121.7

Details of the Group's bank facilities are presented in note 21. Amounts payable under finance leases are as follows:

	2019 £m	2018 £m
Present value		
Within one year	—	—
Between one and five years	—	0.2
Total	—	0.2

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

21. Financial risk management

Risk management policies

The Group's central treasury function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest rate exposures.

All treasury operations are conducted within strict policies and guidelines that are approved by the Board. Compliance with those policies and guidelines is monitored by the regular reporting of treasury activities to the Board following regular Treasury Committee meetings.

Financial assets and financial liabilities

	Amortised cost £m	Fair value through profit or loss ⁽¹⁾ £m	Total carrying amount £m	Fair value £m
At 30 June 2019				
Financial assets				
Trade receivables	134.2	—	134.2	134.2
Other receivables	9.3	—	9.3	9.3
Cash and cash equivalents	14.4	—	14.4	14.4
	157.9	—	157.9	157.9
Financial assets held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	—	0.7	0.7	0.7
	—	0.7	0.7	0.7
Total financial assets	157.9	0.7	158.6	158.6
Financial liabilities				
Trade payables	(137.4)	—	(137.4)	(137.4)
Other payables	(25.6)	—	(25.6)	(25.6)
Accrued expenses	(12.1)	—	(12.1)	(12.1)
Unredeemed B Shares	(0.8)	—	(0.8)	(0.8)
Bank overdrafts	(13.4)	—	(13.4)	(13.4)
Bank and other loans	(121.9)	—	(121.9)	(121.9)
	(311.2)	—	(311.2)	(311.2)
Financial liabilities held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	—	(0.3)	(0.3)	(0.3)
Interest rate swaps	—	(0.4)	(0.4)	(0.4)
	—	(0.7)	(0.7)	(0.7)
Total financial liabilities	(311.2)	(0.7)	(311.9)	(311.9)
Total	(153.3)	—	(153.3)	(153.3)

(1) Financial assets and financial liabilities classified as fair value through profit or loss are designated in hedge relationships as described within the interest risk and foreign exchange risk sections of this note.

	Loans and receivables £m	Liabilities at amortised cost £m	Fair value through profit or loss Designated hedging relationships £m	Total carrying amount £m	Fair value £m
At 30 June 2018					
Financial assets					
Trade receivables	144.1	—	—	144.1	144.1
Other receivables	7.4	—	—	7.4	7.4
Cash and cash equivalents	11.7	—	—	11.7	11.7
	163.2	—	—	163.2	163.2
Financial assets held at fair value					
Derivative financial instruments (Level 2)					
Forward currency contracts	—	—	0.4	0.4	0.4
	—	—	0.4	0.4	0.4
Total financial assets	163.2	—	0.4	163.6	163.6
Financial liabilities					
Trade payables	—	(153.6)	—	(153.6)	(153.6)
Other payables	—	(26.2)	—	(26.2)	(26.2)
Accrued expenses	—	(13.8)	—	(13.8)	(13.8)
Unredeemed B Shares	—	(1.5)	—	(1.5)	(1.5)
Bank overdrafts	—	(4.1)	—	(4.1)	(4.1)
Bank and other loans	—	(121.7)	—	(121.7)	(121.7)
Obligations under finance leases	—	(0.2)	—	(0.2)	(0.2)
	—	(321.1)	—	(321.1)	(321.1)
Financial liabilities held at fair value					
Derivative financial instruments (Level 2)					
Forward currency contracts	—	—	(0.3)	(0.3)	(0.3)
Interest rate swaps	—	—	(0.2)	(0.2)	(0.2)
	—	—	(0.5)	(0.5)	(0.5)
Total financial liabilities	—	(321.1)	(0.5)	(321.6)	(321.6)
Total	163.2	(321.1)	(0.1)	(158.0)	(158.0)

In the above tables, the financial assets and financial liabilities held by the Group are categorised according to the basis on which they are measured. Financial assets and liabilities that are held at fair value are further categorised according to the degree to which the principal inputs used in determining their fair value represent observable market data as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

Derivative financial instruments comprise the foreign currency derivatives, non-deliverable commodity derivatives and interest rate derivatives that are held by the Group in designated hedging relationships. Foreign currency forward contracts are measured by reference to prevailing forward exchange rates. Commodity forward contracts are measured by difference to prevailing market prices. Foreign currency options are measured using a variant of the Monte Carlo valuation model. Interest rate swaps and caps are measured by discounting the related cash flows using yield curves derived from prevailing market interest rates.

Cash and cash equivalents and bank and other loans largely attract floating interest rates. Accordingly, management considers that their carrying amount approximates to fair value.

Finance lease obligations attract fixed interest rates that are implicit in the lease rentals and their fair value has been assessed relative to prevailing market interest rates.

There were no transfers between levels during the year and no changes in valuation techniques.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

21. Financial risk management continued

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- other receivables; and
- cash and cash equivalents.

Disclosure regarding expected credit losses on trade receivables is given in note 17. While other receivables and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The Group's cash balances are managed such that there is no significant concentration of credit risk in any one bank or other financial institution. Management monitors the credit quality of the institutions with which it holds deposits. Similar considerations are given to the Group's portfolio of derivative financial instruments.

Before accepting a new customer, management assesses the customer's credit quality and establishes a credit limit. Credit quality is assessed using data maintained by reputable credit rating agencies, by the checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorisation and are reviewed on a regular basis. Credit insurance is employed where it is considered to be cost effective. At 30 June 2019, the majority of trade receivables were due from major retailers in the UK and Europe.

At 30 June 2019, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2019 £m	2018 £m
Trade and other receivables:		
Trade receivables	134.2	144.1
Other receivables	9.3	7.4
Derivative financial instruments	0.7	0.4
	144.2	151.9
Cash and cash equivalents	14.4	11.7
Total	158.6	163.6

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines.

The Group has an unsecured €175 million revolving credit facility that is committed until June 2022. At 30 June 2019, the amount undrawn on the facility was €73.4 million (2018: €82.5m). The Group is subject to covenants, representations and warranties which are typical for unsecured borrowing facilities, including two financial covenants. Debt cover (the ratio of net debt to EBITDA) may not exceed 3:1 and interest cover (the ratio of EBITDA to net interest) may not be less than 4:1.

For the purpose of these calculations, net debt excludes amounts drawn under the invoice discounting facilities and net interest comprises interest payments and receipts on net debt. The Group remains comfortably within these covenants. Any future non-compliance with the covenants could, if not waived, constitute an event of default and may, in certain circumstances, lead to an acceleration of the maturity of borrowings drawn down and an inability to access committed facilities.

The Group has a number of facilities whereby it can borrow against certain of its trade receivables. In the UK, the Group has a £25 million facility that is committed until October 2021. In France and Belgium, the Group has an aggregate €30 million facility, which has a rolling notice period of six months for the French part and three months for the Belgian part. Under these arrangements, the Group transfers trade receivables to the providers of the facilities at a discount to the face value of the underlying invoices. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the discounted value of the receivables transferred. The Group does not derecognise the receivables transferred because it continues to be exposed to the credit risk associated with them.

At 30 June 2019, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2019 £m	2018 £m
Trade receivables available	29.7	39.2
Amount borrowed	(29.7)	(39.2)
Amount undrawn	—	—

The Group also has access to uncommitted working capital facilities amounting to £58.6 million (2018: £64.8m).

At 30 June 2019, £13.4 million (2018: £4.1m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

In the following tables, estimated future contractual cash flows in respect of the Group's financial liabilities are analysed according to the earliest date on which the Group could be required to settle the liability. Floating rate interest payments are estimated based on market interest rates prevailing at the balance sheet date. Payments and receipts in relation to derivative financial instruments are shown net if they will be settled on a net basis.

	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	After 5 years £m	Total £m
At 30 June 2019							
Bank overdrafts	(13.4)	—	—	—	—	—	(13.4)
Bank and other loans:							
Principal	(30.1)	(0.4)	(91.4)	—	—	—	(121.9)
Interest payments	(0.4)	—	—	—	—	—	(0.4)
Other liabilities	(175.9)	—	—	—	—	—	(175.9)
Cash flows on non-derivative liabilities	(219.8)	(0.4)	(91.4)	—	—	—	(311.6)
Cash flows on derivative liabilities							
Payments	(74.6)	(0.6)	(0.2)	—	—	—	(75.4)
Cash flows on financial liabilities	(294.4)	(1.0)	(91.6)	—	—	—	(387.0)
Cash flows on derivative assets							
Receipts	74.8	0.4	—	—	—	—	75.2
	(219.6)	(0.6)	(91.6)	—	—	—	(311.8)
At 30 June 2018							
Bank overdrafts	(4.1)	—	—	—	—	—	(4.1)
Bank and other loans:							
Principal	(39.5)	(0.2)	(0.4)	(81.4)	(0.2)	—	(121.7)
Interest payments	(0.4)	—	—	—	—	—	(0.4)
Finance lease obligations	—	(0.2)	—	—	—	—	(0.2)
Other liabilities	(195.1)	—	—	—	—	—	(195.1)
Cash flows on non-derivative liabilities	(239.1)	(0.4)	(0.4)	(81.4)	(0.2)	—	(321.5)
Cash flows on derivative liabilities							
Payments	(98.6)	(1.6)	(0.2)	(0.2)	—	—	(100.6)
Cash flows on financial liabilities	(337.7)	(2.0)	(0.6)	(81.6)	(0.2)	—	(422.1)
Cash flows on derivative assets							
Receipts	98.6	1.6	—	—	—	—	100.2
	(239.1)	(0.4)	(0.6)	(81.6)	(0.2)	—	(321.9)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

21. Financial risk management continued

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows associated with, a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its floating rate borrowings, which it has mitigated using interest rate derivatives in the form of interest rate swaps and interest rate caps with maturities up to 2023.

The Group uses a combination of interest rate caps and swaps to hedge its exposure to interest rate risk. Under the Group's policy the critical terms of the derivatives must align with the hedged items.

The changes in the time value of the options that relate to hedged items are deferred in the cash flow hedge reserve and are treated as the cost of hedging.

After taking into account the Group's currency and interest rate hedging activities, the currency and interest rate profile of the Group's interest-bearing financial assets and financial liabilities was as follows:

	2019					2018				
	Euro £m	Sterling £m	Danish Krone £m	Other currencies £m	Total £m	Euro £m	Sterling £m	Danish Krone £m	Other currencies £m	Total £m
Floating rate										
Bank overdrafts	(8.8)	(4.2)	—	(0.4)	(13.4)	(4.1)	—	—	—	(4.1)
Bank and other loans	(43.3)	(23.2)	(17.4)	—	(83.9)	(35.0)	(27.6)	(13.6)	—	(76.2)
Cash and cash equivalents	3.8	0.5	8.8	1.3	14.4	6.7	2.2	2.5	0.3	11.7
	(48.3)	(26.9)	(8.6)	0.9	(82.9)	(32.4)	(25.4)	(11.1)	0.3	(68.6)
Fixed rate										
Bank and other loans	(23.6)	(5.2)	(10.2)	—	(39.0)	(26.6)	(5.2)	(13.7)	—	(45.5)
Finance lease obligations	—	—	—	—	—	—	(0.2)	—	—	(0.2)
	(23.6)	(5.2)	(10.2)	—	(39.0)	(26.6)	(5.4)	(13.7)	—	(45.7)
Total	(71.9)	(32.1)	(18.8)	0.9	(121.9)	(59.0)	(30.8)	(24.8)	0.3	(114.3)

Interest payable on bank overdrafts and floating rate loans is based on base rates and short-term interbank rates (predominantly LIBOR, EURIBOR and CIBOR). At 30 June 2019, the weighted average interest rate payable on bank and other loans was 1.6% (2018: 1.8%). At 30 June 2019, the weighted average interest rate receivable on cash and cash equivalents was 0.1% (2018: 0.1%).

At 30 June 2019, the Group held interest rate caps, which cap the maximum rate payable but allows the rate to float below this maximum, and interest rate swaps.

2019	Interest rate swaps £m	Interest rate caps £m
Carrying amount	(0.4)	0.1
Notional amount	24.5	13.3
Maturity date	June 2020-June 2022	June 2020-June 2023
Hedging ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 July	0.3	—
Change in value of hedged item used to determine hedge effectiveness	(0.3)	—
Weighted average hedged rate for the year	0.21%-0.52%	0.00%-0.81%

All interest rate derivatives held by the Group are indexed to three-month EURIBOR, LIBOR or CIBOR.

Fixed or capped interest rates shown in the above table do not include the margin over market interest rates payable on the Group's borrowings.

On the assumption that a change in market interest rates would be applied to the interest rate exposures that were in existence at the balance sheet date and that designated cash flow hedges are 100% effective, an increase/decrease of 100 basis points in market interest rates would have decreased/increased the Group's profit before tax by £0.8 million (2018: £0.6m).

Foreign currency risk**Transaction risk**

Foreign currency transaction risk arises on sales and purchases denominated in currencies other than the functional currency of the entity that enters into the transaction. While the magnitude of these exposures is relatively low, the Group's policy is to hedge committed transactions in full and to hedge a proportion of highly probable forecast transactions on a twelve-month rolling basis. Foreign currency transaction risk also arises on financial assets and liabilities denominated in foreign currencies and Group policy also allows for these exposures to be hedged using forward currency contracts.

At 30 June 2019, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £24.2 million (2018: £29.3m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2019, the fair value of the contracts was £0.4 million (2018: £0.1m). During 2019, a gain of £0.3 million (2018: gain of £0.2m) was recognised in other comprehensive income and a loss of £0.2 million (2018: gain of £0.8m) was transferred from the cash flow reserve to the income statement in respect of these contracts.

Translation risk

Foreign currency translation risk arises on consolidation in relation to the translation into Sterling of the results and net assets of the Group's foreign subsidiaries. The Group's policy is to hedge a substantial proportion of overseas net assets using a combination of foreign currency borrowings and foreign currency swaps. The Group hedges part of the currency exposure on translating the results of its foreign subsidiaries into Sterling using average rate options. This exposure is also mitigated by the natural hedge provided by the interest payable on the Group's foreign currency borrowings. At 30 June 2019, the fair value of the average rate options was a loss of £0.3 million (2018: loss of £0.1m).

At 30 June 2019, the Group had designated as net investment hedges £53.8 million (2018: £44.3m) of its Euro-denominated borrowings and three-month rolling foreign currency forward contracts with a notional principal amount of £50.5 million (2018: £63.6m). During 2019, a loss of £0.9 million (2018: gain of £0.1m) was recognised in other comprehensive income in relation to the net investment hedges. At 30 June 2019, the fair value of the net investment hedges was a loss of £nil (2018: £0.1m).

The currency profile of the Group's net assets (excluding non-controlling interests) before and after hedging currency translation exposures was as follows:

	2019			2018		
	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m
Sterling	(4.0)	50.5	46.5	(11.9)	63.5	51.6
Euro	29.3	(22.4)	6.9	40.9	(36.3)	4.6
Polish Zloty	20.2	(15.2)	5.0	19.2	(14.6)	4.6
Danish Krone	10.2	(8.4)	1.8	11.4	(8.3)	3.1
Czech Koruna	1.7	(1.6)	0.1	1.7	(1.5)	0.2
Malaysian Ringgit	3.6	(2.9)	0.7	3.6	(2.8)	0.8
Other	3.2	—	3.2	2.7	—	2.7
Total	64.2	—	64.2	67.6	—	67.6

The Group's exposure to a +/- 10% change in EUR/GBP exchange rate is as follows:

	2019	
	EUR +10% £m	EUR -10% £m
Impact on equity	(1.3)	1.2

The impact on equity shown above predominantly relates to EUR/GBP contracts that qualify for net investment and cash flow hedge accounting.

The Group uses a combination of foreign currency options and foreign currency forwards to hedge its exposure to foreign currency risk. Under the Group's policy the critical terms of the forwards and options must align with the hedged items.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

21. Financial risk management continued

Foreign currency risk continued

Translation risk continued

When forward contracts are used to hedge forecast transactions, the Group generally designates the change in the fair value of the forward contract related to both the spot component and forward element as the hedging instrument. For option contracts the change in the fair value of the option contract related to the intrinsic value is designated as the hedging instrument. The time value of money is treated as the cost of hedging.

In relation to the hedging activities as described above, the effects of foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	Foreign currency collars	Foreign currency forwards	
	Transactional £m	Transactional £m	Translational £m
2019			
Carrying amount	(0.3)	0.6	—
Notional amount	(16.0)	27.6	50.5
Maturity date	September 2019-June 2020	July 2019-July 2020	September 2019
Hedging ratio	1:1	1:1	1:1
Change in value of outstanding hedge instruments since 1 July	0.2	(0.3)	1.0
Change in value of hedged item used to determine hedge effectiveness	(0.2)	0.3	(1.0)
Weighted average hedged rate for the year	€1.1345:£1	€1.1315:£1	Various ⁽¹⁾

(1) The weighted average hedged rate for the year, by currency denomination, was €1.1247:£1, Zloty 4.8478:£1, Krone 8.33986:£1.

22. Capital and net debt

The Group's capital comprises total equity and net debt.

The Directors manage the Group's capital to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Directors aim to maintain an efficient capital structure with a relatively conservative level of debt-to-equity gearing so as to ensure continued access to a broad range of financing sources in order to provide sufficient flexibility to pursue commercial opportunities as they arise.

The Group's capital was as follows:

	2019 £m	2018 £m	2017 £m
Total equity	64.2	67.6	64.2
Net debt	120.9	114.3	75.7
Capital	185.1	181.9	139.9
	2019 %	2018 %	
Gearing ⁽¹⁾	66	71	

(1) Gearing represents net debt/average year-end capital.

Movements in net debt were as follows:

	At 30 June 2018 £m	Cash flows £m	Other non-cash movements £m	Currency translation differences £m	At 30 June 2019 £m
Cash and cash equivalents	11.7	2.8	—	(0.1)	14.4
Overdrafts	(4.1)	(9.3)	—	—	(13.4)
Bank and other loans	(121.7)	0.4	—	(0.6)	(121.9)
Finance lease liabilities	(0.2)	0.2	—	—	—
Net debt	(114.3)	(5.9)	—	(0.7)	(120.9)
	At 30 June 2017 £m	Cash flows £m	Other non-cash movements £m	Currency translation differences £m	At 30 June 2018 £m
Cash and cash equivalents	26.0	(14.3)	—	—	11.7
Overdrafts	(5.4)	1.3	—	—	(4.1)
Bank and other loans	(96.0)	(25.0)	—	(0.7)	(121.7)
Finance lease liabilities	(0.3)	0.1	—	—	(0.2)
Net debt	(75.7)	(37.9)	—	(0.7)	(114.3)

23. Pensions and other post-employment benefits

Overview

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a closed defined benefit pension scheme and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned.

At 30 June 2019, the Group's post-employment benefit obligations outside the UK amounted to £3.0 million (2018: £2.4m).

Non-governmental collected post-employment benefits had the following effect on the Group's results and financial position:

	2019 £m	2018 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	(2.5)	(2.6)
Defined benefit schemes		
Service cost (net of employee contributions)	0.2	(0.6)
Net charge to operating profit	(2.3)	(3.2)
Finance costs		
Net interest cost on defined benefit obligation	(0.7)	(1.1)
Net charge to profit before taxation	(3.0)	(4.3)
Other comprehensive income		
Defined benefit schemes		
Net actuarial (loss)/gain	(3.5)	9.5
Balance sheet		
Defined benefit obligations		
UK - funded	(153.2)	(142.0)
Other - unfunded	(3.0)	(2.4)
	(156.2)	(144.4)
Fair value of scheme assets	125.1	113.5
Deficit on the schemes	(31.1)	(30.9)
Related deferred tax asset	4.7	4.8

UK Defined Benefit Pension Scheme

(i) Background

In the UK, the Robert McBride Pension Fund ('the Fund') provides pension benefits based on the final pensionable salary and period of qualifying service of the participating employees. The UK Defined Benefit Fund was closed to future service accrual from 29 February 2016. Staff affected by this change were offered a new defined contribution scheme from that date.

The Fund is administered and managed by Robert McBride Pension Fund Trustees Limited ('the Trustee'), in accordance with the terms of a governing Trust Deed and relevant legislation. Regular assessments of the Fund's benefit obligations are carried out by an independent actuary on behalf of the Trustee and long-term contribution rates are agreed between the Trustee and the Company on the basis of the actuary's recommendations. Following the last triennial valuation at 31 March 2018, the Company and Trustee agreed a new deficit reduction plan based on the scheme funding deficit of £47.0 million. The deficit cash funding requirement of £4.0 million per annum, payable until 31 March 2028, took effect from 1 April 2018. It is considered that the scheme is not exposed to any significant risks.

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

23. Pensions and other post-employment benefits continued

UK Defined Benefit Pension Scheme continued

(ii) Assumptions and sensitivities

For accounting purposes, the Fund's benefit obligation has been calculated based on data gathered for the 2018 triennial actuarial valuation and by applying assumptions made by the Company on the advice of an independent actuary in accordance with IAS 19, 'Employee benefits', which differ in certain respects from the assumptions made by the Trustee for the purpose of the actuarial valuation.

The principal assumptions used in calculating the benefit obligation at the end of the year were as follows:

	2019	2018
Discount rate	2.40%	2.85%
Inflation rate:		
Retail Prices Index (RPI)	3.15%	3.05%
Consumer Prices Index (CPI)	2.25%	2.05%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	2.25%	2.05%
Accrued on or after 6 April 2009	2.25%	2.05%
Increase in pensions in payment (in excess of GMP)		
Accrued before 1 April 2011	3.03%	2.94%
Accrued on or after 1 April 2011	2.09%	2.04%

The duration of the Fund's liabilities is estimated to be 18 years, i.e. the average time until a payment is made is 18 years. In practice, the Fund's liabilities continue for upwards of 50 years.

The mortality assumptions are based on a medically underwritten mortality study which was carried out in 2017 to identify the current health of a sample group of Fund members, and a postcode analysis for the remainder of the membership (in 2018 the results of the medically underwritten mortality study were applied to all members). This was translated into mortality assumptions for use in calculating the IAS 19 scheme liabilities. Specifically, a rating of 102% (30 June 2018: 107%) of the standard Self-Administered Pension Scheme (SAPS) S2 tables has been used for the IAS 19 disclosures as at 30 June 2019.

As at 30 June 2019, the future mortality improvement model has been updated to reflect the most recent Continuous Mortality Investigation (CMI) 2018 projections with an allowance for long-term rates of improvement of 1.00% p.a. for males and for females (previously, at 30 June 2018, this assumption had been CMI 2017 with a long-term rate of improvement of 1.00% p.a. for males and females). In line with the 2017 CMI model, the 2018 CMI model has a smoothing parameter for which we have adopted the default value of 7.5. There is also a new initial addition parameter for which we have again adopted the default value of 0%. These assumptions are equivalent to a life expectancy at 65 of 21.2 years (30 June 2018: 21.3 years) for males and 23.0 years (30 June 2018: 23.1 years) for females.

	2019 Years	2018 Years
Member retiring in the next year:		
Male	21.2	21.3
Female	23.0	23.1
Member retiring 20 years from now:		
Male	22.2	22.3
Female	24.3	24.3

At 30 June 2019, the sensitivity of the benefit obligation to changes in the principal assumptions was as follows (assuming in each case that the other assumptions are unchanged):

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.1%	Decrease by £2.7m	Increase by £2.8m
Inflation rate ⁽¹⁾	+/- 0.1%	Increase by £2.1m	Decrease by £2.1m
Life expectancy	+/- 1 year	Increase by £4.7m	Decrease by £4.7m

(1) This includes the impact on deferred and in payment pension increase assumptions.

The assumption sensitivities are reasonable expectations of potential changes in the assumptions.

(iii) Fund's assets

The Fund's assets are held separately from those of the Group and are managed by professional investment managers on behalf of the Trustee.

The Trustee and the Company review the investment strategy from time to time. The last review was carried out in 2018. The Fund is currently in the process of transferring its assets to a Cash flow Driven Investment (CDI) portfolio, in order to better match the assets of the Fund to its cash flow requirements as and when they arise. As such, the asset mix shown in the table below is not necessarily representative of the Fund's long-term strategy once the transition is complete.

The Trustee maintains a significant portfolio of return-seeking assets that are expected to produce returns in excess of the yield on UK government bonds. The Fund's return-seeking assets continue to be predominantly held within managed funds that are designed to achieve equity-like returns over the long term but with significantly less volatility than would be experienced if the Fund had invested directly in equities.

The Fund holds no investment in securities issued by, nor any property used by, McBride plc or any of its subsidiaries. The fair value and expected return on the Fund's assets at the end of the year was as follows:

	2019 £m	2018 £m
Diversified growth	—	33.0
Private markets	31.8	27.9
Liability-driven investment ⁽¹⁾	85.8	52.4
Credit	6.2	—
Cash	1.3	0.2
Total	125.1	113.5

(1) The liability-driven investment fund provides a combination of growth and matching returns.

Bar the LDI assets, all of the Fund's assets are held in pooled funds. The liability-driven investment, cash and investment grade corporate bond assets are classified as Level 2 instruments, as they are not quoted on any stock exchange, although their value is directly related to the value of the underlying holdings. The private market credit assets are Level 3 instruments, with no daily quoted price available. The LDI assets are invested in a wide range of funds which include gilts, private-equity, property, corporate bonds and other investments.

The expected return on the Fund's assets must be set to be in line with the discount rate used to value the Fund's liabilities. This equates to an expected return over the year of £3.2 million (2018: £3.1m).

The actual return on the Fund's assets during the year was £12.5 million (2018: £1.3m).

(iv) Movements in the Fund's assets and liabilities

Movements in the fair value of the Fund's assets during the year were as follows:

	2019 £m	2018 £m
At 1 July	113.5	115.9
Expected return on plan assets	3.2	3.1
Return on assets in excess of interest income on fund assets	9.3	(1.6)
Employer's contributions	4.2	3.0
Benefits paid	(5.1)	(6.9)
At 30 June	125.1	113.5

Movements in the benefit obligation during the year were as follows:

	2019 £m	2018 £m
At 1 July	(142.0)	(155.9)
Current service cost	—	—
Interest cost	(4.0)	(4.1)
Remeasurement (loss)/gain arising from changes in financial assumptions	(13.1)	6.7
Remeasurement gain/(loss) arising from changes in demographic assumptions	1.0	(1.6)
Experience gains on liabilities	—	6.0
Benefits paid	5.1	6.9
Past service cost	(0.2)	—
At 30 June	(153.2)	(142.0)

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

23. Pensions and other post-employment benefits continued

UK Defined Benefit Pension Scheme continued

(v) Experience gains and losses

Actuarial gains and losses recognised in other comprehensive income represent the effect of the differences between the assumptions and actual outcomes.

The history of actuarial gains and losses in relation to the Fund is as follows:

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Present value of the Fund's benefit obligation	(153.2)	(142.0)	(155.9)	(145.2)	(135.5)
Fair value of the Fund's assets	125.1	113.5	115.9	114.1	105.7
Deficit in the Fund	(28.1)	(28.5)	(40.0)	(31.1)	(29.8)
Actuarial gains and losses:					
Experience adjustments on the Fund's benefit obligations	(12.1)	11.1	(13.6)	(8.7)	(10.9)
Experience adjustments on the Fund's assets	9.3	(1.6)	2.6	6.1	8.8
Total recognised in other comprehensive income	(2.8)	9.5	(11.0)	(2.6)	(2.1)

At 30 June 2019, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £36.8 million (2018: £34.0m).

24. Employee share schemes

Share awards

The Group operates a performance-based Long-Term Incentive Plan (LTIP) for the Executive Directors and certain other senior executives. Awards made under the LTIP vest provided the participant remains in the Group's employment during the three-year vesting period and the Group achieves relative total shareholder return (TSR) and earnings per share (EPS) targets. Up to 50% of each award vests dependent on the TSR of the Company's ordinary shares compared with the TSR of the FTSE SmallCap Ex. Investment Companies Index (a market condition). Up to 50% of each award vests dependent on the growth in the Group's EPS (a vesting condition).

Vested awards are settled either in the form of the Company's ordinary shares (equity-settled) or by the payment of cash equivalent to the market value of the Company's ordinary shares on the vesting date (cash-settled). From 2017, all amounts are to be made on equity-settled amounts.

Further information on the LTIP is set out in the Remuneration report.

Movements in LTIP awards outstanding were as follows:

	2019		2018	
	Equity-settled Number	Cash-settled Number	Equity-settled Number	Cash-settled Number
Outstanding at 1 July	1,964,953	2,216,104	1,243,724	3,881,882
Granted	1,784,111	—	1,143,214	—
Vested	(335,158)	(408,649)	(336,215)	(941,597)
Forfeited	(1,462,022)	(431,029)	(85,770)	(724,181)
Lapsed	—	—	—	—
Outstanding at 30 June	1,951,884	1,376,426	1,964,953	2,216,104
Unvested at 30 June	1,951,884	1,201,213	1,945,896	2,040,203

Awards made under the LTIP have a £nil exercise price.

The maximum term of equity-settled awards granted in the year is three years. The weighted-average remaining life of equity-settled awards at 30 June 2019 is 1.7 years (2018: 1.5 years). The weighted-average remaining life of cash-settled awards at 30 June 2019 is 6.9 years (2018: 7.7 years).

During 2019, £0.3 million of cash LTIP awards vested (2018: £1.2m) and £0.3 million of equity-settled LTIP awards vested (2018: £0.4m). Cash-settled awards vested throughout the year and the weighted-average share price in the year was 119.3p (2018: 181.3p).

The weighted-average share price on vesting date of equity-settled awards in the year was 130.4p (2018: 196.8p).

At 30 June 2019, the liability recognised in relation to cash-settled awards was £0.3 million (2018: £0.7m).

At the grant date, the weighted average fair value of LTIP awards granted during the year was 88.0 pence (2018: 149.5p). Fair value was measured using a variant of the Monte Carlo valuation model based on the following assumptions:

	September 2018 issue	September 2017 issue	September 2016 issue	September 2015 issue
Risk-free interest rate	0.8%	0.3%	0.1%	0.7%
Share price on grant date	125.0p	198.0p	176.0p	121.3p
Dividend yield on the Company's shares	3.96%	2.8%	2.3%	3.1%
Volatility of the Company's shares	30.1%	28.3%	28.2%	27.0%
Expected life of LTIP awards	3 years	3 years	3 years	3 years

Expected volatility was determined based on weekly observations of the Company's share price and the FTSE SmallCap Ex. Investment Companies Index over the three-year period immediately preceding the grant date.

Compensation expense recognised in profit or loss in relation to employee share schemes was as follows:

	2019 £m	2018 £m
LTIP:		
Equity-settled awards	—	0.3
Cash-settled awards	(0.2)	(0.7)
Total expense	(0.2)	(0.4)

Deferred Annual Bonus Plan

The Group has in force a Deferred Annual Bonus Plan for the main Executive Directors. The shares awarded under the plan vest after three years and are normally only payable if the Director remains employed by the Group at the end of that period.

The total credit included in operating profit in relation to the Deferred Annual Bonus Plan was £0.2 million (2018: £0.1m charge).

25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Other £m	Total £m
At 30 June 2017	0.7	0.8	2.9	0.3	4.7
Charged to profit or loss	2.9	—	—	—	2.9
Unwind of discount	—	—	0.5	—	0.5
Utilisation	(0.4)	—	(0.3)	(0.3)	(1.0)
Currency translation differences	—	—	0.1	—	0.1
At 30 June 2018	3.2	0.8	3.2	—	7.2
Charged to profit or loss	6.9	—	—	0.6	7.5
Unwind of discount	—	0.1	0.1	—	0.2
Non-cash movement	(3.7)	—	—	—	(3.7)
Utilisation	(2.9)	(0.1)	(0.3)	—	(3.3)
At 30 June 2019	3.5	0.8	3.0	0.6	7.9

Notes to the consolidated financial statements continued

for the year ended 30 June 2019

25. Provisions continued

Analysis of provisions:

	2019 £m	2018 £m
Current	3.7	3.0
Non-current	4.2	4.2
Total	7.9	7.2

The brought-forward reorganisation and restructuring provisions principally comprise of redundancies made in the prior year in relation to the Group reorganisation and UK restructuring and will be realised within twelve months of the balance sheet date.

Reorganisation costs in the year of £6.9 million relate to £4.4 million for onerous lease provisions and termination costs associated with the sale of PC Liquids, £1.0 million in relation to the closure cost of the UK Aerosols factory and £1.5 million of other reorganisation costs.

Environmental remediation provision relates to historical environmental contamination at a site in Belgium and will be utilised when the land is restored within a period of approximately ten years.

Leasehold dilapidations provision relates to the expected costs to be incurred in restoring leasehold properties to the condition in which they were entered into. Amounts will be utilised as the respective leases end and restoration works are undertaken within a period of approximately five years.

26. Share capital and reserves

Share capital

	Allotted and fully paid Number	£m
Ordinary shares of 10 pence each		
At 1 July 2017, 30 June 2018, 30 June 2019	182,840,301	18.3

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

Reserves

(i) Share premium account

The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares or debentures and to pay up fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

(ii) Cash flow hedge reserve

The cash flow hedge reserve comprises the cumulative net change in the fair value of hedging instruments in designated cash flow hedging relationships recognised in other comprehensive income.

(iii) Currency translation reserve

The currency translation reserve comprises cumulative currency translation differences on the translation of the Group's net investment in foreign operations into Sterling together with the cumulative net change in the fair value of hedging instruments in designated net investment hedging relationships recognised in other comprehensive income.

(iv) Capital redemption reserve

The capital redemption reserve records the cost of shares purchased by the Company for cancellation or redeemed in excess of the proceeds of any fresh issue of shares made specifically to fund the purchase or redemption. The capital redemption reserve is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

Own shares

	2019		2018	
	Number	£m	Number	£m
At cost				
At 1 July	270,398	0.4	742,420	1.0
Shares paid out to employees	(228,357)	(0.4)	(472,022)	(0.6)
At 30 June	42,041	0.0	270,398	0.4

Own shares represent the Company's ordinary shares that are acquired to meet the Group's expected obligations under employee share schemes.

At 30 June 2019, 42,041 (2018: 270,398) of these ordinary shares were held in treasury.

The market value of own shares held at 30 June 2019 was £0.0 million (2018: £0.4m).

27. Commitments**Operating leases**

Future minimum lease payments under non-cancellable operating leases are as follows:

	2019 £m	2018 £m
Rentals payable:		
Within one year	3.1	3.8
In the second to fifth years inclusive	5.4	6.7
After more than five years	—	1.1
Total	8.5	11.6

Capital expenditure on property, plant and equipment

	2019 £m	2018 £m
Contracted but not provided	4.3	7.9

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below.

Post-employment benefit plans

As shown in note 23, contributions amounting to £6.7 million (2018: £5.6m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2019, £nil (2018: £nil) in respect of contributions due was included in other payables.

Compensation of key management personnel

For the purposes of these disclosures, the Group regards its key management personnel as the Directors and certain members of the senior executive team.

Compensation payable to key management personnel in respect of their services to the Group was as follows:

	2019 £m	2018 £m
Short-term employee benefit	1.4	1.7
Compensation for loss of office	—	0.1
Post-employment benefits	0.2	0.2
Share-based payments	0.1	0.3
Total	1.7	2.3

29. Contingent liabilities

There are a number of contingent liabilities that arise in the normal course of business which, if realised, are not expected to result in a material liability to the Group. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

30. Exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into Sterling were as follows:

	Average rate		Closing rate	
	2019	2018	2019	2018
Euro	1.14	1.13	1.12	1.13
US Dollar	1.30	1.35	1.27	1.32
Danish Krone	8.47	8.44	8.33	8.41
Polish Zloty	4.88	4.78	4.74	4.94
Czech Koruna	29.20	28.99	28.38	29.37
Hungarian Forint	365.28	351.61	360.71	372.18
Malaysian Ringgit	5.34	5.49	5.25	5.31
Australian Dollar	1.81	1.74	1.81	1.78

Company balance sheet

at 30 June 2019

	Note	2019 £m	2018 £m
Fixed assets			
Investments	5	158.2	158.2
Trade and other receivables	6	257.2	255.1
Cash and cash equivalents		0.5	0.1
Creditors: amounts falling due within one year	7	(142.2)	(139.7)
Net current assets		115.5	115.5
Total assets less current liabilities		273.7	273.7
Creditors: amounts falling due after more than one year	8	(81.1)	(70.9)
Net assets		192.6	202.8
Capital and reserves			
Called-up share capital	11	18.3	18.3
Share premium account		73.9	81.8
Capital redemption reserve		70.8	62.1
Cash flow hedge reserve		(0.3)	(0.1)
Retained earnings brought forward		40.6	14.6
Loss/(profit) for the financial year		(2.2)	33.4
Other movements		(8.5)	(7.4)
Closing retained earnings		29.9	40.6
Total shareholders' funds		192.6	202.8

The financial statements on pages 124 to 133 were approved by the Board of Directors on 5 September 2019 and were signed on its behalf by:

Chris Smith
Director



McBride plc
Registered number: 2798634

Company statement of changes in equity

for the year ended 30 June 2019

	Issued share capital £m	Share premium account £m	Capital redemption reserve £m	Cash flow hedge £m	Profit and loss £m	Total shareholders' funds £m
At 1 July 2017	18.3	89.8	54.5	(0.1)	14.6	177.1
Year ended 30 June 2018						
Profit for the year	—	—	—	—	33.4	33.4
Other comprehensive income/(expense)						
Items that may be reclassified to profit or loss:						
Net changes in fair value	—	—	—	(0.1)	0.1	—
Profit/(loss) on cash flow hedges transferred to the profit and loss	—	—	—	0.1	(0.1)	—
Total other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	33.4	33.4
Transactions with owners of the Parent						
Issue of B Shares	—	(8.0)	—	—	—	(8.0)
Redemption of B Shares	—	—	7.7	—	(7.7)	—
Share-based payments	—	—	—	—	0.3	0.3
At 30 June 2018	18.3	81.8	62.2	(0.1)	40.6	202.8
Year ended 30 June 2019						
Loss for the year	—	—	—	—	(2.2)	(2.2)
Other comprehensive (expense)/income						
Items that may be reclassified to profit or loss:						
Net changes in fair value	—	—	—	(0.3)	0.3	—
Profit/(loss) on cash flow hedges transferred to the profit and loss	—	—	—	0.1	(0.1)	—
Total other comprehensive (expense)/income	—	—	—	(0.2)	0.2	—
Total comprehensive expense	—	—	—	(0.2)	(2.0)	(2.2)
Transactions with owners of the Parent						
Issue of B Shares	—	(7.9)	—	—	—	(7.9)
Redemption of B Shares	—	—	8.6	—	(8.6)	—
Share-based payments	—	—	—	—	(0.1)	(0.1)
At 30 June 2019	18.3	73.9	70.8	(0.3)	29.9	192.6

Strategic report

Corporate governance

Financial statements

Additional information

Notes to the Company financial statements

for the year ended 30 June 2019

1. Principal accounting policies

Description of business

McBride plc ('the Company') is the ultimate parent Company of a group of companies that together is Europe's leading provider of Private Label Household and Personal Care products. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

The Company is a public company limited by shares, with shares traded on the London Stock Exchange, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is McBride plc, Middleton Way, Middleton, Manchester M24 4DP.

Basis of preparation

The Company's financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 ('the Act') as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

These financial statements of the Company are prepared in accordance with FRS 101, under the historical cost convention, modified in respect of the revaluation to fair value of contingent consideration, financial assets and liabilities (derivative financial instruments) at fair value through profit or loss.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of McBride plc.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone. A summary of the Company's significant accounting policies is set out below.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2018, except for the Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2018:

- IFRS 9, 'Financial Instruments'; and
- IFRS 15, 'Revenue from Contracts with Customers'.

Further detail on the differences between the application of these standards and those previously applied is given in note 3 of the notes to the Group financial statements. Under IFRS 9, intercompany receivables previously classified as loans and receivables under IAS 39 are now classified as held at amortised cost and are subject to the expected credit loss model. In respect of the Company, on initial application of the above standards no impacts on the net assets of the Company arose. Accordingly, no reconciliation of the impact on profit and loss, other comprehensive income, total comprehensive income, assets, liabilities or equity has been presented.

Investments in subsidiary undertakings

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. Investments in subsidiaries represent interests in subsidiaries that are directly owned by the Company and are stated at cost less any provision for permanent diminution in value.

Financial instruments

From 1 July 2018, the Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss;
- **fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss; and
- **fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under the Company's business model trade receivables are held for collection of contractual cash flows and represent solely payments of principal and interest. A provision for impairment of trade receivables is established based on the expected credit loss (ECL). The Company applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the balance sheet within trade receivables. Movements in the provision are recognised in the profit and loss in administrative expenses.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

(iii) Trade payables

Trade payables are initially recognised at fair value and subsequently held at amortised cost.

(iv) Bank and other loans

Bank and other loans are initially recognised at fair value, net of directly attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

(v) Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purpose; however, if derivatives do not qualify for hedge accounting they are accounted for as such.

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the Company income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the items being hedged. In order to qualify for hedge accounting, the Company is required to document, from inception, the relationship between the item being hedged and the hedging instrument.

The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

Derivative financial instruments with maturity dates of more than one year from the balance sheet date are disclosed as non-current.

The Company has entered into a number of financial derivative contracts and each is discussed in turn.

The Company enters into forward foreign exchange contracts to mitigate the exchange risk for certain foreign currency receivables.

Notes to the Company financial statements continued

for the year ended 30 June 2019

1. Principal accounting policies continued

Financial instruments continued

(v) Derivative financial instruments continued

At 30 June 2019, the outstanding contracts all mature within twelve months (2018: twelve months) of the year end. The Company is committed to sell CZK, PLN, EUR, DKK and receive a fixed Sterling amount.

The Company also enters into foreign exchange options contracts to mitigate the GBP:EUR exchange risk for currency sales. At 30 June 2019, the outstanding contracts all mature within twelve months (2018: twelve months) of the year end. These contracts are measured at fair value with movements reflected in the income statement.

The Company also enters into interest rate swap contracts to mitigate against the floating interest rates on revolving credit facility debt. At 30 June 2019, there are twelve outstanding contracts: three mature within twelve months of the year end with the remaining nine maturing more than twelve months after the year end.

The contracts are all measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing derivatives are the exchange rates for GBP:EUR, GBP:CZK, GBP:PLN, and GBP:DKK as well as EUR and DKK interest rates.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement.

Leases

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. All other leases are classified as operating leases.

Share-based payments

The Company operates incentive share schemes under which it grants equity-settled and cash-settled awards over its own ordinary shares to certain employees of its subsidiaries. The Company recognises a capital contribution to the subsidiaries concerned that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the capital contribution is recognised on a straight-line basis over the vesting period. For equity-settled awards, a corresponding credit is recognised directly in reserves while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

Taxation

Current tax is the amount of tax payable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or not deductible in earlier or subsequent periods.

Deferred tax is recognised on temporary differences between the recognition of items of income or expenses for accounting purposes and their recognition for tax purposes. A deferred tax asset in respect of a deductible temporary difference or a carried-forward tax loss is recognised only to the extent that it is considered more likely than not that sufficient taxable profits will be available against which the reversing temporary difference or the tax loss can be deducted. Deferred tax assets and liabilities are not discounted.

Current and deferred tax is measured using tax rates that have been enacted or substantively enacted at the balance sheet date.

Provisions

A provision is a liability of uncertain timing or amount and is recognised when the Company has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and that plan has started to be implemented or has been announced to the parties that may be affected by it. Provisions are discounted where the effect of the time value of money is material.

Guarantees

From time to time, the Company provides guarantees to third parties in respect of the indebtedness of its subsidiaries. The Directors consider these guarantees to be insurance arrangements and, therefore, the Company recognises a liability in respect of such guarantees only in the event that it becomes probable that the guarantee will be called upon and the Company will be required to make a payment to the third party.

Payments to shareholders

Subject to shareholder approval at each AGM, it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made by the issue of non-cumulative redeemable preference shares ('B Shares'). B Shares issued but not redeemed are classified as current liabilities.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored ESOP trust to employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from the profit and loss account reserve. Gains and losses on the subsequent transfer or sale of own shares are recognised directly in the profit and loss account.

Cash flow statement

A cash flow statement is not presented in these financial statements on the grounds that the Company's cash flows are included in the consolidated financial statements of the Company and its subsidiaries.

2. Critical judgements and key sources of estimation uncertainty

In applying the Company's accounting policies as described in note 1, the Directors are required to make judgements, and estimates and assumptions that affect the reported amounts of its assets, liabilities, income and expenses that are not readily identifiable from other source. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates and affect the Company's results in future years.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors consider that no key sources of estimation uncertainty present in preparing these financial statements.

The Directors consider the following to be the critical judgements made in preparing these financial statements that, if not borne out in practice, may affect the Group's results during the next financial year.

(i) Impairment of investments and amounts owed by subsidiary undertakings

The Directors have performed an impairment assessment of investments and amounts owed by subsidiary undertakings as at 30 June 2019. In light of the underlying value of the subsidiaries' net assets, their profitability and forecast profitability, the Directors have judged that no impairment is required (2018: £nil).

3. Profit for the financial year

As permitted by section 408(3) of the Act, the Company's income statement or a statement of comprehensive income are not presented in these financial statements.

Fees payable to the Company's auditor, PricewaterhouseCoopers LLP, in respect of the audit of the Company's financial statements were £0.1 million (2018: £0.1m).

The Company's loss for the financial year was £2.2 million (2018: profit of £33.4m).

4. Employee information

The monthly average number of persons employed by the Company during the year was as follows:

	2019 Number	2018 Number
Directors	2	2
Non-Executive Directors	4	4
Finance	12	12
Total	18	18

Aggregate payroll costs were as follows:

	2019 £m	2018 £m
Wages and salaries	2.1	1.8
Social security costs	0.3	0.3
Other pension costs	0.2	0.2
Total	2.6	2.3

Executive Directors' emoluments, which are included in the above, and are detailed further in the Directors' remuneration report on pages 50 to 65.

5. Investments

	£m
At 1 July 2018 and at 30 June 2019	158.2

The Directors have reviewed the recoverability of the carrying amount of the Company's investments and have concluded that there is no impairment in their value.

Details of the Company's subsidiaries at 30 June 2019 are set out on pages 132 and 133.

Details of the share-based payments provided by the Company to employees of its subsidiaries are presented in note 24 to the consolidated financial statements.

Notes to the Company financial statements continued

for the year ended 30 June 2019

6. Trade and other receivables

	2019 £m	2018 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	256.6	254.6
Deferred tax asset (see note 10)	0.4	0.4
Prepayments and accrued income	0.2	0.1
Total	257.2	255.1

Amounts are unsecured, repayable on demand and interest bearing based on external borrowing interest rates.

7. Creditors: amounts falling due within one year

	2019 £m	2018 £m
Amounts owed to subsidiary undertakings	128.8	135.2
Derivative financial instruments	0.3	0.2
B Shares (see note 9)	0.8	1.5
Accruals and deferred income	1.7	1.3
Bank overdrafts	10.6	1.5
Total	142.2	139.7

Amounts are unsecured, repayable on demand and interest bearing based on external borrowing interest rates.

8. Creditors: amounts falling due after more than one year

	2019 £m	2018 £m
Bank and other loans	80.7	70.7
Derivative financial instruments	0.4	0.2
Total	81.1	70.9

Bank and other loans represent amounts drawn down under a €175 million revolving credit facility which is committed until June 2022.

9. Payments to shareholders

Payments to ordinary shareholders are made by way of the issue of B Shares in place of income distributions. Ordinary shareholders are able to redeem any number of the B Shares issued to them for cash. Any B Shares that they retain attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2019		2018	
	Pence per share	£m	Pence per share	£m
Interim (2019: Paid May 19. 2018: Paid May 18)	1.5	2.7	1.5	2.7
Final (2019: Proposed. 2018: Paid Nov 18)	1.8	3.3	2.8	5.2
Total for the year	3.3	6.0	4.3	7.9

The proposed final payment in respect of 2019 of 1.8 pence per ordinary share is subject to approval by shareholders at the Company's AGM and has therefore not been recognised in these financial statements.

Movements in the number of B Shares outstanding were as follows:

	2019		2018	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July 2018	1,560,374	1.5	1,205,612	1.2
Issued	7,860,325	7.9	8,022,619	8.0
Redeemed	(8,605,068)	(8.6)	(7,667,857)	(7.7)
At 30 June 2019	815,631	0.8	1,560,374	1.5

B Shares carry no rights to attend, speak or vote at Company meetings, except on a resolution relating to the winding up of the Company.

10. Deferred tax

The elements and movements of deferred tax are as follows:

	Share-based payments £m	Other short-term differences £m	Total £m
At 1 July 2017	0.1	0.4	0.5
Credit/(charge) to income statement	0.1	(0.2)	(0.1)
At 30 June 2018	0.2	0.2	0.4
At 1 July 2018	0.2	0.2	0.4
Credit/(charge) to income statement	—	—	—
At 30 June 2019	0.2	0.2	0.4

11. Called-up share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2018 and at 30 June 2019	182,840,301	18.3

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

At 30 June 2019, awards were outstanding over 1,156,058 ordinary shares (2018: 1,964,965 ordinary shares) in relation to the equity-settled employee share schemes that are operated by the Company. Further information on the employee share schemes is presented in note 24 to the consolidated financial statements.

12. Guarantees

The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £3.6 million (2018: £3.5m).

13. Related party transactions

As permitted by FRS 101, 'Related party disclosures', transactions between the Company and its wholly-owned subsidiaries are not disclosed in these financial statements.

Notes to the Company financial statements continued

for the year ended 30 June 2019

14. Subsidiaries

Details of the Company's subsidiaries at 30 June 2019 are as follows. In each case, the Company's equity interest is in the form of ordinary shares which, unless stated otherwise, are indirectly owned.

The business activity of each of the Company's trading subsidiaries is the manufacture, distribution and sale of Household and Personal Care products.

Subsidiaries	Equity interest and operation	Country of incorporation
Trading subsidiaries		
McBride Australia Pty Ltd ^(a)	100%	Australia
McBride S.A. ^(b)	100%	Belgium
Danlind a/s ^(c)	100%	Denmark
Robert McBride Ltd ^{(1)(c)}	100%	England
McBride S.A.S. ^(e)	100%	France
Problanc S.A.S. ^(e)	100%	France
Vitherm France S.A.S. ^(f)	100%	France
Chemolux Germany GmbH ^(g)	100%	Germany
McBride Hong Kong Limited ^(h)	100%	Hong Kong
McBride S.p.A. ⁽ⁱ⁾	100%	Italy
Chemolux S.a.r.l. ^(j)	100%	Luxembourg
Fortune Laboratories Sdn. Bhd. ^(k)	100%	Malaysia
Fortune Organics (F.E.) Sdn. Bhd. ^(k)	100%	Malaysia
Intersilesia McBride Polska Sp. z o.o. ^(l)	100%	Poland
McBride S.A.U. ^(m)	100%	Spain
Newlane Cosmetics Company Limited ⁽ⁿ⁾	100%	Vietnam
McBride B.V. ^(o)	100%	Netherlands
Holding companies		
McBride Holdings Limited ^(d)	100%	England
McBride CE Holdings Limited ^(d)	100%	England
McBride spol. s r.o. ^(p)	100%	Czech Republic
McBride Asia Holdings Limited ^(h)	100%	Hong Kong
McBride Hong Kong Holdings Limited ^(h)	100%	Hong Kong
Fortlab Holdings Sdn. Bhd. ^(k)	100%	Malaysia
CNL Holdings Sdn. Bhd. ^(k)	100%	Malaysia

(1) McBride plc directly owns 100% of McBride Holdings Limited and 57.7% of Robert McBride Ltd.

Subsidiaries	Equity interest and operation	Country of incorporation
Dormant		
Breckland Mouldings Limited ^(a)	100%	England
Camille Simon Holdings Limited ^(a)	100%	England
Camille Simon Limited ^(a)	100%	England
Culmstock Limited ^(a)	100%	England
Darcy Bolton Limited ^(a)	100%	England
Darcy Bolton Property Limited ^(a)	100%	England
Darcy Limited ^(a)	100%	England
Detergent Information Limited ^(a)	100%	England
G.Garnett & Sons Limited ^(a)	100%	England
G.Garnett Estates Limited ^(a)	100%	England
Globol Properties (UK) Limited ^(a)	100%	England
H.H. Limited ^(a)	100%	England
HomePride Limited ^(a)	100%	England
Hugo Personal Care Limited ^(a)	100%	England
International Consumer Products Limited ^(a)	100%	England
Longthorne Laboratories Limited ^(a)	100%	England
McBride Aircare Limited ^(a)	100%	England
McBride Business Services Limited ^(a)	100%	England
McBride UK Limited ^(a)	100%	England
McBrides Limited ^(a)	100%	England
Milstock Limited ^(a)	100%	England
RMG (Droylsden) Limited ^(a)	100%	England
Robert McBride (Aerosols) Limited ^(a)	100%	England
Robert McBride (Bradford) Limited ^(a)	100%	England
Robert McBride (Properties) Limited ^(a)	100%	England
Robert McBride Household Limited ^(a)	100%	England
Savident Limited ^(a)	100%	England
McBride Holdings S.L. ^(m)	100%	Spain
Other		
Robert McBride Pension Fund Trustees Limited ^(a)	100%	England

Registered offices:

(a) Level 4, 147 Collins Street, Melbourne, Victoria 3000.

(b) 6 Rue Moulin Masure, 7730 Estaimpuis, Belgium.

(c) Lægårdvej 90-94, 7500 Holstebro, Denmark.

(d) Middleton Way, Middleton, Manchester M24 4DP.

(e) 109-111 Rue Victor Hugo, 92532 Levallois-Perret Cedex, France.

(f) Rue des Casernes, 55400 Etain, France.

(g) Heinrichstrasse 73, 40239 Düsseldorf, Germany.

(h) Unit 2001-02, 20th Floor, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

(i) Corso Garibaldi 49, 20121 Milan, Italy.

(j) Rue de l'Industrie, Foetz, Luxembourg 3895.

(k) Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(l) Ul. Matejki 2a, 47100 Strzelce Opolskie, Poland.

(m) Polígon Industrial l'Illa, C/ Ramon Esteve 20-22, 08650 Sallent, Barcelona, Spain.

(n) 22 VSIP II, Street 1, Vietnam Singapore, Industrial Park II, Hoa Phu Ward, Thu Dau Mot Town, Binh Duong Province, Vietnam.

(o) Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands.

(p) V Olšínách 75/2300, Prague 10 - Strašnice 10097, Czech Republic.

Group five-year summary

	Year ended 30 June				
	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Revenue	743.2	755.0	705.2	680.9	704.2
Adjusted operating profit	28.1	36.2	41.5	36.2	28.5
Amortisation of intangible assets	(1.9)	(1.4)	(0.7)	(0.9)	(1.0)
Exceptional items	(5.4)	(21.7)	(1.0)	(2.4)	(17.8)
Operating profit/(loss)	20.8	13.1	39.8	32.9	9.7
Net finance costs	(4.6)	(5.3)	(20.6)	(7.1)	(7.1)
Profit/(loss) before tax	16.2	7.8	19.2	25.8	2.6
Taxation	(8.1)	(4.4)	(10.3)	(8.8)	(3.3)
Profit/(loss) after tax	8.1	3.4	8.9	17.0	(0.7)
Earnings per share					
Diluted	4.4p	1.9p	4.9p	9.3p	(0.4p)
Adjusted diluted	9.4p	12.1p	13.1p	11.1p	8.3p
Payments to shareholders (per ordinary share)	3.3p	4.3p	4.3p	3.6p	3.6p

	At 30 June				
	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Non-current assets					
Property, plant and equipment	136.0	135.6	140.9	136.2	129.8
Goodwill and other intangible assets	29.5	29.9	21.7	20.0	19.7
Other assets	11.6	13.6	12.7	22.5	21.5
	177.1	179.1	175.3	178.7	171.0
Current assets	258.0	269.0	244.6	240.0	225.4
Current liabilities	(237.2)	(256.4)	(241.3)	(219.6)	(218.0)
Non-current liabilities	(133.7)	(124.1)	(114.4)	(130.0)	(120.9)
Net assets	64.2	67.6	64.2	69.1	57.5
Net debt	120.9	114.3	75.7	90.9	92.4

Useful information for shareholders

Financial calendar

Next key dates for shareholders in 2019 and 2020:

Annual General Meeting	22 October 2019
2019/20 Q1 Interim management statement	22 October 2019
Record date for entitlement to B Shares	25 October 2019
Record date for entitlement to B Share allotments payable on B Shares issued and not previously redeemed	25 October 2019
Ex-entitlement to B Shares date	28 October 2019
Credit CREST accounts with B Share entitlements	28 October 2019
Latest date for receipt by registrar of completed election forms and submitting CREST elections	15 November 2019
Despatch of cheques in respect of B Shares which have been redeemed	29 November 2019
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	29 November 2019
Despatch of share certificates for B Shares not being redeemed	29 November 2019
Payments on redeemed B Shares issued in CREST	29 November 2019
Payments of B Share allotments payable on B Shares issued and not previously redeemed	29 November 2019
2019/20 Half year end	31 December 2019
2019/20 Half-year trading statement	January 2020
Interim results announced	February 2020
2019/20 Year end	30 June 2020
2019/20 Year-end trading statement	July 2020
Full-year preliminary statement	September 2020

These dates are provisional and may be subject to change.

Payments to shareholders

On 24 March 2011 shareholders approved a proposal for the implementation of a B Share scheme as a mechanism for making payments to shareholders. This involves the issue of non-cumulative redeemable preference shares (B Shares) in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. B Shares that are retained attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Shareholders who have valid mandate instructions in place may choose to have payments made directly into their bank or building society account. Confirmation of payment is contained in a payment advice which is posted to shareholders' registered addresses at the time of payment. This payment advice should be kept safely for future reference.

Shareholders who wish to benefit from this service should complete the relevant section of the election form accompanying the Notice of Annual General Meeting. Alternatively, the required documentation can be obtained by contacting the Company's registrar using one of the methods outlined below.

Shareholder queries

Our share register is managed by Link Asset Services (formerly Capita Asset Services), who can be contacted:

by telephone	0871 664 0300 (calls cost 12 pence per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday), or on +44 371 644 0300 if calling from overseas.
by email	shareholderenquiries@linkgroup.co.uk
by post	Link Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU

When writing, please indicate that you are a McBride shareholder.

Shareholders are also able to access and amend details of their shareholding (such as address and distribution payment instructions), via the registrar's website at www.signalshares.com. If you have not previously registered to use this facility you will need your investor code, which can be found on your proxy card, or on any share certificate issued by Link Asset Services.

ShareGift

McBride supports ShareGift, the share donation charity (registered charity no. 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation. Even if the share certificate has been lost or destroyed, the gift can be completed.

Further information about donating shares to ShareGift is available either from its website at www.sharegift.org or by contacting them on +44 (0)20 7930 3737.

Share price history

The following table sets out, for the five financial years to 30 June 2019, the reported high, low, average and financial year end (30 June or immediately preceding business day) closing middle market quotations of McBride's ordinary shares on the London Stock Exchange.

	Share price (pence)			Financial year end
	High	Low	Average	
2015	105	75	89	102
2016	178	102	149	156
2017	207	146	180	187
2018	232	121	177	132
2019	158	77	119	81

Useful information for shareholders continued

Shareholder security

The Company is required by law to make its share register publicly available. As a consequence, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should either write to Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS, register online at www.mpsonline.org.uk or call the Mailing Preference Service (MPS) on +44 (0)845 703 4599. MPS is an independent organisation which offers a free service to the public.

Each year in the UK shareholders lose money due to investment fraud. Investment scams are becoming ever more sophisticated – designed to look like genuine investments, they are increasingly difficult to spot. REMEMBER, if it sounds too good to be true, it probably is!

If you suspect you have been approached by fraudsters please tell the Financial Conduct Authority using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk. Find out more at www.fca.org.uk/scamsmart

Cautionary statement

This Annual Report has been prepared for the shareholders of McBride plc, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group, the potential for those strategies to succeed and for no other purpose. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

No assurances can be given that the forward-looking statements in this Strategic report will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Strategic report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Report should be constituted as a profit forecast.

Strategic and Directors' reports and the corporate governance and financial statements form a Directors' report. Both the Directors' report and Strategic report have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. In particular, the Directors would be liable to the Company (but not to any third party) if the Strategic report and/or Directors' report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Advisers

Company's registered office

McBride plc
Middleton Way
Middleton
Manchester M24 4DP
Telephone: +44 (0)161 653 9037
www.mcbride.co.uk
Company number: 02798634

Independent auditor

PricewaterhouseCoopers LLP
Chartered Accountant and Statutory Auditors
No 1, 1 Hardman Street
Manchester M3 3EB

Financial adviser and broker

Investec plc
2 Gresham Street
London EC2V 7QP

Principal bankers

HSBC Bank plc
4 Hardman Square
Spinningfields
Manchester M3 3EB

BayernLB

Moor House
120 London Wall
London EC2Y 5ET

BNP Paribas London Branch

10 Harewood Avenue
London NW1 6AA

KBC Bank N.V.

111 Old Broad Street
London EC2N 1BR

Barclays Bank PLC

3 Hardman Street
Manchester M3 3HF

Registrars

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The Registry
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Beckenham
Kent BR3 4TU

Financial public relations advisers

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McBride has been accepted into the FTSE4Good Index Series of leading companies which meet globally recognised corporate responsibility standards.

McBride has been a leading contributor in the development of the A.I.S.E. Charter for sustainable cleaning and was the first Private Label company to achieve Charter status.