



**Everyday cleaning products,
expertly made**

McBride plc
Annual Report and Accounts 2022
(Company No. 2798634)

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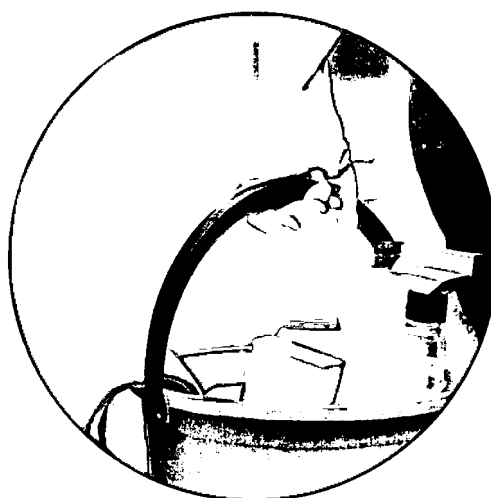
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Our highlights

Financial

For the year ending 30 June 2022

Revenue £678.3m (2021: £682.3m)	Adjusted EBITDA⁽¹⁾ £(3.6)m (2021: £45.5m)	Adjusted operating (loss)/profit⁽¹⁾ £(24.5)m (2021: £24.1m)
Operating (loss)/profit £(26.7)m (2021: £15.5m)	Adjusted (loss)/profit before tax⁽¹⁾ £(29.6)m (2021: £19.9m)	(Loss)/profit before tax £(35.3)m (2021: £11.3m)
Adjusted ROCE⁽¹⁾ (11.4)% (2021: 11.5%)	Debt/adjusted EBITDA⁽¹⁾ (45.7)x (2021: 2.6x)	Free cash flow⁽¹⁾ £(22.7)m (2021: £33.1m)

Non-financial⁽²⁾

Health & safety accident frequency 0.48 (2021: 0.80)	Customer service level 85.4% (2021: 90.8%)	Gender split – female⁽³⁾ 38.5% (2021: 38.6%)
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Alternative performance measures

This review includes alternative performance measures (APMs) that are presented in addition to the standard IFRS metrics.

The APMs are adjusted operating (loss)/profit, adjusted EBITDA, adjusted finance costs, adjusted (loss)/profit before tax, adjusted earnings per share, free cash flow and cash conversion %, adjusted return on capital employed and net debt.

The definitions of the APMs used are listed below:

- adjusted operating (loss)/profit is operating (loss)/profit before the amortisation of intangible assets and exceptional items;
- adjusted EBITDA means adjusted operating (loss)/profit before depreciation and amortisation;
- adjusted finance costs refers to figures excluding the unwind of the discount on environmental remediation provision;

- adjusted (loss)/profit before tax is based on adjusted operating (loss)/profit less adjusted finance costs;
- adjusted earnings per share is based on the Group's (loss)/profit for the year adjusted for the items excluded from operating (loss)/profit in arriving at adjusted operating (loss)/profit, the unwinding of discount on provisions and the tax relating to those items;
- free cash flow is defined as cash generated from continuing operations before exceptional items and cash conversion % is defined as free cash flow as a percentage of adjusted EBITDA;
- adjusted return on capital employed is defined as total adjusted operating (loss)/profit from continuing operations divided by average period-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables; and
- net debt consists of cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.

(1) Further details on APMs can be found in note 2 to the consolidated financial statements on page 160.

(2) Please refer to Key performance indicators on pages 36 and 37 for further details.

(3) Includes employees, third-party contractors and agency workers.

McBride at a glance

With trading roots dating back to 1927, McBride boasts a strong heritage. We are private label experts in our segments. We offer end-to-end development and manufacturing capabilities to a wide range of customers across Europe and Asia Pacific.

76.5%

of revenue from
top five European
economies

>90%

top European
retailers supplied

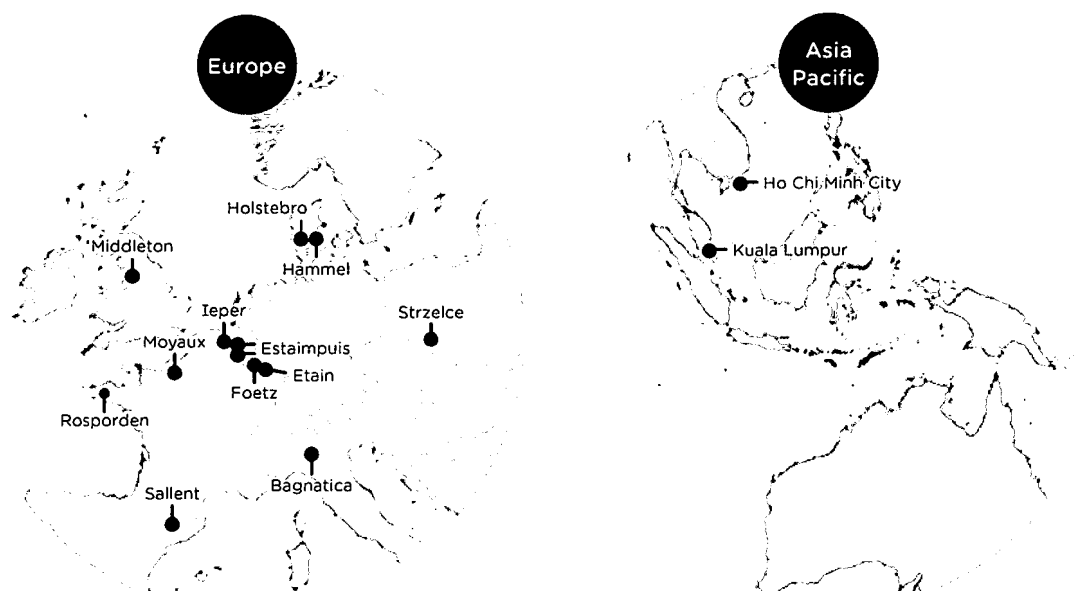
907m

units sold

3,253

colleagues globally⁽¹⁾

Our manufacturing locations



(1) Includes employees, third-party contractors and agency workers.



Group functions maximising synergy benefits:

- Purchasing
- Logistics
- Corporate Finance
 - IT
 - HR

Group sales
£678.3m



Products:

- Laundry liquids and fabric conditioner
- Washing up liquid
- Surface cleaners
- Bleach and toilet cleaners

Group sales
56.6%



Products:

- Auto dishwasher tablets
- Laundry capsules
- Water softener tablets

Group sales
25.3%



Group sales
10.1%

Products:

- Laundry
- Auto dishwasher
- Stain remover
- Water softener

Group sales
4.7%

Products:

- Household
- Personal care
- Insecticides
- Sanitisers

Group sales
3.3%

Products:

- Hand/bodywash and hair care
- Skin care
- Auto dishwasher tablets
- Laundry liquids



Chairman's statement



Jeff Nodland
Chairman

Despite the year being dominated by essential short-term actions to mitigate rampant input cost inflation and supply chain difficulties, we have re-confirmed and made progress with our medium-term Compass strategies.

Dear shareholder

Welcome to the McBride plc 2022 Annual Report and Accounts. Without doubt, the past financial year has been the most challenging faced by the Group in recent times. A range of pricing and cost actions has been pushed through to offset the effect of the rapid and extraordinary rise in virtually all input costs absorbed through the year. Whilst these are now close to covering the rises in costs we have seen, negotiation lags through the year in the acceptance of our new pricing levels has meant the Group suffered losses this past twelve months. The teams at McBride plc have worked tirelessly throughout to recover profitability and as we enter the new financial year, it is pleasing to see the business recovering and building to improve through the next year.

External factors

The most significant external factor experienced this past year related to the unprecedented inflationary environment experienced across our industry. Whilst the Group has strong and long-lasting relationships across its supplier base, many materials are linked to feedstock pricing which have risen outside our control and significantly beyond forecast levels. Alongside trying to mitigate the challenges of inflation, supply chains have been constrained through global shortages of materials and logistics networks short of resources, adding further challenges for the business teams aiming to ensure our customers' shelves remained stocked. The war in Ukraine has led to significant global uncertainty, further disruptions to supply chains and additional cost pressures. As a business, we do not have any operations or key suppliers in Russia or Ukraine; however, we continue to monitor and effectively manage any impact of the wider macro environment on the Company's supply chain. The Group continued to manage the effects of the Covid-19 pandemic well, keeping the wide-ranging day-to-day operational measures put in place last year under constant review, and adapting regularly to reflect the changing environment in which the Company operates. This kept colleagues safe, sites operational and customers stocked with our products.

Strategic progress

The past twelve months have not been the trading backdrop expected so early in the deployment of the Compass strategies, launched in January 2021. Despite the necessary and near 100% focus on immediate short-term margin recovery actions, it is pleasing to see the new divisional business teams develop and mature over the year. The development of an improved 'specialist' proposition through the divisional focus is making good progress and it is pleasing to recently record a number of long-term structural contract manufacturing wins, due to start in 2023. As a Board, we have reviewed the strategic direction of each division during the year and we remain confident in our strategy direction across the Group.

Environmental, social and governance (ESG) and sustainability

We remain committed to maintaining a responsible business by building on our newly established ESG agenda, led directly by our CEO. This consolidates our existing Corporate Social Responsibility (CSR) programme and any specific, separate sustainability initiatives to a single, joined-up, integrated approach, with clear ambitions and objectives in support of our ESG agenda and designed to position McBride plc as a responsible corporate citizen. The past twelve months have focused on further developing the ESG framework concluded in 2021 to drive, assess, monitor and improve upon our ESG baselines and ambitions. During the year, we have completed our corporate carbon footprint assessment using an external agency and we will now begin defining our journey towards a Net Zero carbon ambition. We have also embraced the requirements of the Task Force on Climate-related Financial Disclosures (TCFD), having begun the process of integrating TCFD best practice requirements into our established ESG programme. Over the next twelve months, our focus will continue to be that we prioritise and commit to the most impactful areas in the most cost-conscious way. On pages 42 to 55 we explain our approach to enhancing the sustainability of our business, whilst outlining some of the key initiatives we are taking to create value for our customers, employees, shareholders and society.

Governance

The Board remains focused on ensuring that the UK Corporate Governance Code's principles are applied. My introduction to the Directors' report on pages 80 and 81 sets out how the Board has complied with the principles of the UK Corporate Governance Code 2018 ('the Code'), which applied throughout the financial year ended 30 June 2022.

Board

At the November 2022 AGM, Steve Hannam, Senior Independent Director, will step down, by which time he will have completed nine years as a Non-Executive Director. I would like to thank Steve for his valuable contribution and long service and wish him well for the future. Elizabeth McMeikan will replace Steve as Senior Independent Director.

On 2 August 2021 we appointed Alastair Murray as a Non-Executive Director. Alastair took over from Neil Harrington as Chair of the Audit and Risk Committee when Neil stepped down from the Board in October 2021. On 14 March 2022, we appointed Regi Aalstad as a Non-Executive Director to the Board.

The past year has seen much change and challenge for the business, and I would like to extend my thanks to all Board members for their input, support and wise counsel.

Our people

The Board would like to thank all colleagues across the Group for their efforts during a year that saw unprecedented external pressures on our business, soon after having implemented major transformation and change, through Programme Compass during 2021. We have learned a lot in the past year about managing inflationary costs and our end-to-end supply chain, and importantly, about how the organisation needs to adapt with speed and flexibility in a fast-changing competitive landscape. We need to build on the progress we have already made in managing the business responsibly and sustainably through an unprecedented set of external challenges and constraints, and these past twelve months have demonstrated many strong examples of the resilience and commitment of our teams. I look forward to the ongoing contribution of all our colleagues in continuing to drive the ambitions of the Compass strategy in the coming years and deliver a strong, resilient and sustainable business performance going forward.

Jeff Nodland
Chairman

Q&A with our CEO



Chris Smith
Chief Executive Officer

As we emerge from the challenges of maintaining supply chains, mitigating unpredictable and extraordinary input cost inflation, and stabilising our finances, the business can start focusing on delivering the mid-term Compass benefits of improved profitability and growth.

Q Have the challenging past twelve months changed the core Compass strategies?

A The Board and senior teams completed a review and update of each divisional strategy earlier this calendar year. The review confirmed the Compass approach and the divisional organisation and our purpose, vision and values continue to set the right objectives for the Group. The recent challenging trading situation has clearly reset the start points for each division, but the individual strategies for each division remain appropriate, each division having some element of 'course correction' and will continue to guide the key activities and priorities for the divisions and Group as a whole.

Q Have the divisional structures been operating as you expected, even with the distraction of the huge inflation pressures?

A It is fair to say that when we launched the new Compass structures in January 2021, the business was quickly confronted with supply chain shortages and rapid inflation beginning to emerge. Therefore the focus, six months in, became very short term in nature, covering pricing actions and securing supplies. The commercial teams responded well, demonstrating the 'one McBride' principle in front of our customers, working collectively across the product ranges to secure the appropriate pricing recovery. On the supply side, we saw the focus from the divisional supply chain teams linking very well with the central purchasing group as we negotiated and secured materials from our suppliers, seeing no major disruption to factory operations.

Q What is the latest outlook for inflationary pressures?

A A feature of the materials and other inflation that we have experienced in the past 18 months has been not just the feedstock influence on downstream materials but also the premium that comes from supply/demand imbalance. As we compile this Annual Report, there are some signals that certain feedstock pricing is stabilising and some of the supply/demand challenges are steady. This may signal that some materials may start falling in the coming months. At the same time, some materials (such as cardboard, salts and other ECU derivatives) continue to rise and overall, the entire supply side remains volatile and difficult to predict. Other inflation however, is more permanent with extremely high rises for transport, energy, labour and general supplies feeding through into our pricing and margin actions.



Q With the cost of living crisis hitting all your major markets, will private label volumes benefit as consumers trade away from more expensive brands?

A There is increasing evidence that consumers are changing their buying behaviour as a result of the inflationary pressures being felt by all. Whether this is a product switch to private label in a general retailer or consumers switching to discount stores from general retailers, both hold good prospects for private label volumes. With many branded products reducing product quality to offset inflation, the value proposition of price versus quality of private label offers becomes even more compelling.

Q What have been the key priorities for your ESG agenda in the current year?

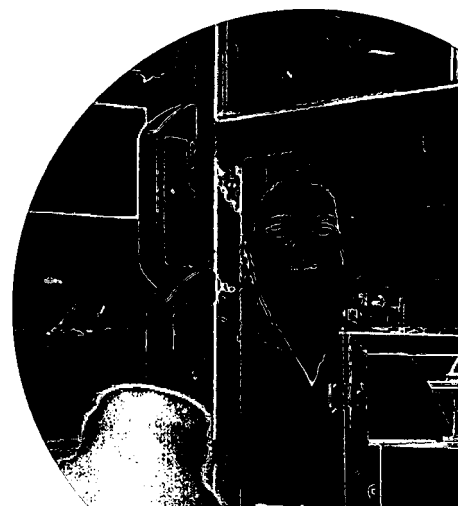
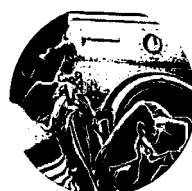
A The environment element of our ESG agenda is understandably highly visible and a crucial element of our business model. In order to establish our baseline, during the past year we have completed the measurement of our corporate carbon footprint. As a result, we can now see the shape of our emissions and the areas of our operations we need to prioritise in order to have the biggest impact on our corporate footprint. During 2023 we will set Science Based Targets with respect to Scope 1, 2 and 3 greenhouse gas emissions and define our strategy for climate-related risks. We continue to drive product sustainability options with our customers mainly focused on improving the recyclability of packaging. This year we have stopped the use of all flexible PVC pouches, moving them to a new mono-material to improve recyclability. Additionally, we continue to make good progress on moving more of our mixed plastic doypacks to mono-material format. Our Liquids and Unit Dosing divisions are both working on non-plastic packaging solutions, with both business units bringing cardboard alternatives to market in the next twelve months.

Q A key part of Compass related to margin development from efficiency and effectiveness improvements; where does this agenda now sit?

A It is absolutely part of the mid-term plans I have for the business. We will be establishing an internal 'Transformation team' charged with an 'Excellence' agenda aimed at delivering more resilient and effective processes in a number of key day-to-day activities such as customer service levels, inventory management, commercial processes, logistics and warehouse network. Additionally, working with our IT colleagues, this Group will lead the business teams as we embark on the journey in the coming 12-24 months of moving to the latest generation business systems platforms. This will allow McBride plc to better digitalise and standardise our processes, driving efficiency and effectiveness in our core activities.

Q Recent announcements refer to needing to find additional liquidity, can you expand more?

A The past 18 months have significantly affected the Group's level of debt. This has been impacted by trading losses and higher levels of working capital, both driven by unprecedented inflationary pressures. The amended terms of the Group's revolving credit facility announced on 29 September 2022, provide the Group with the required levels of liquidity headroom to successfully run the business.



Market context

A closer and better understanding of our direct customers and the end consumer, enables us to better align our business to the current and evolving needs of the markets we serve.

Raw materials

Global supply chain disruptions over the last 18 months have led to widespread shortages across multiple raw material categories, which in turn have led to unprecedented and sustained increases of material prices. The extent to which this inflationary pressure can be passed through to consumers by retailers will support either price rises or product engineering solutions.

Response

The Group has continued to drive focused margin recovery measures, with targeted price increases and product engineering options in development. A significant number of cost initiatives are being accelerated, with the expectation that they will deliver value in the coming months. The Group continues to explore all avenues to create increased pricing stability across our raw material spend, building further on existing initiatives taken over the last few years in this area (e.g. short-term pricing agreements with retailers).

Sustainability

Our customers, consumers and our employees continue to place a high level of importance on the sustainability of our manufactured products.

Response

We continue to work towards our 2025 targets for reducing our environmental impact from our products through the reduction of plastic and responsible sourcing. In the coming year we will focus further on the footprint of our chemical portfolio as we recognise the importance this plays in our ability to be Net Zero in the future.

Regulation

The legislative landscape that McBride plc operates within continues to evolve with new legislation and amendments to existing legislation. This impacts on the production, use and disposal of our products, driving a cost increase in the development, production, distribution and use of products.

Response

McBride plc treats compliance with legislative requirements as an essential part of the service that we offer to our customers, embracing initiatives to improve safety/sustainability for the consumer and the environment. We make significant investments in our factories and improvements to our product portfolio to ensure that we fully comply with all relevant product legislation.

Sales channels

Consumers are continuing to change the way they shop across multiple different outlets and online platforms, rather than the traditional single large weekly shop. Shopper habits evolved during the Covid-19 pandemic, with increased growth of online and convenience channels, the profile of which continues to adapt as economies relax or emerge from Covid-19 restrictions.

Response

Work continues to ensure that we have the optimum product portfolio for all our customers across different retail channels, including discounter, bargain stores, online and convenience channels. We are continuing to work with all retailers to provide them with a range of products that meet the needs of their customers.

Consumers

Consumers are now facing unprecedented inflation and cost of living increases, with a large number of shoppers needing to restrict their spend at the till. As a result, we are increasingly seeing retailers help their customers by navigating them towards lower cost retailer brand offerings in store.

Response

McBride plc always endeavours to provide optimum value product offerings for the end consumer. We are working with our customers to support the value positioning of their private label ranges. By offering a wide range of formulation and packaging options, retailers can 'design to value' their offer to customers.

Brand owners

Owners of household cleaning and personal care brands continue to use private label suppliers to contract manufacture their products.

Response

Our long-standing reputation as a leading manufacturer of quality products allows us to continue to work closely with a number of major brand owners to contract manufacture their products. Such contracts offer significant growth opportunities, de-risked margins and help drive operational efficiencies by increasing asset utilisation. The Group is seeing more longer-term structural supply arrangements.

Business model

Driven by our purpose, our business model builds on the key attributes that set us apart in order to create value for our customers, our people, our shareholders and our wider stakeholder community.

What we do

Our purpose
everyday value cleaning products so every home can be clean and hygienic

We are a producer of cleaning products primarily for the home.

We define the home as the dwelling that we live in and the people who live there.

Our products clean laundry, dishes and general surfaces. In addition, we offer specialist aerosol products in Europe and personal cleaning in Asia Pacific.

Our aim is to provide ranges of quality at value prices to permit our retailer customers to offer an affordable quality alternative to higher-cost brands.

Our value engineering, quality and scale of operations provide affordable cleaning products for our customers' end consumers, helping ensure all homes are clean and hygienic.

How we do it



Inputs:

- Market intelligence
- Customer partnerships
- Know-how in:
 - Formulation
 - Prototyping
 - Manufacturing
 - Packaging options
 - Sourcing expertise



Production process:

We are end-to-end producers
From:

- Resins
- Base chemicals
- Packaging

To:

- Shelf-ready finished products

Our in-house processes:

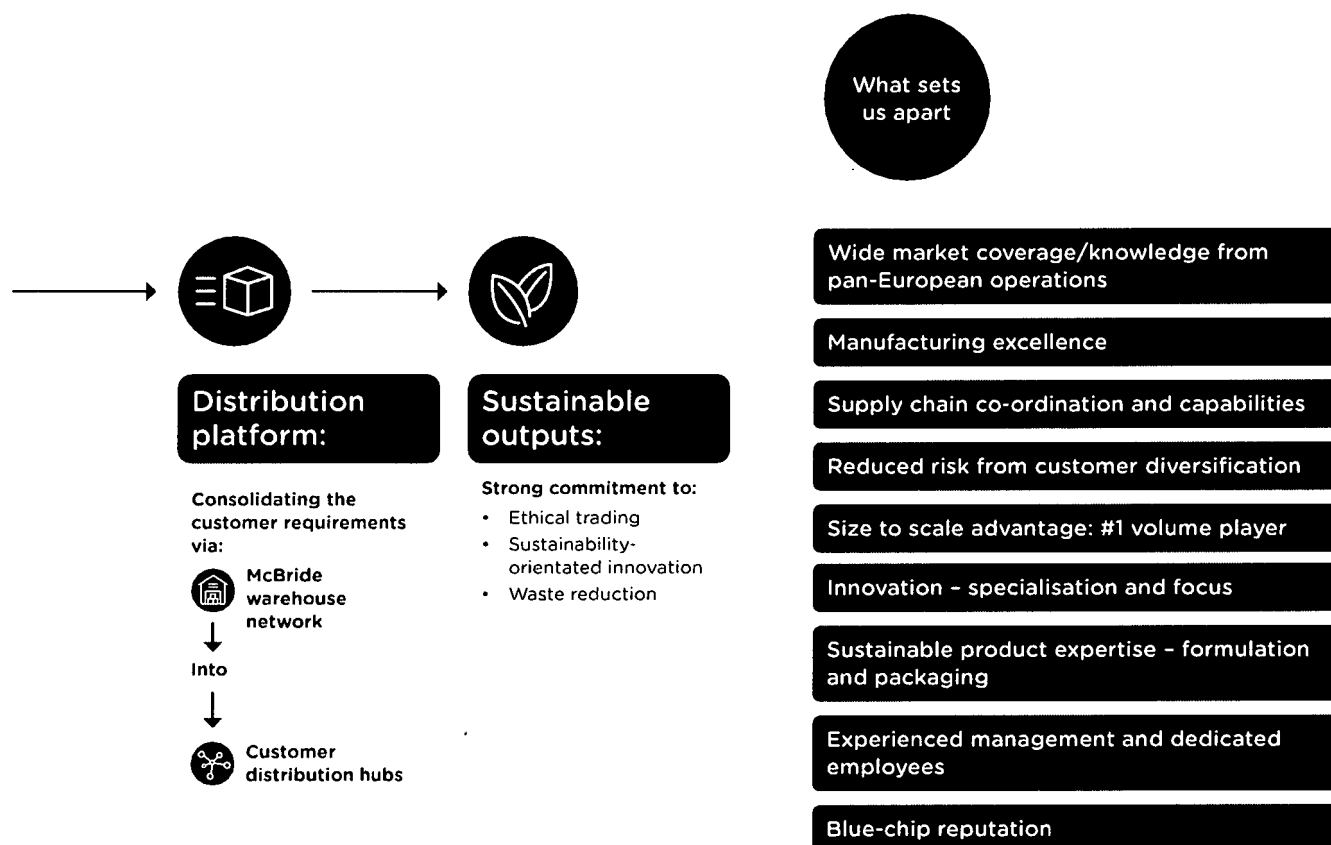
- Blow/injection moulding
- Liquid and powder mixing
- Bottle filling
- Capsule forming and filling
- Tablet pressing
- Powder filling

How we make money

We sell to retailers and branders their finished products, as well as a small number of McBride brands



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

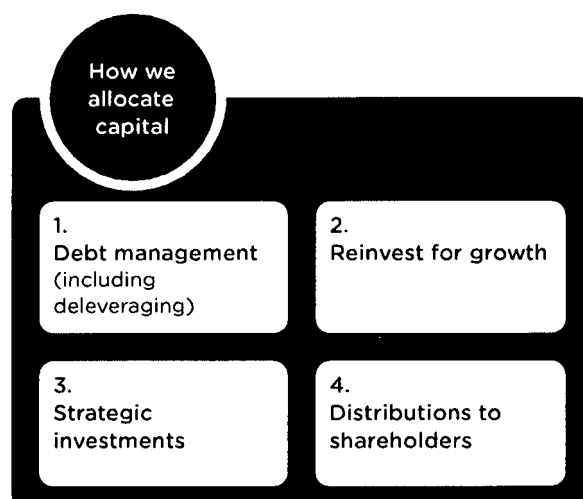


82.9%
Retailers' private label

11.2%
International and regional brands

2.1%
Professional and cleaning suppliers

3.8%
McBride brands



Our culture

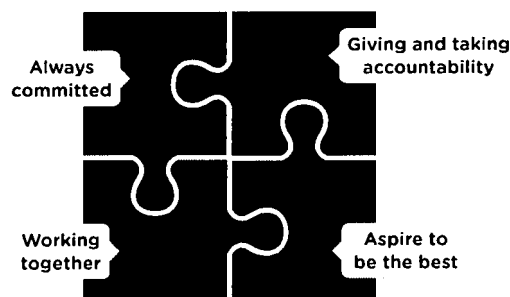
While McBride operates through five divisional teams supported by certain Group central functions, we remain One McBride with a single, unifying purpose and a common shared vision.

Our purpose

everyday value cleaning products, so every home can be clean and hygienic.

Read more on pages 10 and 11

Our values



Our vision

McBride will extend its position as the **leading value producer of everyday consumer hygiene products,** taking **revenue to €1 billion** through **focused and sustainable divisional strategies.**

Read more on pages 14 and 15

Our guiding principles



Living our values

Our purpose and vision are founded on a set of common values, enabling our focused divisional teams to enhance our specialist reputation in the market and better target opportunities for growth and excellence.

Always committed

- Our Vietnam site team chose to sleep on site for a period of time, in order to keep the site operational during local government movement restrictions due to Covid-19.
- Securing raw material and packaging supplies within a very difficult market place, ensuring continual product supply to our customers.
- Strong and continual engagement with customers to openly explain inflationary challenges and working towards solutions over multiple iterations.

Giving and taking accountability

- The HR leadership took on an accelerated programme to launch Workday across the business in Europe. The new processes have been launched on time with excellent colleague engagement, modernising the ways of working for HR processes.
- Our newly created divisions drive our Compass strategy and have taken full responsibility for their performance and results, translating the Group's vision into divisional strategies and action plans. During the year, the divisions made good progress in the execution of these plans.
- A number of colleagues were seconded into Germany to lead different aspects of the recovery plan for our logistics service in Germany, involving extensive periods of time at our German warehouses to speed up their recovery.

Working together

- Rapid establishment of a German logistics recovery team to focus on cross-divisional strategies and solutions in a 'war-room' style approach, to drive improvements in our logistics service resulting from driver shortages and unreliable supplier arrangements.
- Qualifying new and lower cost raw material options to help mitigate the challenges of a highly inflationary marketplace. This required close co-operation with the customers and cross-functional teams involving colleagues from the Group Purchasing, Technical, Operations and Commercial teams.
- During the implementation of a new HR digital platform, we witnessed excellent multi-user engagement across all of Europe with training and deployment of this new way of working.

Aspire to be the best

- A number of exciting product innovations across the business, including Ecocert products, compressed aerosols, carton packaging for capsules, compact laundry powders and mono-material refill pouches.
- Winning of new multi-year contract manufacturing supply agreements demonstrated our new divisional specialism and effective contract and project management, where we expect to see deliveries starting in the next financial year.
- Introduction of new tools and training programmes to further improve safety in our operations, including behavioural safety and comprehensive gap analysis reviews as part of our zero lost time accident journey.

Our strategy

Be the leading value producer of everyday cleaning products, leveraging scale and unrivalled product expertise to deliver a segmented product and customer proposition with a cost-aware sustainability agenda.

One McBride Five divisions

Each division has different opportunities, initiatives, challenges and improvement options in their business; all reinforcing the need for varying strategies for the different parts of this business.

Hence, the Group continues to be managed as a series of portfolio businesses, each with its own identity, strategy, operating model and role within the Group.

Separate, focused and accountable divisional teams continue to strengthen our specialist position and improve speed and agility in all our dealings and activities.

Central support services such as purchasing, logistics, finance, HR and IT continue to drive and deliver scale advantages to the entire Group.



Market factors

- Large, stable market
- Commoditised product categories
- Fragmented competition
- Cost competitiveness paramount

Strategy = Optimise to grow

McBride approach

- Low-cost offer
- Reliable and trustworthy
- Delivering sustainable (innovative) products
- Build on our local strengths

Focus areas

- Transform our cost through operational excellence
- Value engineer/simplify our product portfolio
- Sustainability-oriented innovation
- Partner with focus customers

Cost leadership



Cash generation



Market factors

- Dynamic market
- Brander-led innovation
- Sustainability is a key driver
- E-commerce potential

Strategy = Accelerate to grow

McBride approach

- Specialist supplier
- Embedded in industry
- Efficient innovator
- Right and flexible asset base
- Cost competitive by scale and offering

Focus areas

- Continued focus on dishwasher tablets and laundry capsules
- Sustainable formulations and packaging development
- Continued adaptation of core offering

Product leadership



Strategic growth

We support divisional success by leveraging the scale of the Group through effective central teams for purchasing, talent management and other shared services.



- Market factors**
- Asset-heavy competitive market
 - Slowing market decline
 - Consumer transitioning
 - Market consolidating

Strategy = Revitalise to grow

- McBride approach**
- Low cost
 - Technical capability drive
 - Asset utilisation
 - Targeted markets/opportunities

- Focus areas**
- Cost optimisation
 - Expand contract manufacturing
 - Continue technical innovations
 - Reinvigorate market position
 - Continue to capitalise on environmental leadership



- Market factors**
- Well-established market
 - Leverage new opportunities with contract manufacturing
 - Niche, specialist player

Strategy = Develop to grow

- McBride approach**
- Capitalise on 'Made in France'
 - Build on eco credentials
 - Beyond France

- Focus areas**
- Cost optimisation
 - Expand volumes in Germany
 - Best-in-class commercial and technical approach



- Market factors**
- Return to rapid market growth
 - Population and income growth
 - Rapid urbanisation
 - Maturing retail infrastructure

Strategy = Deliver to grow

- McBride approach**
- High quality and service
 - Develop key relationships
 - Continue to add growth capacity
 - Remain cost focused

- Focus areas**
- Exploit new Malaysia facility
 - Expand Vietnam output
 - Expand into household
 - Capture and develop contract manufacturing opportunities



CEO's report



Chris Smith
Chief Executive Officer

Business performance improving after a difficult year; reset financing agreements supporting the Group's future progress.

Overall business performance

Without doubt, the last financial year was the toughest trading year the Group in its current form has ever experienced. The external factors of rampant and unpredictable inflation, supply chain disruptions, residual Covid-19 impacts, staff shortages and weak demand levels have challenged the business, its management teams and its usually ample funding capacity.

The scale of the challenge from cost rises, mostly materials, reached over £200 million on an annualised basis in the final quarter. Our progressive actions to mitigate have seen success, but time lags have meant cost rises outweighed recovery benefits in the period to June. Consequently, the financial performance for the past year has been very poor. However, the response of the McBride team to this 'avalanche' of challenges has been excellent and the ongoing recovery actions support an improved financial outlook into the new year.

Full-year Group revenue at £678.3 million was 0.6% lower as reported, but 2.9% higher than the prior year at constant currency⁽²⁾. On a constant currency basis, following sales declines of 6.6% in the first half, second half revenue grew by 13.4% as we were able to partially offset exceptional input cost pressures by passing on those costs in the form of higher prices to our customers.

Adjusted operating loss⁽¹⁾ for the year was £24.5 million compared to a profit in the previous year of £24.1 million. Following the first half adjusted operating loss⁽¹⁾ of £14.8 million (2021: profit of £19.0m), the rate of losses slowed in the second half and were in line with our expectations.

Total sales volumes have seen a decline of 6% with volumes to contract customers falling 32%, mostly as a result of post-Covid-19 'fill volumes' falling away. Private label volumes saw a smaller effect with a decline of 2% across the year but flat in the second half. This volume effect was offset by average selling price increases of over 9% for the year and 18% in the second half.

Whilst it is disappointing to see the Group's volumes lower, the performance is good against a market backdrop of a 6% fall in the overall market, with equal impact in both branded and private label volumes. At a category level, total market volumes declined most heavily in cleaners, seeing a twelve-month volume fall of 9% as Covid-19 behaviours adapted; McBride volumes fell 6% in this category. In dishwasher, whilst the overall market reduced 5%, we saw volumes rise 2% and for laundry, where market volumes fell 3%, the Group's volumes rose just under 1%.

(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

Having had no choice but to pass on the higher prices to our customers, our open and transparent approach resulted in strong support and co-operation from customers.

The year was dominated by actions to offset the rapid and exceptional input cost inflation. The size of the impact was changing rapidly and difficult to predict. As a Group we have taken all necessary steps to control and reduce our own costs and cash outlays, but the scale of increases meant we were left with no choice but to apply a series of price rises to our customers. These discussions were difficult and tough, but we believe our open and transparent approach has resulted in strong support and co-operation from customers. These significant price rises were delivered in a series of waves progressively through the year, with additional rises still in discussion in the new year as we also deal with energy, transport, labour and other inflation rises. Increasingly, customers are pursuing the various options we have presented for product cost mitigation alongside pure price increases.

Input prices

The severe supply chain challenges and exceptional input cost pressures seen across many industries have continued to heavily impact McBride. The financial impact from this environment has been very significant, which together with availability pressures has created a 'tsunami' of cost increases, the annual effect being in excess of £200 million, for the business to handle. Across the entire range of raw materials and packaging, we expect total costs to have risen by 51% between December 2020 and June 2022. The whole industry has been affected, whether branded or private label, and the size of the increases has warranted urgent pricing conversations with customers alongside many branders publicly warning of price rises for their products. Throughout the year we continued to experience challenges with logistics availability and freight costs, whilst surging energy prices and increases in labour costs in the second half of the year have added further inflationary pressures. Maintaining a reliable supply into our factories has been challenging, but with the support of some key suppliers and the tenacity of the purchasing team both in minimising cost rises and securing supplies, we have been successful in this area with disruption limited.

Programme Compass

The Compass operating model has now become fully embedded in the Group, despite the trading challenges experienced in the early stages of deploying our Compass strategies, which were launched in January 2021. It has been particularly encouraging to see the new divisional business teams develop and mature over the year, despite having had to focus on short-term margin recovery actions for almost the entire year. Our divisionally focused approach has allowed us to develop an improved 'specialist' proposition across all our geographies and product categories, which is a key outcome from Compass. Ensuring we are closer to our key customers, listening and acting to support their needs and requirements, partnering and jointly developing the right value proposition is key to our growth plans and our ambition to be the preferred choice to our retail customers and their consumers. This new focus also benefits our contract customers, which has already resulted in several contract manufacturing wins due to start in the next financial year.

We completed a review and update of each divisional strategy earlier this calendar year. The review confirmed the Compass approach, divisional organisation and the strategic direction of each division, whilst reaffirming the fact that our purpose, vision and values continue to set the right objectives for the Group. The recent challenging trading situation has clearly required each division to modify and adapt their strategic pathways in light of recent macro factors but the individual strategies for each division continue to remain appropriate for the Group.

As we stabilise and see improving financial outcomes from trading, the element of the Compass strategy that will deliver more effective and efficient processes and thus improved margins from lower structural costs will launch in the new financial year. An Excellence and Transformation team is being recruited to lead the deployment of multiple work streams in support of the Compass margin ambitions, initially targeting £50 million of benefit over five years.

CEO's report continued

Covid-19

We have continued to work with colleagues across the Group to maintain a Covid-19 secure work environment. We have continuously reviewed and regularly updated the wide-ranging day-to-day operational measures put in place last year on an ongoing basis through the year as we responded to the evolving nature of the pandemic and the changing environment within which the Company operates.

All of our factories remained operational throughout the year, and as lockdowns have lifted, we have reopened office facilities and welcomed colleagues back to the office, many of whom have continued to work in a hybrid way this year. Our operations in the Asia Pacific division were once again affected by a higher level of Covid-19 related disruption this year. We had to host workers within our Vietnam site for a few months, to allow the site to remain operational during peaks in the pandemic, while strict lockdown rules in Malaysia led to a shortage of foreign workers, thereby impacting our output and service levels. It has been encouraging to note that our Asia Pacific division has successfully overcome these Covid-19 challenges and has made a positive contribution to the Group's results.

Divisional portfolio performance

Following all divisions posting lower year-on-year sales in the first half, all divisions returned to revenue growth in the second half, with Liquids and Powders reporting sales growth for the year on a constant currency basis⁽²⁾. Revenue growth in the second half in Unit Dosing, Aerosols and Asia Pacific was not sufficient for those divisions to report growth for the year, with their revenue on a constant currency basis⁽²⁾ being lower than 2021.

Liquids volumes were 4.9% lower than prior year as the prior period was positively impacted by Covid-19, particularly due to heightened demand in the cleaners category. Liquids revenue grew by 5.6% on a constant currency basis⁽²⁾ as cost price increases were actioned with customers in the second half. Adjusted operating loss⁽¹⁾ of £15.9 million (2021: £11.7m profit) was driven by unprecedented input cost inflation not immediately being recovered through cost price increases to our customers. Whilst the second half was still loss-making, losses were 40% lower compared to the first half. Although fourth quarter exit rate margins were still not back at historical levels, these were nonetheless stronger than the full-year average due to the timing of the price increase implementation.

Unit Dosing revenue declined 1.9% on a constant currency basis⁽²⁾. Following a revenue decline of 8.7% in the first half of the financial year, the division recorded revenue growth of 5.0% in the second half. This was driven by the impact of price increases and through volume improvements in the capsule product line. Adjusted operating loss⁽¹⁾ of £0.8 million (2021: £16.7m profit) was driven by unprecedented input cost inflation in raw materials, energy, transport and labour cost, which were not immediately recovered through cost price increases to our customers.

Full-year revenue in Powders was 7.2% higher on a constant currency basis⁽²⁾. The demand for laundry products recovered versus the previous year as Covid-19 restrictions were lifted and volumes to professional cleaning companies recovered. Adjusted operating losses⁽¹⁾ increased from £2.3 million to £2.5 million. Pricing actions and volume growth initiatives are in place to get the business back to at least break-even in the near term.

Aerosols revenue of £31.9 million was 2.1% lower and full-year adjusted operating loss⁽¹⁾ of £1.5 million was down £2.2 million, both on a constant currency basis⁽²⁾. Following a first-half revenue decline of 11.0%, strongly impacted from the reduction in Covid-19 sanitiser product sales, the second half saw sales increase by 8.9%. Aerosols was also heavily impacted by unpredictable and successive waves of raw material price increases. Customer acceptance of price increases lagged the input cost inflation by up to three months on each pricing wave, leading to a full-year adjusted operating loss⁽¹⁾ of £1.5 million (2021: profit £0.7m).

Asia Pacific revenue of £22.4 million was lower by 6.7%, with severe Covid-19 pandemic lockdowns continuing to reduce footfall in stores across the region, particularly in the first three quarters of the fiscal year. Adjusted operating profit⁽¹⁾ of £0.7 million (2021: £1.9m) was lower due to exceptional input cost increases which were not immediately recovered through customer price increases.

(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

	Year to 30 June 2022 £m	Year to 30 June 2021 £m	Reported change	Constant currency ⁽²⁾
Revenue				
Liquids	383.9	376.1	2.1%	5.6%
Unit Dosing	171.5	181.5	(5.5)%	(1.9)%
Powders	68.6	66.3	3.5%	7.2%
Aerosols	31.9	34	(6.1)%	(2.1)%
Asia Pacific	22.4	24.4	(8.2)%	(6.7)%
Group	678.3	682.3	(0.6)%	2.9%
	Year to 30 June 2022 £m	Year to 30 June 2021 £m	Reported change £m	Constant currency ⁽²⁾ £m
Adjusted operating (loss)/profit⁽¹⁾				
Liquids	(15.9)	11.7	(27.6)	(26.9)
Unit Dosing	(0.8)	16.7	(17.5)	(16.8)
Powders	(2.5)	(2.3)	(0.2)	(0.2)
Aerosols	(1.5)	0.8	(2.3)	(2.2)
Asia Pacific	(0.7)	1.9	(1.2)	(1.2)
Corporate	(4.5)	(4.7)	0.2	0.2
Group	(24.5)	24.1	(48.6)	(47.1)

(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

Current trading and outlook

The early months of the new financial year have seen trading in line with our internal plans. Volumes are showing some early signs of recovery against a backdrop of an environment that should favour private label products. This, together with an improving service performance, provides reassurance both on our revenue outlook and factory loading levels. Recent months have seen overall raw material costs steadying but with widely varying trends between material groups. Energy and currency variations add further uncertainty to the cost environment and hence margin improvement actions from price rises or product engineering remain key activities. At this stage the Group is maintaining its view that full-year earnings will be in line with our expectations.

Chris Smith
Chief Executive Officer
29 September 2022

The Strategic report was approved and signed by the Board on 29 September 2022 and signed on its behalf by:

Chris Smith
Chief Executive Officer



Our divisions



Peter Ingelse
Managing Director Liquids

Revenue
£383.9m
2021: £363.5m

Adjusted
operating (loss)/
profit⁽¹⁾
£(15.9)m
2021: £11.0m

Adjusted ROCE⁽¹⁾
(13.0)%

Performance review

This past year has seen margins heavily impacted due to unprecedented and relentless input cost inflation in all areas of raw materials, packaging, energy, logistics and labour, with the effect building from the second quarter. Cost inflation in the later part of the financial year was brought about indirectly by the Russia-Ukraine war and the subsequent surge in oil and fuel costs.

The key focus for the team has been to recover margins by taking necessary steps to control our own costs before passing this extraordinary input cost inflation on to customers, as well as to work with them to reduce product costs as an alternative to pure price rises. Retailers have understood the need for price increases and have in the main been supportive. On average, however, it has typically taken three months to pass inflationary costs into agreed selling prices, which has been detrimental to in-year margins and this lag has ultimately led to losses in the financial year.

Liquids revenue grew by 5.6% on a constant currency basis⁽²⁾, the net of an overall fall in volumes in the period of 4.9% offset by the effects of price increases.

The volume performance for Liquids was mostly impacted by volumes to our contract manufacturing customer (down 38%), with private label lower by 1.2%. This private label performance compares favourably with the volumes for the five key private label markets in Europe, which declined on average by 5.6% versus the prior year, as some of the positive impact in prior periods from Covid-19 unwound. Our volumes into contract manufacturing customers reduced as the need for top-up volumes from the branders fell post Covid-19.

Volume of laundry products for private label grew by 3.8% versus prior year, again outperforming the five key private label markets in Europe, which declined on average by 0.2%. For consumers, daily laundry habits were disrupted during the two years of Covid-19 lockdowns and curfews.

Volumes have not returned to pre-pandemic levels however, which is thought to be due to the increased prevalence of remote or hybrid working.

Adjusted operating loss⁽¹⁾ of £15.9 million was £26.9 million lower than prior year at constant currency⁽²⁾, and whilst the second half was still loss making, profit performance improved with losses lower by 40% compared to the first half. Fourth quarter exit rate margins, whilst still not back at historical levels, were stronger than the full-year average due to the timing of the price increase implementation. These higher prices are expected to annualise in the next financial year.

Service levels were impacted by disrupted raw material supply, driver availability and Covid-19-related staff absences. This negatively impacted volumes in the period and led to an increase in customer penalties. Global supply chains remain unstable, with uncertainty around supply of key materials and with logistics routes disrupted. Good progress has been made with committed Compass cost reduction actions, with in-year savings in line with target. Given the challenge to margins, management action has been taken to further tighten spending controls and restrict capital investment to conserve cash.

It is encouraging to note that there was a net positive balance of newly communicated gains and losses during the year, including growth with a key global contract manufacturing partner and in the German private label market, which is expected to positively impact volumes in the next financial year.

Q&A with Peter Ingelse



How are you progressing against your cost leadership strategic priorities?



Work on the Simply 30 project continues. Working with our customers to identify simplification-led efficiency savings has proven to be even more important during this period of high input cost inflation.

In order to further optimise our cost base, in addition to range simplification, we have embarked on the first phase of our 'lean' conversion programme in recent months. This focus on operational excellence is expected to unlock capacity in our factories, improve the effectiveness of back-office processes and ultimately right-size our cost base.



How do you propose to partner with focus customers?



Considerable focus has gone into setting up our Partnership Champion model. This means that Tier 1 customers have one point of contact to interface into all divisions as required, which we expect will further strengthen our customer relationships.

Offering our customers sustainability-orientated innovation is another focus area of our strategy. Our work on building a more sustainable product portfolio led to a number of new product development initiatives which will gradually hit the market during the next financial year.



(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

Our divisions continued



Lennard Markestein
Managing Director Unit Dosing

Revenue
£171.5m
2021: £174.9m

Adjusted operating (loss)/profit⁽¹⁾
£(0.8)m
2021: £16.0m

Adjusted ROCE⁽¹⁾
(1.2)%

Performance review

The Unit Dosing division had a challenging year, due to a combination of extreme input cost inflation and softer underlying sales volumes.

Revenue for the full year was lower by 1.9% on a constant currency basis⁽²⁾ and on a full-year adjusted basis the division recorded an operating loss⁽¹⁾ of £0.8 million (2021: operating profit of £16.0m), resulting in an adjusted operating loss margin of 0.5% (2021: adjusted operating profit margin of 9.2%).

Following a year-on-year revenue decline of 8.7% in the first half of the financial year, the business grew by 5.0% in the second half. This was driven by the impact of price increases and through volume improvements in laundry capsules. Whilst now improving, unfortunately, service challenges, specifically in Germany, continued to have a negative impact on dishwasher revenue in the second half.

The division saw exceptional cost inflation throughout the year in all areas including raw materials, energy, transport and labour cost. By the end of the year the business realised significant price increases to help offset this inflation, in conjunction with many other cost reduction initiatives.

Revenue in private label grew by 3% while contract manufacturing business revenue declined by 21% as peak pandemic volumes reduced and thus the need to supply 'fill volumes' also fell. Overall, dishwasher sales decreased by 1% as volume run-rates saw a downward correction as Covid-19 restrictions ended. Since May 2022, volumes have been improving as a result of the positive impact of new wins for classic and all-in-one dishwasher tablets and descaler tablets. The laundry capsules business has stabilised in the second half of the year, with revenue higher by 13% year over year following a three-year period of decline where the business recorded a negative balance between contract gains and losses.

A handwritten signature in dark ink, likely belonging to Lennard Markestein.

Additionally, though still in its infancy, good progress has been seen from the new revenue stream for refill tablets for liquid cleaners.

Each of the factories faced varying operational issues during the year. A combination of high absence rates due to Covid-19, high attrition rates for technical roles and multiple first-time operational events, led to weaker efficiency levels and higher waste rates. By the fourth quarter, these issues were largely resolved, which supports improved momentum into the new financial year. Throughout the year, the division successfully exerted tight cost controls on divisional fixed cost, inventory levels and capex spend as a response to the challenging financial performance.

Though challenged by the difficult market conditions and the short-term focus this required, the division has made good progress with its innovation agenda. New capsule shapes have been launched and multiple sustainable packaging options introduced based on carton or Post-Consumer Recycled (PCR) plastics. Significant effort has gone into redesigned formulations for many products, helping to partly offset raw material cost inflation, which have been progressively introduced to our customers.

The team's innovative strength was demonstrated at a leading brander where the contract manufacturing agreement was secured, which will feature the launch of an innovative new cleaning product in the second half of the next financial year.

The Unit Dosing team faced and weathered a perfect storm in 2022 and remains confident that despite this turmoil, the right steps have been taken towards placing the division on a robust growth trajectory.

The team continues to demonstrate its value to customers and be their proactive partner of choice for Unit Dosing products. The mission of the division is to be recognised for its ability to develop and supply affordable, sustainable, safe and convenient single-use cleaning products.

Q&A with Lennard Markestein

Q Have you delivered the product innovation priorities that you targeted for this fiscal year?

A Despite the challenging market environment, our team has maintained focus and made good progress against our product leadership strategy. In the first half, we launched a new, smaller mono-laundry capsule and a new premium triple capsule design. The introduction of our sustainable carton box packaging for capsules – Superior Child Impeding Closure (SCIC) with a safe but customer-friendly opening/closing functionality (Click-to-Lock) – has been a success. Our compact packaging for our premium tab-in-tab dishwash product has been adopted by many customers. The first set of customers have chosen our new three-chamber powder liquid dishwasher product, recognised for an appealing and compact design. Looking towards 2023, we will continue to strengthen our ranges with new sustainable product format and packaging offerings. Even more emphasis than before will be placed on improving the affordability of our product portfolio.

Q Can you further improve efficiencies and reduce costs in your factories?

A During this year, our factories in Hammel, Foetz and Estaimpuis each had to overcome significant operational challenges. All in all, these issues have affected our financial performance by approximately £2 million. In the later months of the year, we have seen our efficiencies improve and our waste rates reduce. We believe substantial efficiency gains can be realised with limited capex investment. The division is increasingly deploying 'lean' methodology solutions to optimise operations and reduce downtime and change-over times. Each of our factories is in a position to increase volumes, while improving efficiencies.



(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

Our divisions continued



Marielle Claudon
Managing Director Powders

Revenue
£68.6m
2021: £64.0m

Adjusted
operating (loss)/
profit⁽¹⁾
£(2.5)m
2021: £(2.3)m

Adjusted ROCE⁽¹⁾
(11.5)%

Performance review

Full-year revenue in Powders was 7.2% higher on a constant currency basis⁽²⁾, but adjusted operating loss⁽¹⁾ increased from £2.3 million to £2.5 million, with £0.2 million ongoing cost actions and volume growth targeting in place to get the business back to at least break-even in the near term.

The demand for laundry products recovered versus the previous year as the Covid-19 restrictions were lifted. The impact is being driven by people returning to work and being able to socialise, with the knock-on effect of washing their clothes more frequently, although this has not reached pre-pandemic levels. The improvement in rates of sale in both private label and contract manufacturing for laundry powder that was witnessed at the end of the previous financial year was sustained over the course of the current year.

These sales trends were reflected across the entire European region, although the two largest countries, UK and Germany, recorded higher than average increases. Private label sales grew slightly despite the loss of one major contract in laundry powder tablets. Contract manufacturing sales were also higher as the industrial and hospitality sectors benefited from the easing of restrictions in eating out and travel.

Gross margins declined significantly versus the previous year due to the significant and unprecedented increases in raw material and logistics costs. To offset this inflationary pressure, a series of price increases were negotiated with customers as well as making improvements in product and other costs.

As seen across the Group's divisions, delays in the realisation of price rises meant higher costs exceeded price recovery during the period, leading to increased losses for the year. The division also continued to maintain a strong cost focus across the business which enabled a reduction in the overheads cost base. As a result, overall, the adjusted operating loss⁽¹⁾ of the Powders division increased by £0.2 million but with an improving profitability trend as the business exited the financial year. Despite the poor profit performance, actions were implemented to reduce inventories to improve the working capital position.

As initiated last year, the Powders division has continued to strengthen the technical capability of its team, thereby accelerating product development for a number of exciting initiatives which are already under discussion with key customer partners. The cost leadership strategy and the plans around product innovation are showing benefits, which together with an expected trend of shoppers turning to powders as a lower cost solution given consumer inflationary pressures, is expected to see better volumes in the next financial year.

Q&A with Marielle Claudon



What trends do you see in the laundry powder category for the Company?

A

The overall decline of the powders market is continuing. While this is especially accelerating with laundry tabs, in the case of laundry powders we are seeing some stabilisation in countries such as the UK and Germany. In this market context, branders are already starting to outsource more of their manufacturing and smaller competitors have exited the category. The intense inflationary pressures we are seeing have further accelerated this trend. In line with our Compass expectations, this means that private label, contract manufacturing and supply to the professional cleaning industry will become concentrated amongst fewer manufacturers. With the focus on cost and quality performance, the Powders division is showing it is well positioned to operate a profitable business in this sector.



What are the commercial priorities for Powders going forward?

A

The first focus of the business is to recover and/or offset the inflationary pressures we currently face. The commercial teams are actively engaging with our customers to mitigate the issue through price increases or revised product offerings. In terms of overall strategy, our developed understanding of the laundry powder market and our customer segmentation has provided clear targets for the right regions and products. We will continue to build further on our private label business with key customers while also actively targeting contract manufacturing opportunities with branders and professional cleaning customers. We will succeed by offering the best quality for price solutions thanks to improved formulation and packaging solutions.



(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

Our divisions continued



Marc Marot
Managing Director Aerosols

Revenue
£31.9m
2021: £32.6m

Adjusted
operating (loss)/
profit⁽¹⁾
£(1.5)m
2021: £0.7m

Adjusted ROCE⁽¹⁾
(13.1)%

Performance review

Aerosols revenue of £31.9 million was 2.1% lower and full-year adjusted operating loss⁽¹⁾ of £1.5 million was down £2.2 million, both on a constant currency basis⁽²⁾ compared to the prior year. This resulted in an adjusted operating loss margin of 4.6% (2021: adjusted operating profit margin of 2.1%).

The four main product categories of the Aerosols division are: household (air fresheners and cleaners), personal care (deodorants and shaving), insecticides and hydroalcoholic (hand and 'one-shot' sanitisers). While the household and personal care ranges saw increasing demand in the year, insecticides declined slightly due to seasonal timing impacts, with hydroalcoholic sanitiser categories mostly disappearing post the high early Covid-19 demand in 2020.

As a result of these different dynamics, following a first half revenue performance adversely impacted from the reduction in sanitiser product sales, the second half saw sales increase by 3.1% across all our core categories.

The Aerosols division was also heavily impacted by unpredictable and successive waves of raw material price increases. As with the other divisions and despite the efforts of our teams, customer acceptance of price increases lagged the input cost inflation by circa three months on each pricing wave, leading to margin squeeze for much of the year. The operating profit impact of these pricing recovery lags and the adverse sales mix was mitigated to some extent by overhead cost control.



However, after two successive years of generating profits, this year the division delivered a full-year adjusted operating loss⁽¹⁾ of £1.5 million (2021: adjusted operating profit of £0.8 million).

The Aerosols division continues to pursue its strategy of supplying niche products to a limited range of markets, while pursuing targeted geographical expansion. The division is keenly focused on meeting customers' needs in the most cost-effective way. This approach has already secured new contracts that launched in the third quarter with others planned for next financial year, supporting a positive growth momentum in the next year.

Q&A with Marc Marot



What will drive sales growth in the next financial year?

A

The previous demand for sanitiser products has heavily diminished over the course of the last year, due to market saturation and reduced 'panic' usage by consumers as Covid-19 risks fall. Hence, the Aerosols division is building on category growth opportunities within insecticides and household products as well as regional sales growth opportunities in Germany.



What are the profit recovery actions in place?

A

Our division is focused on implementing price increases to offset the high raw material prices that are coming primarily from metals (aluminium and steel) as well as gases. Our market position and close relationships with our customers has shown good success with negotiating new prices, albeit with delays.

Next year we expect to see good growth from the actions to secure new business over the past 18 months. Ensuring this growth delivers the expected improved profitability is a key priority for the team. Additionally, cost control and product engineering will continue to be a constant focus for the local team to secure improved profitability.



(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

Our divisions continued



Teong Dee Ong
Managing Director Asia Pacific

Revenue
£22.4m
2021: £24.0m

Adjusted
operating (loss)/
profit⁽¹⁾
£0.7m
2021: £1.9m

Adjusted ROCE⁽¹⁾
5.7%

Performance review

Asia Pacific revenue of £22.4 million was lower by 6.7%, adjusted operating profit⁽¹⁾ of £0.7 million was lower by 61.1%, both on a constant currency basis⁽²⁾. This resulted in an adjusted operating profit margin of 3.3%.

The division's performance has been hit significantly for the second year in a row by external factors. The extended and severe pandemic lockdowns created reduced demand in the stores. Footfall in stores across the region decreased due to Covid-19 and our run rates have been notably hit, especially in the first three quarters of the fiscal year. In addition, some of the usual promotional activities did not take place as planned in the third quarter.

The overall fall in sales of 6.6% was primarily due to Australia being lower year-on-year. Nevertheless, thanks to the strong resilience of the local teams and our customers' trust as we were slowly exiting out of Covid-19, we could see a recovery appearing in the fourth quarter of the fiscal year, with sales picking up again in Malaysia and South-East Asia, while demand in Australia has also been recovering.

The impact of Covid-19 was evident in our operations. Strict lockdown rules meant shortages of foreign workers able to enter Malaysia, impacted output and service levels. At our site in Vietnam, we had to review our operational set-up by hosting workers on site for a few months. On top of this, unprecedented floods in Malaysia temporarily blocked access to the production facility.

Lastly, the disrupted global supply chain affected export shipments as container availability was erratic while costs increased significantly.

Our adjusted operating profit of £0.7 million was £1.2 million lower than last year. This was driven by the same exceptional raw material cost increases experienced in all the divisions. However, we successfully offset those costs with some price increases to our main customers in retail and contract manufacturing, but could not completely balance the higher costs we incurred. Managing our cost base has remained a priority to try and combat the general inflationary pressures we experienced.

While our operating profit margin has declined versus last year, the division still reported a profit, a good performance considering the general environment and trading conditions of the past year. Along with the recent change in Regional Managing Director, further reinforcement of the local management team is planned in the coming year to support future growth for the division.



(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

Q&A with Teong Dee Ong



Has the business environment changed post Covid-19 and how does this affect the growth ambitions for the division?



As we come out of the pandemic, consumer demand is recovering. Therefore, our key private label customers are looking to grow volumes through store expansions, aggressive marketing campaigns and new product launches. In addition, an increasing number of branded companies are mitigating their centralised regional product manufacturing base risk to multiple 'closer to home' supply sources.

With our new Malaysia production facility being fully operational, we are in a better position to grow our business, by offering increased manufacturing capacity to multinational branders and our retail partners, both on personal care and household categories across the region.

Innovation and cost efficiency are particularly important considerations in the post Covid-19 environment as inflationary pressures impact our retailers and their end consumers. This is especially key for success in Australia, in order to offset the higher costs arising from logistics.

Our local team is now well positioned to capitalise on these trends and to engage more actively with all our customers who are seeking a high-quality, reliable and blue-chip regional partner.



How do you intend to develop and grow your household business credentials in the region?



Our ambition is to fast-track growth in Asia Pacific by leveraging McBride plc's household sector expertise in laundry, cleaners and dishwashing products. New focus will be placed on R&D through improved coordination between our commercial and operational teams to ensure we provide a smart and efficient process to transfer knowledge. We also have access to our Group R&D sector specialists in our European Centres of Excellence, to work on key projects.

We will be investing in household production capabilities in Malaysia to build on our reputation as a low-cost/high-quality manufacturer. This will enable us to compete effectively for household business in private label and also branded contract manufacturing opportunities.

Our commercial teams are also engaging actively with our key private label customers to expand our partnership into household products. We are also looking to compete effectively for branded contract manufacturing opportunities through the relationships already established by our European divisions.

CFO's report



Mark Strickland
Chief Financial Officer

With the success of our pricing actions and our revised financing arrangements now in place, we emerge from a disappointing year impacted by unprecedented input cost inflation with optimism that we are still well placed to deliver our Compass strategic plans.

Group operating results

The full-year operating loss from continuing operations of £26.7 million was a significant reduction from the prior year (2021: profit of £15.5m). Full-year adjusted operating loss⁽¹⁾ of £24.5 million was also significantly lower than the prior year (2021: profit of £24.1m) and adjusted operating profit margin decreased from 3.5% to (3.6)%.

During the year, the Group experienced rapid input cost inflation and supply chain disruptions, exacerbated further in the second half of the year by the conflict in Ukraine. These impacts have been predominantly offset through pricing and value engineering actions. However, the time lag between the exceptional levels of input cost inflation hitting our business and the mitigating actions being agreed with, and then implemented by, our customers, significantly impacted our profitability.

Group EBITDA

Full-year adjusted EBITDA⁽¹⁾ of £(3.6) million (2021: £45.5m) reflected the challenging trading conditions.

	2022 £m	2021 £m
Operating (loss)/profit	(27.1)	14.8
Add back operating loss from discontinued operations	0.4	0.7
Operating (loss)/profit from continuing operations	(26.7)	15.5
Exceptional items in operating profit	(0.4)	6.2
Amortisation	2.6	2.4
Adjusted operating (loss)/profit ⁽¹⁾	(24.5)	24.1
Depreciation of property, plant and equipment	16.9	17.6
Depreciation of right-of-use assets	4.0	3.8
Adjusted EBITDA ⁽¹⁾	(3.6)	45.5

(1) Please refer to APM in note 2.

Exceptional items

Total exceptional items of £3.1 million were recorded during the period in relation to continuing operations (2021: £6.2m), including £3.5 million exceptional finance costs and a £0.4 million exceptional credit within operating profit. The charges primarily comprised the following:

- £3.5 million of costs in relation to the independent business review programme, recognised within finance costs;
- £0.7 million cost relating to the Group's logistics transformation programme, including £0.8 million of consultancy costs and £0.2 million of redundancy costs, offset by £0.3 million of profit on sale of a warehouse in France;
- £0.6 million additional costs relating to the revaluation of the ongoing environmental remediation liability in Belgium;
- £0.1 million in respect of one-off legacy costs in relation to the former UK Aerosols site in Hull; partially offset by:
- £1.8 million profit on the sale of the Barrow site, which ceased operations in October 2020, offset by £0.4 million clearance and site closure costs; and
- £0.4 million gains relating to Programme Compass, including £1.6 million profit on sale of a factory in Malaysia, offset by £0.9 million impairment of fixed assets and £0.3 million in consulting support and other project expenses.

Finance costs

At £5.1 million, adjusted finance costs⁽¹⁾ were £0.9 million higher than the prior year, driven by net foreign exchange losses (2021: £4.2m).

Loss before tax and taxation

Reported loss before taxation from continuing operations was £35.3 million (2021: profit of £11.3m). Adjusted loss before taxation⁽¹⁾ from continuing operations was £29.6 million (2021: profit of £19.9m). The tax credit on continuing adjusted loss before tax⁽¹⁾ for the year is £9.3 million (2021: £1.1m credit) and the effective tax rate is 31% (2021: (6)%).

The statutory effective tax rate on continuing operations for the year is 32% (2021: (24)%).

The Group operates across a number of jurisdictions and tax risk can arise in relation to the pricing of cross-border transactions, where a taxation authority's interpretation of the arm's length principle can diverge from the approach taken by the Group. During the year the Group made minor changes to the Group's transfer pricing policy to update it for changes to operating structures and accountabilities following Programme Compass changes that are now fully embedded.

Earnings per share

On an adjusted basis, diluted loss per share⁽¹⁾ from continuing operations was 11.7 pence (2021: earnings of 11.7p). Total adjusted diluted loss per share⁽¹⁾ was 11.7 pence (2021: earnings of 11.7p), with basic loss per share at 14.0 pence (2021: earnings of 7.5p).

(1) Please refer to APM in note 2.

CFO's report continued

Payments to shareholders

On 2 November 2020, the Company announced that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next AGM.

During the year, the Group purchased and cancelled 0.2 million ordinary shares (2021: 8.6m) representing 0.1% (2021: 4.7%) of the issued ordinary share capital as at 2 November 2020. The shares were acquired at an average price of 77.0 pence (2021: 79.3p) per share, with prices ranging from 73.3 pence per share to 78.6 pence per share (2021: 61.0p per share to 90.0p per share). The total cost of £0.1 million (2021: £6.8m) was deducted from equity. A transfer of £nil (2021: £0.9m) was made from share capital to the capital redemption reserve. The Board ended the share buy-back programme on 7 September 2021.

Investing in the business to drive mid-term sustainable profitable growth is a key priority of the Group. The Group's flexible policy on payments to shareholders makes distributions when appropriate and affordable. More specifically, annual payments will be payable only when the net debt⁽¹⁾ to adjusted EBITDA⁽²⁾ leverage ratio (on an accounting basis) is 2.0x or less. Once this ratio is 2.0x or less the Group has indicated a progressive dividend policy, as follows:

1.5x to 2.0x	Base dividend – one sixth of EPS	Cash
1.0x to 1.49x	Additional distribution – one sixth of EPS	Cash/share buy-back/retain
Below 1.0x	Special distribution	At Board's discretion

Since the ratio was over 2.0x at 30 June 2022, and per the agreement with our lender group not to pay dividends for the duration of the new banking agreement, the Board does not propose a distribution to shareholders.

Cash flow and balance sheet

	2022 £m	2021 £m
Free cash flow ⁽¹⁾		
Adjusted EBITDA ⁽¹⁾	(3.6)	45.5
Working capital excluding provisions and pensions	(15.3)	(9.4)
Share-based payments	—	0.3
Loss on disposal of fixed assets	0.3	0.4
Non-exceptional impairment	(0.1)	0.3
Pension deficit reduction contributions	(4.0)	(4.0)
Free cash flow ⁽¹⁾	(22.7)	33.1
Exceptional items	(4.1)	(8.0)
Interest on borrowings and lease liabilities less interest receivable	(3.3)	(3.2)
Tax paid	(0.1)	(7.3)
Net cash (used)/generated from operating activities	(30.2)	14.6
Net capital expenditure ⁽²⁾	(13.2)	(28.5)
Debt financing and refinancing activities	22.9	1.1
Settlement of derivatives	0.4	3.8
Free cash flow to equity ⁽³⁾	(20.1)	(9.0)
Dividends paid/redemption of B Shares	(0.1)	(2.0)
Share buy-back	(0.1)	(6.8)
Purchase of own shares held by Employee Benefit Trust	—	(0.3)
Net decrease in cash and cash equivalents	(20.3)	(18.1)

Net cash absorbed by continuing operations before exceptional items was £22.7 million (2021: net cash generated of £33.1m) in the year to 30 June 2022.

Working capital outflows increased compared to the prior year primarily due to the effects of inflation rolled up in net working capital, combined with reductions in creditor payment terms driven by the loss of credit insurance.

(1) Please refer to APM in note 2.

(2) Net capital expenditure is capital expenditure including capital payments on lease liabilities less proceeds from sale of fixed assets.

(3) Free cash flow to equity excludes cash flows relating to transactions with shareholders.

(4) Gearing is defined as net debt/average year-end capital.

During the year, capital expenditure, including capital payments on lease liabilities less proceeds from the sale of fixed assets, was £13.2 million (2021: £28.5m) in cash terms. The reduction in capital expenditure levels resulted from careful management of cash flows to mitigate increases in net debt during the current challenging trading conditions. We continue to prioritise capital expenditure to underpin our strategy of focused investment in our growth categories.

In the final months of its share buy-back programme, the Group bought back shares for a total cash outflow of £0.1 million (2021: £6.8m) in the year. The Employee Benefit Trust purchased none (2021: £0.3m) of McBride plc shares.

The Group's net assets decreased to £57.0 million (2021: £69.8m). Gearing⁽⁴⁾ increased to 80% (30 June 2021: 66%), resulting from the increase in net debt, and adjusted return on capital employed⁽⁵⁾ of (11.4)% was lower compared to the prior year (2021: 11.5%).

Bank facilities and net debt⁽⁴⁾

Net debt⁽⁴⁾ at 30 June 2022 increased by £46.0 million to £164.4 million (30 June 2021: £118.4m), as a result of both the significant reduction in adjusted EBITDA⁽¹⁾, and working capital increases caused by the exceptional input cost inflation experienced in the year. Net debt⁽⁴⁾, excluding IFRS 16, increased by £45.3 million to £152.4 million (30 June 2021: £107.1m), again mainly due to challenging trading conditions.

Throughout the year the Group had an unsecured €175 million multi-currency, sustainability-linked revolving credit facility (RCF). The facility was agreed initially for a five-year tenor to May 2026, with the option to be extended to 30 September 2027, and is provided by a syndicate of supportive international bank lenders. The facility also includes a €75 million uncommitted accordion feature which could provide additional commitments for potential acquisitions in support of our Programme Compass strategy.

The facility, which is aligned with the Loan Market Association's 'Sustainability Linked Loan Principles', incorporates three sustainability performance targets which are central to McBride plc's commitment to maintaining a responsible business and contributing actively to a more sustainable future:

1. Renewable energy: McBride plc strives to reduce its environmental impact by increasing the percentage of energy from renewable sources from 5.9% in 2020 to 70.0% in 2026. During this financial year, 25.5% of the Group's energy came from renewable sources, beating the target of 15.0% by 30 June 2022. This was driven by an increase in renewable energy into the Moyaux manufacturing site.
2. Recycled content: As plastics are a significant element in many of the final products of McBride plc, the Company targets to increase significantly the post-consumer recycled content of polyethylene terephthalate (PET) plastic packaging sourced for manufacturing its products, from 64.0% in 2020 to 94.0% in 2026. During this financial year, 81.0% of PET bought had post-consumer recycled content, exceeding the target of 74.0%.
3. Responsible sourcing: McBride plc targets the sourcing of all paper and card components responsibly via FSC[†] approved suppliers, with the percentage of virgin carton sourced from FSC[®] approved suppliers increasing from 50.0% in 2020 to 100.0% in 2026. By 30 June 2022, the percentage of skillets sourced that are FSC[®] certified was 60.5%, slightly ahead of the target of 60.0% by 30 June 2022. Successful achievement of all three annual targets will result in a reduction of 0.05% of the margin of the facility.

Position prior to 29 September 2022

The Group's revolving credit facility (RCF) funding arrangements are subject to banking covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants: debt cover (the ratio of net debt to EBITDA) may not exceed 3.0x and interest cover (the ratio of EBITDA to net interest) may not be less than 4.0x. For the purpose of these calculations, net debt excludes IFRS 16 leases and amounts drawn under the Group's invoice discounting facilities.

CFO's report continued

Bank facilities and net debt⁽¹⁾ continued

Position prior to 29 September 2022 continued
On 22 December 2021, the Group announced that its lender group waived the December 2021 covenant tests, following the significant deterioration of EBITDA due to unprecedented levels of input cost inflation. In reaching the agreement of the waiver, the Group agreed to maintain liquidity (cash plus facility headroom) of at least £40 million and not to pay dividends until the Group evidences compliance with its existing covenants. On 29 June 2022, the Group announced that its lender group waived the June 2022 covenant tests until 30 September 2022, with the same conditions.

As at 30 June 2022, the debt cover ratio under the RCF funding arrangements was (93.3)x (2021: 1.5x) and the interest cover was (0.2)x (2020: 11.0x). The amount undrawn on the facility was €64.5 million (2021: €87.0m).

At 30 June 2022, the Group had a number of facilities whereby it could borrow against certain of its trade receivables. In the UK, the Group had a £20 million facility that was committed until October 2022. In France and Belgium, the Group had an aggregate €30 million facility, on which a maximum of €25 million can be borrowed, with a rolling notice period of six months for the French part and three months for the Belgian part. In Germany, the Group had a €35 million facility committed until December 2023. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the value of the respective receivables.

The Group also has access to uncommitted working capital facilities amounting to £22.7 million at 30 June 2022 (2021: £44.3m). At 30 June 2022, £6.8 million (2021: £5.9m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

Position post 29 September 2022

On 29 September 2022, the Group announced that it had agreed an amended RCF with its lender group, ensuring the Group has sufficient levels of liquidity headroom and can comply with revised covenant requirements. Key provisions of the revised agreement are:

- €175 million sustainability-linked RCF confirmed to May 2026;
- the option to extend to 30 September 2027 and the €75 million accordion feature previously agreed have been removed;
- RCF shall be secured against material asset, share and inter-company balances;
- RCF commitments to reduce, and be cancelled, in the amount of the Euro equivalent of £2.5 million every three months from September 2024 up until the termination date;
- existing bilateral overdraft facilities shall become ancillary facilities committed until 30 September 2024;
- invoice discounting facilities shall be committed to 30 September 2024;
- liquidity shall not be less than £15 million when tested on or prior to 30 September 2024;
- liquidity shall not be less than £25 million when tested post 30 September 2024;
- net debt cover and interest cover covenants to be tested quarterly from 30 September 2024;
- no dividends will be paid to shareholders until there is an 'exit event', being a change of control, refinancing of the RCF in full, prepayment and cancellation of the RCF in full or upon the termination date of the RCF, being May 2026; and
- the arrangement includes an 'upside sharing' mechanism whereby a fee will become payable by the Group to members of the lender group upon the occurrence of an exit event. Such fee to be determined as a percentage of any increase from the current market capitalisation of the Group to the market capitalisation of the Group at the date of such exit event.

(1) Please refer to APM in note 2.

The Group considers that the arrangement achieves an appropriate balance between the interests of all stakeholders of the Group. In particular, we have been in regular discussion and consultation with the Trustee of the Group's defined benefit pension scheme in the UK. In order to preserve and support the position of the scheme, with the support of the lender group, we have agreed to provide in favour of the scheme a package of additional credit support in the UK, as well as a new information sharing protocol to ensure ongoing communication between the Group and the Trustee remains comprehensive.

The Group is currently negotiating to further increase liquidity by £25 million through extension of invoice discounting facilities to unencumbered receivables ledgers. However, there is no certainty that these negotiations will be successful.

The Group continues to explore and assess all avenues to improve liquidity and create additional funding for the benefit of all stakeholders. We are fully appreciative of the support that the lender group has given and continues to give the Group through this period of uncertainty caused by macroeconomic factors, which have resulted in rapid and unprecedented rises in input costs, and ongoing global supply chain challenges.

Pensions

In the UK, the Group operates a defined benefit pension scheme, which is closed to new members and to future accrual.

A cash flow driven investment (CDI) strategy was implemented during the first half of the financial year to 30 June 2020. Using credit/bond investments, the CDI strategy delivers a stable, more certain, expected return and reduced volatility in the reported accounting deficit as assets and liabilities of the fund are better matched. At 30 June 2022, the Group recognised a deficit on the scheme of £14.4 million (30 June 2021: £29.3m). The deficit decreased significantly during the year primarily due to an increase in corporate bond yields. Following the triennial valuation at 31 March 2021, the Company and Trustee agreed a new deficit reduction plan based on the scheme funding deficit of £48.0 million. The current level of deficit contributions of £4.0 million per annum, payable until 31 March 2028, will continue and this is expected to eliminate the deficit by 31 March 2028. The Company has separately agreed that (from 1 October 2024) if EBITA exceeds £30 million in any year following the year ending 31 March 2023, additional annual deficit contributions of £0.34 million for each £1 million of EBITA above £30 million, up to a maximum of £1.7 million, will become payable (monthly in arrears). Also, the Company has agreed to make additional contributions such that the total deficit contributions in any year match the value of any dividend paid. These arrangements will provide scope to de-risk and/or accelerate the recovery plan, where affordability of the business allows. The funding arrangements and recovery plan will next be reviewed by the Company and Trustee as part of the 31 March 2024 valuation.

The Group has other post-employment benefit obligations outside the UK that amounted to £1.7 million (30 June 2021: £2.6m).

Mark Strickland
Chief Financial Officer

Key performance indicators

Financial

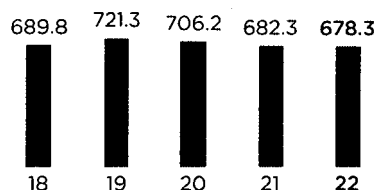
Revenue (£m)

Definition and why we measure
Revenue from contracts with customers from the sale of goods is measured at the invoiced amount, net of sales rebates, discounts, value added tax and other sales taxes.

A key performance indicator of commercial performance, this marks the progress that we are making towards our strategic objective of growing to €1 billion revenue.

How we've performed

Headline revenue declined by £4 million, but on a constant currency⁽²⁾ basis grew by £19.3 million or 2.9%. Revenue in the second half was 13.4% up in constant currency⁽²⁾ terms. Reduced volumes in contract manufacturing and weaker private label sales in Unit Dosing were offset by price rises across all divisions.

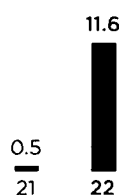


Cost savings (£m)

Definition and why we measure
Cost savings achieved from the implementation of strategy. Cost optimisation is the backbone of the first two years of our five-year Compass plan. As such, we are committing to deliver annualised cost savings of £20 million by the end of 2023.

How we've performed

In 2022 £11.6 million cost savings have been achieved, this being the first full financial year that the new organisation structure was in effect. Cost savings have resulted from cost of product initiatives, warehouse optimisation and reductions in overheads.



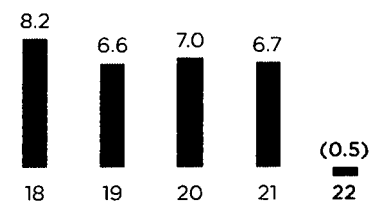
Adjusted EBITDA⁽¹⁾ margin advances (%)

Definition and why we measure
The calculation of adjusted EBITDA⁽¹⁾, which when divided by revenue gives this EBITDA margin, is defined in the adjusted measures section of note 2 to the accounts.

We measure adjusted EBITDA⁽¹⁾ margin to get a good view of the underlying profitability of the Group, having adjusted for the impact of discontinued operations, exceptional items, depreciation and amortisation.

How we've performed

The time lag between the benefits of price rises with customers and when the Group was affected by the impact of inflationary costs pushed the Group into losses this year and hence led to a reduction in margin performance.



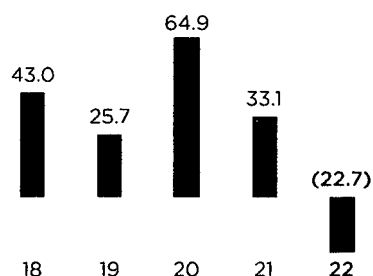
Free cash flow⁽¹⁾ increase (£m)

Definition and why we measure

Free cash flow⁽¹⁾ is an important indicator of our overall operational performance as it reflects the cash we generate from operations. Free cash flow⁽¹⁾ is defined as cash generated from continuing operations before exceptional items (see note 2).

How we've performed

Free cash flow⁽¹⁾ declined by £55.8 million, driven by a £49.4 million year-on-year reduction in adjusted EBITDA and £5.8 million increased working capital outflows.



Adjusted ROCE⁽¹⁾ improvement (%)

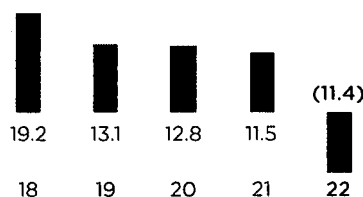
Definition and why we measure

Adjusted ROCE⁽¹⁾ is defined as total adjusted operating profit⁽¹⁾ from continuing operations divided by the average period-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables (see note 2).

Adjusted ROCE⁽¹⁾ serves as an indicator of how efficiently we generate returns from the capital invested in the business. It is a Group KPI that is directly relatable to the outcome of investment decisions.

How we've performed

Adjusted ROCE⁽¹⁾ has reduced from 11.5% to (11.4%). Capital employed has increased to £218.7 million (2021: £209.3m). The key driver of the decrease is the decline in adjusted operating profit⁽¹⁾ to a loss of £24.5 million (2021: profit of £24.1m).



Non-financial

Health and safety

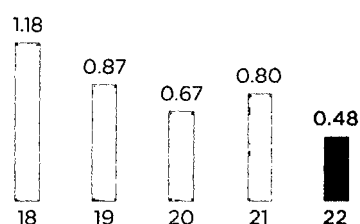
Definition and why we measure

We define our lost time frequency rate as number of lost time injuries x 100,000 divided by total number of man-hours worked.

We measure this to track performance against our key imperative of ensuring that all of our colleagues return home safe and healthy at the end of every working day.

How we've performed

Our accident frequency rate fell by 40% with accident numbers falling 45%. These are the lowest levels achieved by the Group in at least the past 15 years.



Customer service level (%)

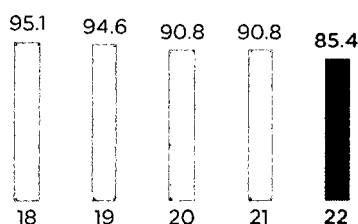
Definition and why we measure

We define customer service level as: the volume of products delivered in the correct volumes and within requested timescales, as a percentage of total volumes ordered by customers.

We strive to deliver a high and consistent customer service level to allow customers to operate their supply chains efficiently and effectively.

How we've performed

2022 has been particularly challenging as a result of supply shortages and disruptions together with a difficult logistics environment. As we enter the new financial year, focused actions are resulting in improvements in our service performance.



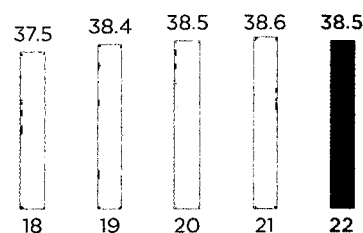
Gender split – female (%)

Definition and why we measure

We define gender split as the proportion of our total workforce that is female. We value diversity and inclusion in all forms, with gender split just one measure of this. We endeavour to promote diversity in our workplace to enhance the success of our business.

How we've performed

Our proportion of female colleagues has remained broadly stable in the past few years at between 37.5% and 38.5%⁽³⁾.



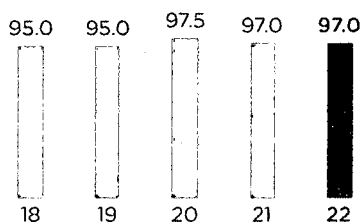
Customer quality (%)

Definition and why we measure

We measure customer quality using a customer satisfaction index which combines critical issues, audit results, returns and complaints.

How we've performed

We continued to perform well in 2022 with appropriate action plans in place to further upgrade our standards in line with evolving customer and contract manufacturing requirements. There continues to be an improvement in the reduction of microbiological contamination risks despite increased limitations on the use of restricted preservatives.



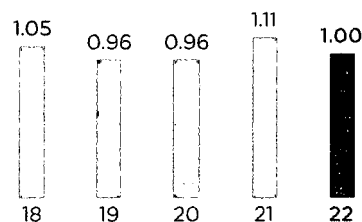
Research & development expenditure (%)

Definition and why we measure

We define this as total research and development expenditure as a percentage of Group revenue. We measure this to ensure that we are investing at the required levels in order to meet our product innovation and sustainability objectives.

How we've performed

Our research and development expenditure as a percentage of Group revenue has reduced to 1.00%, down from 1.11% in the previous year, mainly due to cost management measures put in place across the business.



(1) Please refer to APM in note 2.

(2) Comparatives translated at 2021/22 exchange rates.

(3) Includes employees, third-party contractors and agency workers.

Our stakeholders

Section 172(1) statement

How we engage and foster strong relationships with some of our key stakeholders.

The Directors are fully aware of their responsibilities to promote the success of the Group in accordance with section 172 of the Companies Act 2006. The Board considers it has acted in good faith and made decisions which promote the long-term success of the Group for the benefit of its shareholders and its people. In doing so, it considered the interests of stakeholders impacted by the business as well as its legal duties. It acknowledges that as it works towards securing the Group's success and sustainability and delivering on our strategy it needs to build and maintain successful relationships with a wide range of stakeholders within an interconnected society. The Board has identified five key stakeholder groups and recognises that it must ensure the perspectives, insights and opinions of stakeholders are understood and taken into account when key decisions are being made. Equally, not all decisions will result in a positive outcome for all stakeholders; however, the Board recognises that its decisions should nonetheless be justifiable in themselves.

Factors taken into account in the Board's decision-making included:

- likely consequences of any decisions in the long term;
- the interests and wellbeing of our people, including health and safety risks;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- the compliance and financial risks to the Company and our stakeholders; and
- the need to act fairly between shareholders of the Company.

Examples of how the Board had oversight of stakeholder matters and had regard for these matters and the potential impact on stakeholders when making decisions, are set out here.



Workforce

Customers

Suppliers

Shareholders

Communities

Workforce

Why significant

We are committed to providing a strong and positive culture for our 3,253 colleagues⁽¹⁾ in twelve countries and recognise that culture plays a fundamental role in the delivery of our strategic priorities.

How we engage

The Executive Committee is ultimately responsible for ensuring that our activities reflect the culture we wish to instil in our colleagues and other stakeholders to drive the right behaviours. Our culture comes to life through our three core values, which remain unchanged. These values underpin our purpose and have become a vital part of our culture.

We are committed to providing an open and inclusive culture, where colleagues have the opportunity to progress and where they are supported in their development.

2022 highlights

Our hard-working and committed colleagues have continued to demonstrate extraordinary levels of teamwork, agility and resilience over the last year when we have faced a significant period of uncertainty caused by macroeconomic factors which have impacted our trading position. Working together to do the right thing by each other, for our customers, our shareholders and our communities has been critical.

We continued to work closely with the European Works Council (EWC) members over the last year, with the aim of effectively engaging employee representatives from the different European countries in which we operate.

Outcomes and impact of key decisions

We recognise that our colleagues are fundamental and core to our business and the delivery of our strategic priorities. The success of our business depends on attracting, retaining and motivating talented employees.

Over the past year, we have made some great progress, demonstrated by engagement and pride in McBride plc, which has supported the business through a very challenging period.

- From June 2022 all colleagues had access to a digital learning platform containing modules, allowing them to build broad, future-fit skills across a wide range of topics. This new learning journey allows colleagues to access a broader range of career and learning opportunities at McBride plc.
- We continued to roll out our 'Let's Grow' development programmes with 126 colleagues attending courses on 'Investing in Me', 'Learning 2 Lead' and 'Leading with Impact'.
- Our McBride Cares Employee Assistance Programme continues to provide a confidential telephone counselling support line 24/7/365 for colleagues and their direct families.
- We have continued to operate with an interim smart home working programme for eligible office-based colleagues, allowing them to work in a hybrid way spending 50% of their working time from home.

(1) Includes employees, third-party contractors and agency workers.



Our stakeholders continued

Customers

Why significant

Good relationships with our customers are the fundamental bedrock of our business. Under our new divisional structure, a core ambition is to provide focused and specialist insight to help our customers with the optimal portfolio proposition that best suits their business.

How we engage

We aim to deliver industry-leading value, service and quality for our customers. Our specialist commercial and technical teams, supported by central teams such as logistics and purchasing, look to drive long-lasting, trusted relationships with different teams in our customers, ultimately providing a compelling and value range of products. Reacting quickly and effectively to changing requirements is increasingly a core competence in our customer proposition.

2022 highlights

This past year has seen frequent interactions with all our customers, primarily around the subject of inflation in the supply side requiring customer support for price rises. Our interactions have reached varying levels within our customers, from CEO to junior buyer. At all times in these difficult conversations McBride plc has provided transparency and co-operated with the demands and requests from customers. We have increasingly offered customers other solutions to offset inflation in pricing, demonstrating our understanding of the difficulty of dealing with inflation for our customers.

Outcomes and impact of key decisions

Our position on requested price increases was to look to recover short-term cost rises to cover known inflation in the coming months and not rely on long forward estimates and then to seek revision if these estimates proved inaccurate. We consider our approach, supported by real data, assisted in delivering the level of price increases achieved.

Suppliers

Why significant

Raw materials drive the vast majority of our product costs. Price increases, delays or interruption in the supply of raw materials could significantly affect both our operations and financial position.

How we engage

Our Supplier Code of Conduct, which is visible on our website, sets out the standards of behaviour we expect from all of our suppliers. We continually seek to establish mutually beneficial relationships with each of our suppliers and encourage them to match our high standards. Our centralised Group Purchasing function is dedicated to sourcing the Group's key materials and maintaining constructive and collaborative two-way communication across our supplier base. A due diligence exercise is carried out on new suppliers and regular audits take place.

2022 highlights

Over the last twelve months we have seen global supply chains struggle to cope with the plethora of daily challenges they have faced. These have ranged from shipping container availability through to surging energy prices, creating availability pressures in multiple areas, with rapid and extraordinary increases in virtually all raw material and other input costs. Maintaining a reliable supply into our factories has been challenging, but with the support of some key suppliers we have been hugely successful in this area.

Outcomes and impact of key decisions

Having a centralised Group Purchasing function has allowed us to leverage long-standing relationships with suppliers across our network in order to keep our factories supplied. Our teams have worked tirelessly to negotiate improved pricing and supply terms with all suppliers, delaying increases or minimising their impact where possible. The close collaboration with the divisional R&D teams has been critical in ensuring that we minimise supply disruption risks by being able to access multiple sourcing options identified through our risk assessment exercises.

The last twelve months has further demonstrated that the Group is not overly reliant on any single supplier.

The Board recognises the importance of strong supplier relationships to the overall success of the business. Our UK payment practices reports are filed on the government website by our trading subsidiary Robert McBride Ltd.

Shareholders

Why significant

A key objective of the Board is to create value for shareholders and deliver long-term, sustainable growth. By engaging with our shareholders we ensure confidence and continued support from shareholders and alignment of interests.

How we engage

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

All Directors are available at the AGM, either in person or virtually, to answer questions.

2022 highlights

During the year:

- McBride plc undertook its regular programme of engagement with shareholders, which included: the financial reporting cycle comprising full-year and half-year results; quarterly trading statements; and the AGM;
- Director-investor meetings covered the two key announcements regarding the ongoing support from the Company's lender group;
- the Board received updates from the Company's brokers;
- the Chairman and Chief Executive Officer engaged with four of the Company's shareholders to secure support for an increase in the Group's borrowing limit, which was subsequently approved at the General Meeting held on 25 August 2022; and
- shareholder feedback was provided by the Chairman or Chief Executive Officer to the Board following all meetings or conversations with shareholders.

Outcomes and impact of key decisions

Shareholder views consistently inform McBride plc's strategic activities and during the recent period of economic uncertainty, the views of the Company's major shareholders have informed the actions of the Board in the recovery of the financial situation facing the Group.

Communities

Why significant

We continue to recognise our responsibility to actively engage and support the local communities in which we live and work beyond simply providing employment.

How we engage

The Company proactively supports and encourages colleagues from all locations to come together to support local initiatives, organise product donations, raise funds for chosen charities and volunteer for local organisations. Examples are provided in the ESG report under 'Community and social vitality' on pages 42 to 55.

2022 highlights

Each of our McBride sites continues to support their local community through specific efforts such as:

- donating products to a range of local organisations including schools, hospitals, aid organisations, churches, shelters and foundations in the countries in which we operate;

- supporting the children of McBride plc colleagues with educational grants;
- continuing to support In Kind Direct with product and cash donations;
- providing local employment opportunities; and
- providing development opportunities through our Let's Grow development programmes and the Workday learning platform.

More information on this can be found in the ESG report under 'Community and social vitality' on pages 42 to 55, which highlights some of the charitable activities over the last financial year.

Outcomes and impact of key decisions

Helping and supporting local communities and improving the living conditions in the areas where we operate remains high on our priorities. We also recognise that, whilst we have made good progress in recent years, there is still much for us to do this coming year.

Environmental, social and governance



Environmental

Social

Governance

Our impact on the world

Our contribution to our
colleagues and the communities
where we do business

How we conduct ourselves

Operations
Products
Transport
Waste
Water

Dignity and equality
Health and wellbeing
Skills for the future
Employment/wealth generation
Community and social vitality

Governance body quality
Stakeholder engagement
Ethical behaviour
Risk and opportunity oversight

Our ESG agenda is successfully aligned to our cost-conscious approach and we are now actively reporting on our clear ambitions and responsibilities.

McBride plc works to integrate the principles of long-term environmental and social sustainability within its business strategy. Our approach to sustainability is underpinned by an analysis of the environmental, social and governance issues that are most relevant and important in the context of McBride plc's business activities. Whilst the Company recognises it must tackle climate change to remain sustainable, it also places environmental, social and governance issues at the core of its approach to sustainability.

Given their strategic significance, our ESG priorities are actively driven and managed by a cross-functional ESG Committee, overseen directly by the CEO and reported to the Board. The Board:

- oversees strategies to manage social and environmental risks, including management processes and standards;
- reviews the effectiveness of management policies and procedures relating to safety, health and employment practices;
- monitors our key performance indicators against agreed commitments;
- approves recommendations from the executive ESG Committee in respect of key ESG issues and related objectives;
- monitors the level of resource, competence and commitment applied to the management of ESG issues to ensure a culture of continuous improvement; and
- supports McBride plc's commitment to make a positive contribution to the communities in which it operates.

We have developed a framework of non-financial key indicators and metrics to assess our performance against our ongoing environmental, social and governance objectives which sit alongside our obligations under the UK Corporate Governance Code ('the Code'). Progress is regularly monitored by the ESG Committee and reported on to our Board for review.

In 2020, we set ambitious targets for 2025 on product sustainability and our operations covering packaging recyclability, energy efficiency and waste. This year we have completed the external assessment of our corporate carbon footprint (CCF) where we can now see the shape of our emissions to enable our teams to target the most impactful areas of our operations, products, transport and employee travel. This data will allow us to set our future targets to be Net Zero Carbon and define the action plans we need to successfully deliver the reduction required. We continue with our ethos on product development to ensure that any new development is more sustainable than the product it is replacing and we are working with an external partner to measure the carbon footprint of individual products as well. This data helps to make even better choices in our product formulation and packaging to ensure the end result has a lower impact on the world than the previous product.



Environmental, social and governance continued



Environmental

Our impact on the world

We recognise the criticality of the environmental element of ESG to our business model

In the past twelve months, the Environmental sub-team (focusing on the 'E' element of ESG) has been working with an external consultant, Climate Partner², to measure our corporate carbon footprint. The measurement was based on the twelve months to 30 June 2021 and we plan to update this with data for the twelve months to 30 June 2022.

Establishing this calculation is the crucial next step in setting our priorities for carbon reduction and setting our Paris targets for Net Zero.

The work with Climate Partner² covered Scope 1, 2 and 3 emissions for our operations, including upstream and downstream activities. The outcome of the study calculated our footprint, excluding the 'products in use' component of 1.01 million tonnes of CO₂e. The largest contribution to our carbon footprint is driven by the following areas which collectively accounted for over 90% of our total emissions:

79%
purchased goods

11%
upstream transport and distribution

3%
own operations Scope 1 and 2 emissions

Within the 79% associated with purchased goods, 71% is attributed to the chemicals we use and 29% of the footprint is from packaging materials. This interesting insight will ensure we prioritise and focus our efforts not only relating to our packaging portfolio (which due to our plastic reduction ambitions is very high profile), but also on the choices we make on our chemicals and their sources going forward.

As we digest this data and move towards developing our plans and timeline for Net Zero, we continue to work on our early targets and actions, with our performance towards our 2025 targets reported in the following pages.

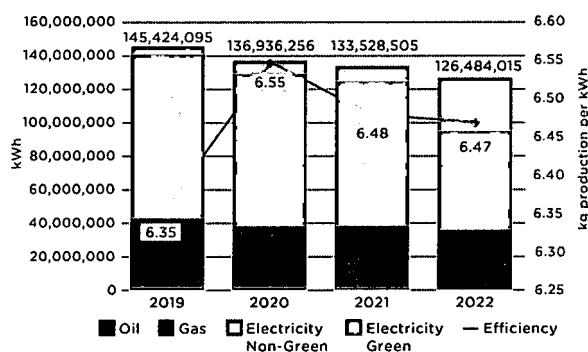
Impact - Operations

Energy consumption

We continue to work on initiatives supporting effective process design, production and operational sustainability to reduce the impact our operations have on the environment. It should be pointed out that the impact of Scope 1 and 2 in our overall carbon footprint is low and whilst any reduction in energy usage is good, it is not the highest of our environmental priorities.

Whilst we have reduced the absolute level of energy consumption by 5.2% in year and by 13.0% since 2019, as a result of product mix and slightly lower output levels, the efficiency measure is showing a flatter performance. In the next year, we will look to increase the activity in energy efficiency, targeting a range of energy efficiency opportunities across different sites depending on the process technology deployed for powders or liquids and the volume of in-house blow moulding machines.

McBride plc total energy consumption⁽¹⁾



(1) Total energy consumption for 2022 of 126 million kWh relates to 18 million kWh for the UK (14.3%) and 108 kWh for the rest of the world (85.7%).

Methodology note: This GHG inventory has been calculated in accordance with the GHG Protocol Corporate Accounting Standard using the operational control approach. UK Government GHG Conversion Factors for Company Reporting 2020 have been used to calculate GHG emissions. Electricity - Calculated from supplier invoices using metered kWh data. The Shared Services office has been estimated based on historic consumption as there was no up-to-date information available from the landlord (>1% of Scope 2 emissions).

Market-based emissions have been calculated using supplier specific fuel mix disclosures along with the UK residual fuel mix.

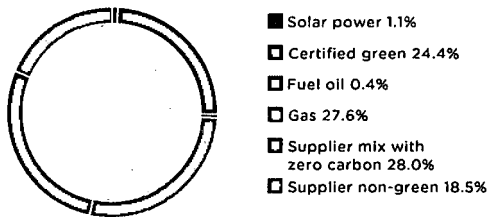
Natural gas - Calculated from supplier invoices using metered kWh data.

Gas oil - Calculated based on the volume of fuel delivered to site. UK Government conversion factors were used to convert the volumetric data to kWh.

We are continuing to drive innovation to deliver more sustainable formulations and packaging for our customers following our sustainable product guidelines.

Encouragingly, we see good progress in the development of the levels of 'green' electricity in our total consumption. In 2021, green electricity represented 7.0% of total energy consumption across our business, but in 2022 our green energy consumption has increased to 24.4%, mainly as a result of a move to 25% renewable energy in our Moyaux powder plant, meaning over 30 tonnes of CO₂e reduction in its carbon footprint. This is a significant step forward towards meeting our target to procure 30% of renewable energy across our locations.

Split of energy source including green element of supplier grid mix 2021-2022

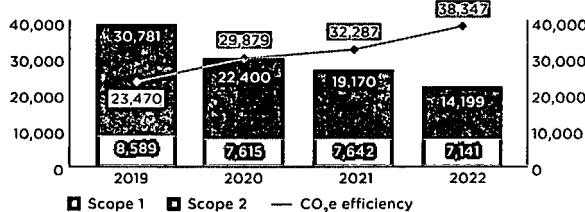


Greenhouse gases (GHG)

We have been calculating our Scope 1 and Scope 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 over the last four years is shown below. The substantial increase of 19% in the efficiency of CO₂e per tonne of production is driven by our increase in usage of renewable green energy.

Net Scope 1 and 2 CO₂e emissions (tonnes CO₂e)⁽¹⁾

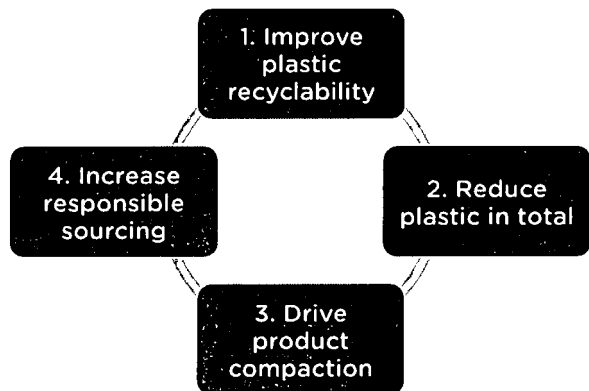


(1) Total emissions for 2022 of 21,340 tonnes relate to 2,815 tonnes for the UK (13.2%) and 18,525 tonnes for the rest of the world (86.8%).

Impact - Products

Following eco-design principles, our teams are driven to design, create and supply everyday cleaning products that are safe to use whilst minimising our environmental impact. We continue to use the ambition that every new development is more sustainable than the product it replaces.

Our areas of focus continue to be to develop solutions that:



Environmental, social and governance continued



Environmental continued

Our impact on the world

Impact - Products continued

Area of focus	2021	2022	2025 target
FSC® sourced	90.6%	91.4%	100%
100% recyclable	98.5%	98.5%	100%
50% PCR in our plastic packaging	15.6%	17.6%	50%
- PET	47.0%	52.2%	
- PE	4.7%	5.1%	
Flexible multi-plastic moved to mono-material plastic	21%	39%	100%

Sustainability is built into our product development processes; from the sourcing of appropriate raw materials, to developing new products, we ensure that all legal and McBride plc policy requirements are met, offering not only excellent performance but also proven sustainability benefits.

Microplastics are under continual scrutiny and in 2019, in line with the draft Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) restriction on microplastics, we identified two existing in-use materials that met this draft definition. The evolution of this definition is continuing to develop and it is likely that other materials will become within scope. McBride plc will meet all legal requirements with regard to the final REACH restriction on microplastics and will make sure that all products follow new guidelines within the legally mandated timelines. We will be ready such that customers wishing to remove raw materials considered today as microplastics (opacifiers, encapsulated fragrances) can have a product solution that does not use these materials.

As part of our plans to improve packaging recyclability we have now exited all PVC flexible laminate film used in our berlingot refills and moved to a mono-material PE laminate. This significantly improves the recyclability of this refill concept and production is now available in our Italian and Spanish plants. This project is helping McBride plc to move closer to our target that all our flexible plastic packaging will be produced with mono-material laminate by 2025.

We have continued to make progress on the use of recycled plastics, particularly in PET. Further progress on the overall target will depend on the success of being able to incorporate more recycled HDPE, where currently impurities can prevent its use in certain homecare products.

Our commitment to sustainability is also underlined via our membership of the A.I.S.E Charter 2020+, which is the detergent industry flagship approach to sustainability practice and reporting.

Products carrying the Charter icon demonstrate to our value chain partners, stakeholders, customers and consumers that we are actively working towards critical sustainability actions, such as the UN Sustainable Development Goals, EU Circular Economy and Plastics Strategy. The Charter is a comprehensive sustainability scheme for steering best practice for the cleaning and hygiene industry.

Impact - Transport

As a result of the completion of our carbon footprint calculations, we now know that transport comprises 10% of our overall footprint. Going forward, we can use this data to inform on logistics solutions and options concerning the carbon footprint impact of transport operations. McBride plc does not own or run its own truck fleet, hence there is no impact in Scope 1 emissions. Data for company cars is included in our GHG emissions figures on page 45.

Impact - Waste

We are continuing to reduce our waste to landfill year on year and we now have seven sites that are zero waste to landfill within the Group. In the last financial year, 378 tonnes were sent for landfill, a 25% reduction when compared to 507 tonnes in 2021. Proactive actions taken by our site leaders included raising awareness through colleague engagement to help reduce and segregate better the waste produced as well as seeking alternative options for waste that needs to be disposed of. We continue to drive for all sites to get to zero waste to landfill.

Case study on laundry unit-dose

Disruptive innovation in laundry capsules packaging

We are introducing a plastic-free packaging solution for compacted laundry capsules. This new innovation, developed in conjunction with Smurfit Kappa, not only protects the laundry capsules from water and humidity but also prevents children from easily accessing the detergent capsules when stored in the home.

Our Click-to-Lock package is made from more than 97% of FSC® (Forest Stewardship Council) certified paper and contains 91% of recycled paper. This packaging is also 100% recyclable and suitable for EU-Ecolabel application.

The impact of this innovation on our carbon footprint is evident, as every 100,000 Click-to-Lock packages remove 8.5 tons of plastic from the environment when compared to the plastic tub equivalent. The new innovation also improves logistics by reducing the number of trucks needed for transport by 25% compared to the plastic tub packaging and by 78% compared to bag/doypack packaging.



Case study for homecare liquids

Disruptive innovation in homecare liquid packaging

Our liquids development team are also driving sustainable innovations in homecare liquid packaging. In 2023 we will start to fill homecare liquids into cardboard cartons, in our drive to reduce plastic packaging within our portfolio. This investment in innovation offers great benefits in the overall carbon footprint of the product and supports a reduction in plastic by 80%. The format also supports an improved pallet utilisation and thus has a positive benefit on our logistic footprint. Overall, when compared to an equivalent PET plastic bottle, we can reduce the packaging carbon footprint of the product by 50%. This innovation, together with the progress we have made on incorporating more PCR into our plastic packaging, offers our customers many choices in their and our quest to reduce the carbon footprint and environmental impact of the packaging of products.



Environmental, social and governance continued



Social

Our contribution to our colleagues and the communities where we do business

We have continued our commitment to create a positive social impact for our colleagues, stakeholders and local communities, during a year of significant uncertainty and challenge.

This has been driven by a clear commitment to our purpose, vision and values, helping to further develop a sense of teamwork and belonging during these challenging times.

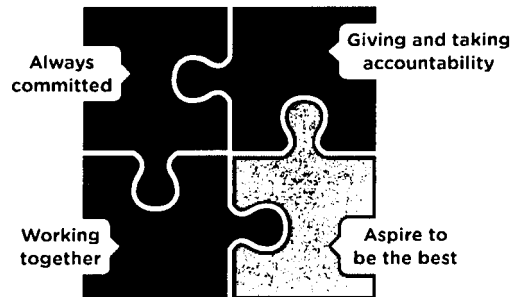
Our framework for our societal contribution will continue to guide the focus of our efforts in the coming years.

Dignity and equality

This year we have maintained our focus on increasing the diversity of our external hires as part of our aim to create an inclusive and supportive culture for all.

Our aim across the business is to ensure that we recruit, develop and reward our colleagues based on the role they perform and their performance in that role, regardless of identity, background or circumstance. We strive to ensure that McBride plc is an employer where everyone, regardless of background, is valued, respected, and has the opportunity to shine. We look to embrace our differences and value the creative opportunities that an inclusive culture can bring for our business.

We report annually on the UK Government website and our corporate website our Gender Pay Gap statistics to meet our UK legal obligations. As at 30 June 2022, female membership of the Board was 25% and of the Executive Committee was 42.8%. Our published ambition for Board diversity can be found on page 97.



As at 30 June 2022

25% (2/8)
Female Directors

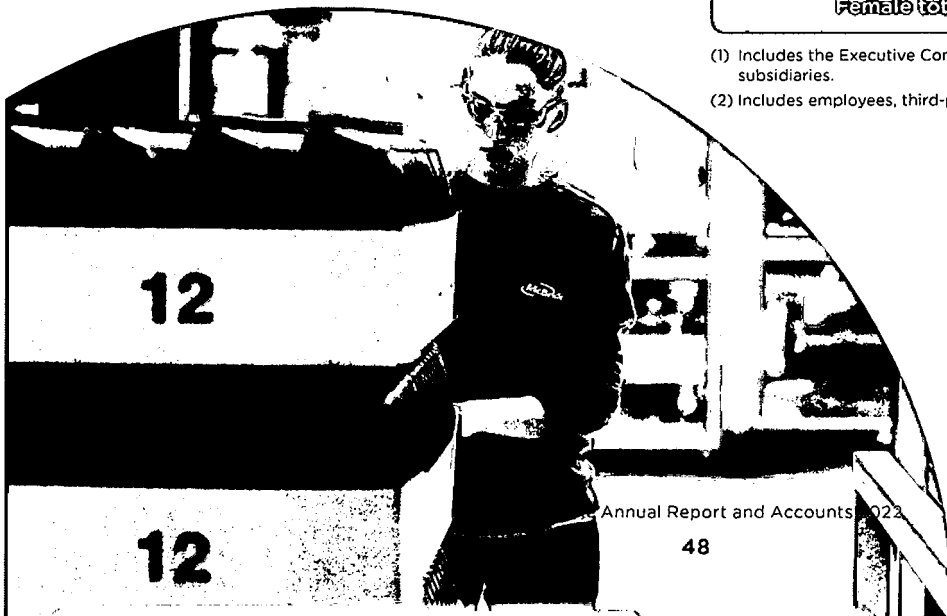
43% (3/7)
Female Executive Committee members

38.9% (7/18)
Female senior managers⁽¹⁾

39% (1,252/3,253)
Female total global workforce⁽²⁾

(1) Includes the Executive Committee and Directors of overseas and UK subsidiaries.

(2) Includes employees, third-party contractors and agency workers.



Health and wellbeing

Health, safety and wellbeing is taken very seriously and remains a primary focus that is reflected in our improved lost time injury frequency rate. To demonstrate this primary focus, the Group H&S Lead reports directly into the CEO, supported by dedicated health and safety professionals at a local site level in every country. The dedicated local teams are responsible for the implementation of Group standards, processes and procedures and to ensure site teams have clear roles and responsibilities and to drive prevention measures and programmes as well as investigations. The local teams also lead all communication and information across all levels, including information on near misses, incident reviews, KPI trends and general performance reporting.

There have been no work-related fatalities in the business during the 2021/22 financial year. We utilise a mixture of lagging and leading indicators to assess the health and safety performance of our operations. Lagging indicators include lost time accidents (see our non-financial KPIs on page 37), whilst our leading indicators include near miss reporting, corrective actions completed, risk assessments created/reviewed, and safety observational walks undertaken.

All our first line managers across the business completed behavioural safety training during the year to further our maturity in our health and safety approach, encouraging a culture of 'coaching' and colleague support. This training has helped to further embed our safety walk initiative, which has been a key contributor in demonstrating management's commitment to reinforce the required health and safety practices, eliminate dangerous acts and dangerous conditions that cause accidents and ultimately improve our health and safety culture.

A comprehensive health and safety gap analysis programme has also been established and a schedule of visits agreed for each site to identify common trends and areas of improvement. The Health & Safety Council, together with the Group H&S Lead, define the prioritisation and support the required changes in each division and individual site. This gap analysis programme will complete in the next financial year to provide an overall health check of the Group and a defined strategy that includes priority objectives to further improve our performance.

Ensuring the wellbeing of our colleagues by providing a safe place of work and minimising potential exposure to harm, is a key component of our McBride Cares programme. We have continued to work with colleagues and their representatives to maintain a Covid-19 secure work environment and, to date, have been able to continue our operations without disruption. As lockdowns have lifted, we have reopened office facilities and welcomed colleagues back.

Many of our colleagues have continued to work in a hybrid way this year. We recognise that one size does not fit all and that support for flexible and hybrid ways of working can help colleagues perform better and enable us to attract and retain a more diverse range of talented people. We believe it is about balance – balancing the needs of the individual, the team and the business.

We will continue to assess the effectiveness of our approach, updating our SMART Working Principles as needed. We have supported this by enhancing our IT platforms, including the introduction of more virtual and digital learning.

Our commitment to supporting colleagues and their families through our McBride Cares Employee Assistance Programme, providing confidential 24/7/365 counselling and advice, remains in place in all countries.

Case study

Our Estaimpuis plant organised for all colleagues working in production to attend a cultural safety event, whereby they invited an external local speaker who had been severely injured as a result of a work accident (not in any McBride site) where he lost one leg. During the event he explained how his behaviour caused the accident as well as the impact on his personal and professional life as a result of the accident.



Read more about
our Gender Pay Gap
www.mcbride.co.uk/about-us/corporate-policies/gender-pay-gap/

Environmental, social and governance continued



Social continued

Our contribution to our colleagues and the communities where we do business

Skills for the future

We are committed to providing development opportunities for all colleagues.

Over the last year, as part of our commitment to grow internal capability and invest in our colleagues, we have continued to enhance the 'Let's Grow' development framework. Three programmes are now available to colleagues across the Group, including:

- **Investing in ME**, which is our individual contributor programme, designed to provide colleagues with the opportunity to identify their potential, raise self-awareness and develop skills to be personally effective. We have facilitated eight cohorts in six languages covering 80 colleagues from across the Group.
- **Learning 2 Lead** is our frontline leader programme, designed to support colleagues to transition from being a great individual contributor to a frontline leader of others, developing critical people skills. We have facilitated three cohorts in two languages covering 34 colleagues from across the Group.
- **Leading with IMPACT**: this programme supports mid-senior level leaders who have been identified as having potential through our talent management process. The first cohort of twelve colleagues have completed this programme over the last year.

In addition, this year we have invested in our HR Digital Transformation, by introducing:

- learning management functionality, delivering a sustainable, accessible and measurable learning and development proposition for all, incorporating a comprehensive self-paced learning library of programmes in all languages; and
- an online process for our annual individual performance and development review, providing colleagues with support and accountability for their own development as part of our aim to drive a high-performance culture.

Our internal coaching scheme, which allows colleagues to work with a qualified internal coach in a safe space, has continued over the last year, and we have continued to support the development of internal accredited coaches.

We are passionate about providing all our colleagues with opportunities to grow in and from their current roles to meet aspirations for the future.

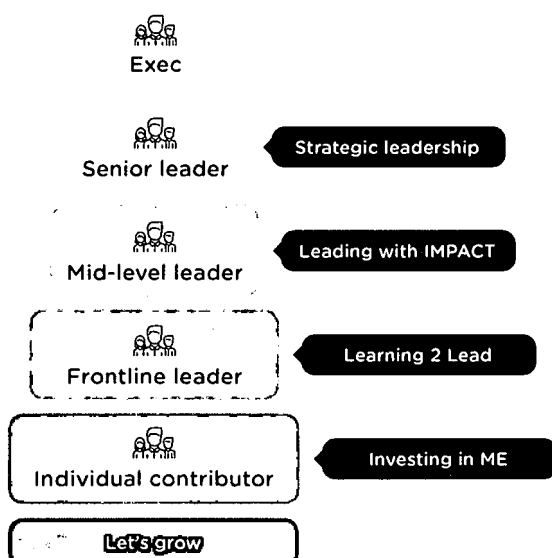
Employment and wealth generation

Our staff turnover figures have been consistent over the period, with high levels of turnover in certain countries. Details can be found in the non-financial KPIs on page 37.

We have continued to work closely with the European Works Council (EWC) over the last year. The EWC brings together employee representatives from the different European countries where we operate, with the aim of engaging employees through an effective information and consultation process focused on business decisions which affect the workforce and impact on the interests of colleagues. This improves business outcomes, individuals' contribution to the business and development opportunities. Our meetings over the past year have continued to be virtual.

Community and social vitality

We believe that community involvement and engagement programmes enhance our relationships with our communities and colleagues, which in turn strengthens our Company, benefiting our shareholders. Our charitable aims look to support colleagues, community and wider society, through giving cash, time or products.



Supporting McBride plc children

In the past twelve months we have awarded a total of £16,095 to 87 children, supporting their learning and further education. Supporting future talent is of great importance to us.

Supporting charitable bodies

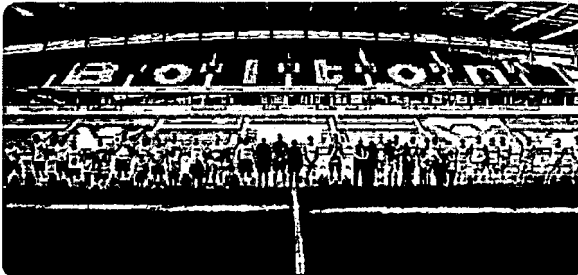
This year, we supported Cancer Research and KinderKankerFonds. A total of £962.50 was donated to Cancer Research, matching what had already been raised by a colleague completing a 5km run. A total of £1,000 was donated to KinderKankerFonds, adding to the €5,000 already raised by colleagues selling succulents to raise money for children with cancer.

We support the UK charity In Kind Direct through monthly product donations from our UK site, providing essential cleaning products to those less fortunate in the UK. We have also made an annual monetary donation of £30,000. Our teams in all locations have continued to support local charities, associations, schools, missions and municipalities. The following pages show some of the activities across the business:

UK: Raising money for a local hospital



In the UK, we supported organising a charity football match to raise money for Salford Hospital, who had cared for a colleague's six-year-old daughter who had a stroke last year. McBride plc colleagues and relatives participated and the site donated raffle prizes. The UK business came together and raised £11,000 in total.



Environmental, social and governance continued



Social continued

Our contribution to our colleagues and the communities where we do business

Spain: Supporting a local charity and team building for healthy habits



Our team in Sallent, Spain:

- Hosted a site visit for the Special Employment Centre who support local disabled people.
- Organised a walking activity to promote healthy habits and to increase relationships with colleagues. This turned out to be a family event with many colleagues bringing their families.



Belgium: Cleaning the town and participating in a sporting event



Our Belgian teams organised a range of community and colleague initiatives, which included:

- A big cleaning event, where colleagues from the plant and office come together to clean the entire outdoor area of the plant and the local village of Estaimpuis.
- On a Friday evening in September 2021, a small team from our Estaimpuis plant participated at a beach volleyball tournament with other local businesses.



Poland: Supporting Ukrainian refugees and other community initiatives

The Polish team worked on driving colleague and community engagement through a range of local initiatives:

- In December and January, colleagues engaged in fundraising and collecting items for local families in need.
- The team planted shrubs as part of Earth Day and spent time cleaning the outdoor area to the site.
- 74 local institutions have been supported with our products – 37,705 cartons.
- A range of fundraising activities to support Ukrainian refugees.
- Colleagues participated in the annual Strzelce Charity Street Run.



France: A number of different fundraising activities

Our colleagues in Rosporden:

- Participated in the financing of a 'push bike' which has been dedicated to people with reduced mobility. This action is part of the site's approach to improving the quality of life of its colleagues and people in contact with the company and the community, while respecting the environment and sustainable development.
- Colleagues actively participated in walking a total of 350km and raised €6,400, which was donated to the association Cornouaille Enfance Solidarité Afrique.

In addition, our sites continued to support through homecare product donations.



Environmental, social and governance continued



Governance

How we conduct ourselves

As a public company, we consider that our governance processes are already well established but we recognise these processes need to be maintained and regularly reviewed to ensure we continue to govern our activities in accordance with best practice.

Governance body quality

Our guide to how we have complied with each principle in the UK Corporate Governance Code ('the Code') is set out on page 84. Our metrics on tenure, gender, nationality and Board members' relevant experience is set out on page 88. Our metrics on Board activity and attendance at Board and Committee meetings are set out on pages 87, 91, 92, 98 and 105.

Stakeholder engagement

How we engage with our stakeholders is set out in our section 172(1) statement on pages 38 to 41 and in our Corporate governance statement on pages 85 to 91. Both the quality and frequency of our engagement with our key stakeholders are reviewed regularly by the Board. During a difficult trading year, we have had increased levels of interaction with customers, suppliers and shareholders. We are open and transparent in all our dealings with our stakeholders, which we consider as fundamental to our way of working. Monitored via our framework of key indicators and metrics, we strive to improve our customer experience, our impact on our communities, including our environmental and social impact, and the quality of engagement with all stakeholders.

We monitor the employment practices of our supply chain and we carry out third-party ethical audits utilising the Sedex system wherever possible or, alternatively, under a specific retailer's own system. The audits conform with the Ethical Trading Initiative (ETI).

Our sites are independently audited at a frequency determined by risk. We retain all audit data 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 comply with our Code of Conduct, along with national and other applicable laws. Our Supplier Code of Conduct is published on our website and any breach of the code may result in termination of our business relationship with a supplier.

Ethical behaviour

Our Business Ethics Policy, which can be found on our website, is a guide for our employees to promote the right behaviours and to help them make the right decisions. McBride plc's Business Ethics Policy is updated annually and reviewed by the Board. It is promoted to all employees through internal communication channels and is highlighted to suppliers. To ensure a constant minimum standard across the workforce on good business ethics, McBride plc is in the course of introducing a new suite of mandatory ethics and compliance training modules. This includes modules on anti-bribery and corruption, conflicts of interest, gifts and hospitality, data protection and cyber security, with additional training on competition law and economic sanctions for selected employees. We have also taken steps during the year to strengthen our compliance monitoring programme in these areas.



Protecting human rights and mitigating against the risk of modern slavery is the foundation of any good business. We take the issue of human rights seriously and continue to strengthen our policies and management systems in this area. Our Anti-Slavery and Human Trafficking Statement 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 identifying 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.

While McBride plc aims to reinforce a healthy culture at all levels of the organisation, it knows that sometimes things go wrong. McBride plc therefore has introduced an independent whistleblowing channel, provided by NAVEX Global, as well as local internal channels which employees can use to speak up against wrongdoing. Our Whistleblowing Policy encourages employees to report genuine concerns they may have about possible malpractice or wrongdoing by any employee, supplier, customer, competitor or contractor without fear of detriment or retribution. During the year ended 30 June 2022, there was one report of suspected wrongdoing which was passed on for formal investigation. The investigation established there was no evidence to support the allegation of wrongdoing.

Risk and opportunity oversight

The Board is responsible for overseeing and monitoring the management of risks and opportunities. Our governance framework of committees and advisory forums provide updates and information to the Board to ensure it is able to make informed decisions. Details on the roles of the Board and its Committees are set out in the schedule of matters reserved for the Board and Committee Terms of Reference, which are available on our website.

Our risk management framework and oversight of risk is set out in the Audit and Risk Committee report on pages 98 to 104 and in the Principal risks and uncertainties section on page 71. This is our first year of reporting our climate-related financial disclosures. Governance around climate-related risk and opportunities can be found on pages 56 to 59.



Climate-related financial disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board to improve reporting of climate-related risks and opportunities (CROs). McBride plc has structured its climate disclosures according to the TCFD recommendations on the basis that good-quality information about its CROs supports shareholders in making long-term investment decisions.

According to the Financial Conduct Authority listing rule LR 9.8.6 R(8), reporting is on a 'comply or explain' basis. McBride plc is consistent with the TCFD recommendations and recommended disclosures, with the exception of Strategy 2b and 2c and Metrics and Targets 4a, 4b and 4c. Pages 66 and 69 explain the work to be completed to ensure consistency with the TCFD recommendations and set out the activities McBride plc has planned during 2023, as it continues on its journey towards increased consistency.

Governance

Board oversight of climate issues

The Board

The Board is responsible for providing strategic guidance in respect of McBride plc's ESG programme, including actions to address climate-related matters as well as how McBride plc adapts its strategy to take account of potential CROs. It reviews climate-related reporting as part of the overall assessment of the Annual Report.

Nomination Committee

The Nomination Committee is responsible for Board appointments and ensures the Board possesses the correct depth and balance of capabilities to support McBride plc's long-term position, including the ability to assess the impact of climate change.

Audit and Risk Committee

The Audit and Risk Committee oversees the assurance model and supports the Board on matters relating to financial reporting, internal control and risk management. The Committee assesses and appraises the integrity of McBride plc's climate-related financial reporting and the process used to develop McBride plc's TCFD-aligned disclosures.

Remuneration Committee

The Remuneration Committee supports the future implementation of Board-approved policy on CROs including climate factors and sustainability goals within performance-related pay for Executive Directors and senior management.

Governance framework

The governance framework of committees and advisory forums provides updates and information to the Board to ensure it can make informed decisions. The Board is also responsible for overseeing and monitoring the management of risks and opportunities, including with respect to CROs.

The Board-agreed division of responsibilities across key areas of McBride plc's governance framework is set out in the Board's schedule of matters reserved and the Terms of Reference of the Board Committees.

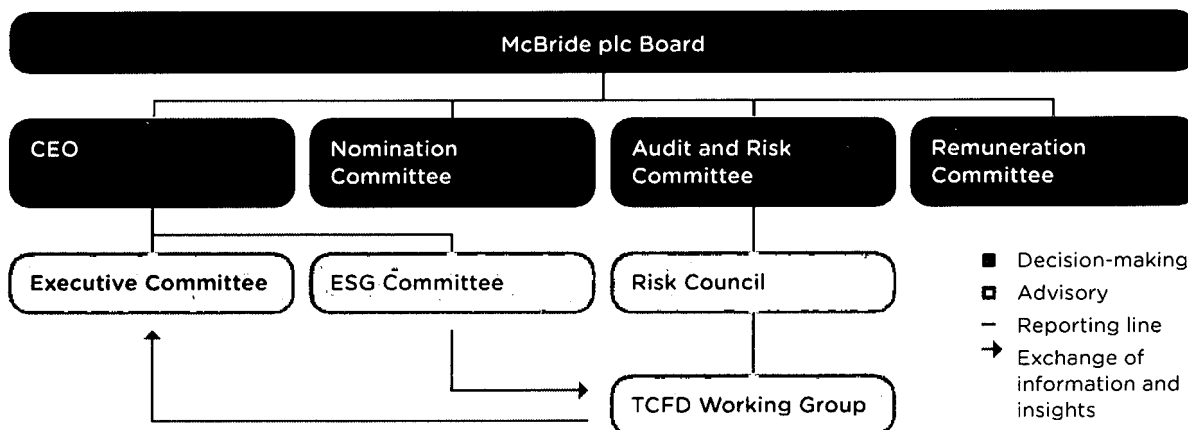
In terms of reporting lines, the TCFD Working Group identifies CROs and develops climate-related financial disclosures, which are reported to the Risk Council, which has direct responsibility for principal risks and uncertainties and challenges the outputs of the TCFD Working Group.

The Risk Council reports to the Audit and Risk Committee, communicating any key climate-related risks on a twice-yearly basis.

The Executive Committee and ESG Committee (both led by the CEO and with direct reporting to the Board) provide advice and inputs to the TCFD Working Group, during the preparation of the TCFD disclosures. The governance of climate-related issues is set out in the graphic on the adjacent page.

Governance continued

TCFD governance structure



Role of senior management

Executive Committee

The Executive Committee is responsible for the implementation of strategy through the operational management of McBride plc's divisions and monitoring of performance in line with agreed plans. It is also responsible for managing financial risks, including those of meeting the Group's climate-related goals.

The Executive Committee receives information periodically from the Risk Council and ESG Committee on progress towards the Group's climate goals.

ESG Committee

The ESG Committee is responsible for the Group's programme on environmental, social and governance issues. Each committee member is responsible for the execution of an action plan within their own business area. The key responsibilities of the ESG Committee are:

- delivery of the ESG programme and action plans and monitoring progress against ESG key indicators;
- developing and adhering to a Board-approved roadmap of emissions reduction opportunities and developing and monitoring progress against Science Based Targets; and
- providing oversight and maintaining the focus of the Executive Committee on ESG matters and collaborating with subject matter experts within McBride plc to deliver objectives around responsible sourcing, compaction, plastics and packaging.

Risk Council

The Risk Council is responsible for managing climate risks through its existing risk management process and assessing existing and proposed mitigating activities and controls. It is also responsible for review and oversight of the underlying activities, processes, risks and impacts surrounding our climate-related financial disclosures.

It provides information to the Executive Committee on any business risks, both existing and emerging, that may impact our strategic objectives. It reports to the Audit and Risk Committee on McBride plc's principal risks. The Risk Council also reports on the performance of the TCFD Working Group, including progress against the four TCFD recommendations and eleven recommended disclosures, as well as outcomes of the scenario analysis and proposed disclosures.

TCFD Working Group

Reporting to the Risk Council is a TCFD Working Group. This is a cross-functional working group responsible for the development of climate-related financial disclosures including defining climate scenarios, identifying climate-related risks to the Group under articulated scenarios, assessing the business and financial impacts, identifying potential responses and ensuring appropriate stakeholder input.

The TCFD Working Group works in collaboration with the ESG Committee developing and adhering to a Board-approved roadmap of emissions reduction opportunities and developing and monitoring progress against Science Based Targets for the purposes of consistency with the TCFD recommendations.

External advice

McBride plc engaged expert external advice to supplement the capabilities within the Company and assist in establishing initial data systems and reporting frameworks for our Scope 1, 2 and 3 emissions and will be engaging expert external advice in 2023 to assist in setting Science Based Targets. Expert advice has also been engaged to assist McBride plc in identifying and analysing CROs and to understand the potential impacts from physical climate change risks and risks associated with the transition to a decarbonised economy. Further details can be found on pages 59 to 66.

Climate-related financial disclosures continued

Governance continued

Role of senior management continued

Details of communications between management and the Board, along with key activities and immediate focus areas, are set out in the table below.

	Key activities 2022	Focus areas 2023
Board level	- The CEO presented the Group's overall framework in relation to climate action plans. ESG key indicators were also explained, along with the implications in relation to the strategy. - The divisional leadership teams presented a strategy review to the Board including market insights into customers' focus shift to sustainable product solutions, explaining how sustainability trends were impacting strategy, to inform the Board's decision-making around CROs. - The Head of Regulatory Affairs provided the Board with an overview of the regulatory landscape with reference to the European Green Deal and UK Environment Act; this included updates on the EU's Chemical Strategy for Sustainability, updates to the Packaging and Packaging Waste Directive, EU REACH, EU CLP, and new legislation such as Eco-design requirements for sustainable products, explaining the effect on the legislative landscape and indicating the risks and opportunities in relation to the Group's products. - The Board reviewed and validated the CROs identified by the TCFD Working Group facilitated by Willis Towers Watson (WTW) - Review and challenge by the Audit and Risk Committee of the approach to climate-related financial disclosures and associated assurance arrangements.	- Board to review and approve the Group's roadmap of emissions reduction opportunities. - Board to receive updates on progress against the key indicators in the ESG actions plans. - Remuneration Committee to consider how remuneration of the Executive Directors is linked to progress towards building a more sustainable future for the business, including reference to its climate-related goals.
Executive level	- The ESG Committee, led by the Chief Executive Officer, reviewed and updated environmental, societal and business ethics goals and ambitions and finalised targeted action plans. - Risk Council review of governance and controls for climate-related financial disclosures.	- The ESG Committee will monitor progress of the execution of the ESG action plans in each business area and develop our Net Zero roadmap. It will also conduct a detailed analysis to build our prioritised initiatives for emissions reduction, to develop a roadmap of emissions reduction opportunities and to develop Science Based Targets aligned to the roadmap. - The Risk Council will continue to identify, assess and manage climate risks through its existing risk management process on an annual basis. It will also review the more detailed scenario analyses in 2023 conducted by the TCFD Working Group.

Key activities 2022

Focus areas 2023

Operational level

- The TCFD Working Group (in conjunction with external advisers) identified climate-related risks under certain agreed scenarios, assessed the impact on the Group and identified potential responses.
- The TCFD Working Group will work with the ESG Committee in conducting detailed analysis to build our prioritised initiatives for emissions reduction, to develop a roadmap of emissions reduction opportunities and to develop Science Based Targets aligned to the roadmap.
- During 2023, the TCFD Working Group will conduct a more granular risk assessment for the most material risks under the two articulated scenarios, and consider financial impact assessment in more detail.

Strategy

Overview of scenario analysis

McBride plc engaged Willis Towers Watson (WTW) to work with the TCFD Working Group to facilitate the identification of CROs it could be exposed to over the short, medium and long term and to begin to assess what the potential impact of these could be on McBride plc's business. The 15 identified CROs were assessed on an inherent risk basis i.e. prior to consideration of mitigating actions.

The distinctive nature of climate risks poses a challenge for standard risk assessment. This is because there is a high degree of certainty that some combination of climate risks will materialise, but the exact outcomes are dependent on short-term actions and therefore still unclear.

Scenario analysis provides a flexible 'what if' framework that enables the exploration of potential economic outcomes and financial risks under a range of different future pathways. As such, qualitative scenario analysis was used to start to assess McBride plc's strategy against two contrasting climate scenarios: a 1.5°C Low Carbon World Scenario and a 4°C Hot House World Scenario. The approach taken for the assessment is detailed in the risk management part of this disclosure on page 67. Further work will be conducted in 2023 to describe in more detail the impact of the most material CROs on McBride plc's business, strategy and financial planning, and to describe the resilience of its strategy under each of the climate scenarios (TCFD Strategy recommended disclosures (b) and (c)).

Selection of climate scenarios

We constructed scenarios by referencing a collection of published scenarios developed by widely used sources. These sources are detailed in the following table and provided the assumptions underpinning the analysis as detailed further below.

McBride plc scenario	Temperature rise by 2100	Policy action	Informed by
Low Carbon World Scenario	Not likely to exceed + 1.5°C by 2100	Aggressive mitigation to bring about a reduction in emissions	RCP 1.9 ⁽¹⁾ IEA NZ2050 ⁽²⁾ NGFS NZ2050 ⁽³⁾ SSP1 ⁽⁴⁾
Hot House World Scenario	Likely to exceed + 4°C by 2100	Minimal policy action taken	RCP 8.5 ⁽⁵⁾ SSP5 ⁽⁶⁾

(1) Technical Summary, IPCC, 2018.

(2) World Energy Outlook 2021, IEA, 2021.

(3) NGFS Climate Scenarios, NGFS, 2021.

(4) SSP1 - The roads ahead: Narratives for shared socioeconomic pathways describing world futures in the 21st century, O'Neill, B et al, (2015).

(5) Technical Summary, IPCC, 2018.

(6) SSP5 - The roads ahead: Narratives for shared socioeconomic pathways describing world futures in the 21st century, O'Neill, B et al, (2015).

Climate-related financial disclosures continued

Strategy continued

Selection of climate scenarios continued

Details of the sources and key indicators are shown below.

Low Carbon World Scenario (1.5°C)

The Low Carbon World Scenario presents a world where global warming is limited to 1.5°C by the end of the century. This will be achieved through stringent climate policies, innovation and demand-led change, where global Net Zero CO₂ emissions will be reached around 2050. Examples of climate policies include carbon pricing in advanced economies of US\$130/tCO₂, major emerging economies of US\$90/tCO₂ and other emerging economies of US\$15/tCO₂ by 2030⁽¹⁾. For McBride plc, the impacts of environmental taxes etc. are included in our three year forward forecasts where they are either already legislated or have already been flagged up for specific timebound implementation by a particular government or authority. There will also be policies supporting circular economies; material efficiency strategies and policies promoting production and use of alternative fuels and technologies such as hydrogen, biogas, biomethane and carbon capture utilisation and storage across sectors. In addition to meeting all current Net Zero pledges, additional pledges from countries would be made and met. The share of renewables by 2030 in the global electricity supply would increase to approximately 61%⁽²⁾, shifting economies from being fossil fuel dependent to renewable energy driven. The scenario assumes proactive and sustained action to reduce carbon emissions over the next 30 years to build a low carbon economy. It assumes low growth in material consumption and increasing consumer pressure on businesses to drive sustainability⁽³⁾. Those companies which fail to transition their businesses to a low carbon model will be adversely impacted. Whilst the transition risks associated with this scenario are assumed to be high, the physical risks are expected to be relatively low.

Hot House World Scenario (4°C)

The Hot House World Scenario is aligned with RCP 8.5. It envisions that, due to limited government policy and international effort, emissions continue to grow and consequently global warming exceeds 4°C temperature rise by the end of the century. The scenario assumes current policies promoting sustainability are removed, there is no carbon pricing and there is increasing adoption of resource and energy intensive lifestyles around the world. As a result, economies fail to transition to a low carbon world and the physical impacts of climate change become increasingly severe. There is assumed to be longer and more severe heatwaves and droughts and there is an increase in frequency and severity of flooding and other natural catastrophe events. As a result of failing to transition, the transition risks are relatively low, whilst the physical risks are considered to be severe.

Climate risks and opportunities

Fifteen climate risks and opportunities were identified as having the potential to impact McBride plc under the two scenarios outlined above. The risks and opportunities have been identified over short (before 2025), medium (2025 to 2030) and long-term (post 2030) time horizons. The time horizons were selected because of the longer-term timeframe some climate-related risks will have.

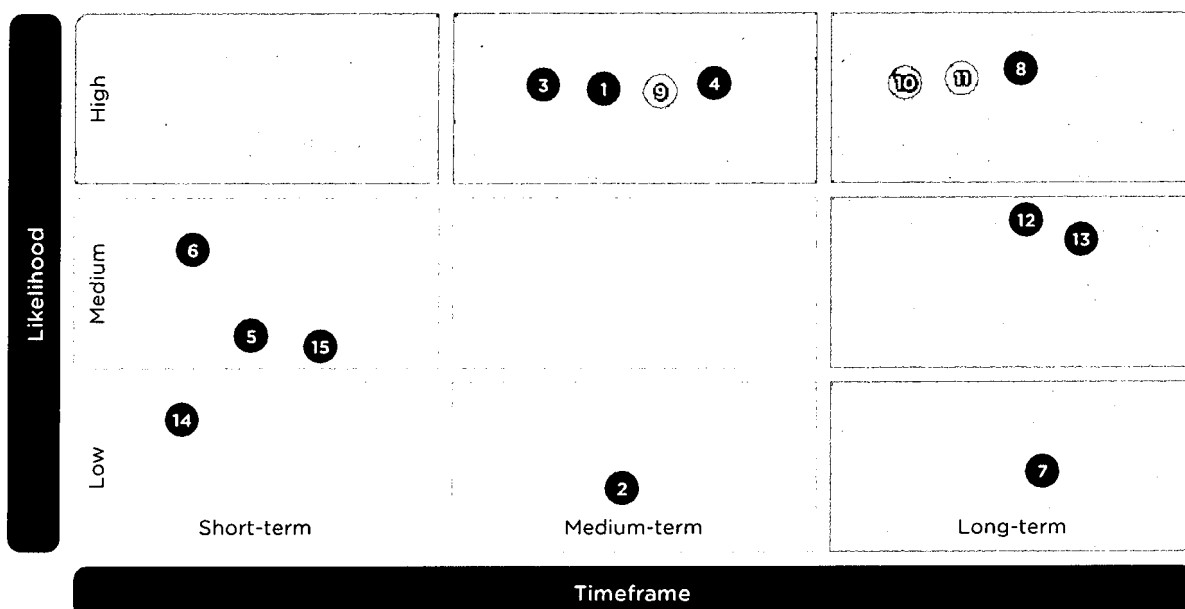
As part of the assessment, consideration was given to the likelihood of the risk impacting McBride plc and the most likely time horizon of impact as shown in the graph opposite. The TCFD Working Group also qualitatively assessed the potential impact the risks and opportunities could have, to help prioritise the most material risks ahead of a deeper dive assessment in 2023.

(1) Macro drivers, 2021, IEA.

(2) World Energy Outlook 2021, IEA, 2021 (pg. 37).

(3) SSP1 - The roads ahead: Narratives for shared socioeconomic pathways describing world futures in the 21st century, O'Neill, B et al, (2015).

Strategy continued



Transition risks

- 1 Pricing of GHG emissions
- 2 Climate change litigation
- 3 Mandates and regulation
- 4 Increased cost of raw materials
- 5 Change in consumer demands
- 6 Investment and finance risk
- 7 Employee risk
- 8 Substitution of existing tech to lower emission options

Transition opportunities

- 9 Operational decarbonisation through low-emission sources of energy
- 10 Use of more efficient production and distribution processes
- 11 Development of new products or services through R&D and innovation

Physical risks

- 12 Heat stress (heatwaves)
- 13 Drought stress (prolonged drought period)
- 14 Floods, storm surge and sea level rise
- 15 Windstorms

Note: Relative position of risks/opportunities within grid boxes does not reflect relative ranking (e.g. for 1, 4 and 9).

These 15 risks and opportunities are described in the following tables, which also include detail regarding the potential impact on McBride plc's business and financial planning and potential management actions to minimise the risks and capitalise on the potential opportunities. Note that the risks and opportunities have been assessed prior to consideration of any mitigating actions.

Climate-related financial disclosures continued

Strategy continued

Transition risks – Policy and legal

Risk	Impact assessment
1 Pricing of GHG emissions	Based on our Scope 1 and 2 emissions, McBride plc would be materially impacted by carbon taxation.
2 Climate change litigation	EU Green Deal and UK Environment Act creating legislative changes that will impact McBride plc business.
3 Mandates on and regulation of products and services	Greenwashing is not currently a major concern for McBride plc; it has controls in place to ensure it does not overstate its environmental claims. McBride plc provides guidance for its customers and is well prepared for mitigating this risk and avoiding potential reputational exposure.

Risk response

- Accelerating the shift from gas/oil to renewable electricity.
- Procure 30% of energy from renewables by 2025.
- Develop Net Zero targets and action plan.
- Internally communicate the risks associated with carbon emissions.
- Continue to monitor new/amended legislation via working with industry groups and internal processes.
- Technology scanning to ensure McBride plc is up to date.
- Automation to process for tracking plastic tax liability.
- Clarify contracts with customers to establish McBride plc's liability in the event that a retail client faces climate change litigation.

Transition risks – Market

Risk	Impact assessment
4 Increased cost of raw materials	Suppliers could pass on the costs of carbon taxation. Suppliers have already done this for fuel, palm oil and the UK plastics tax.
5 Change in consumer demands	Consumer demand for more sustainable products increases; this could require changes to our product portfolio and impact on demand for some existing products.

Risk response

- Attempt to influence suppliers to adopt more renewable approaches.
- Assess supply base and where raw materials are bought from.
- Continue to monitor consumer demands, particularly around buying trends for sustainable products.
- As a private label manufacturer, continue to closely follow actions of major brands to meet consumer preferences.
- Invest in alternative technologies and reformulation to increase sustainability of products and meet changing consumer demands.

Note: All the transitional risks outlined above and opposite are only considered within the Low Carbon World Scenario (1.5°C).

Strategy continued

Transition risks – Investment/finance risk and reputational

Risk	Impact assessment
6 Investment and finance risk	Sustainability, ESG and Net Zero are key topics for investors, increased questions on the topic are expected and it is anticipated to possibly deter potential investors if McBride plc suffers sustainability-linked reputational damage.
7 Employee risk	Major McBride plc shareholders rank sustainability highly, but not as highly as financial performance. Cost of capital could potentially increase if climate credentials are poor and climate KPIs are not met. As workforce become more climate conscious, there is a risk that talent attraction and retention could become increasingly difficult if McBride plc fails to meet its climate commitments.

Risk response

- Continued investment in carbon reduction efforts.
- Set clear Net Zero SBTi targets and develop a plan for achieving them.
- Proactively promoting sustainability achievements.
- Increased Board focus on ESG/Net Zero as an integral part of the Company's strategy.
- Ensure that McBride plc's sustainability agenda and achievements are highlighted in recruitment campaigns.
- Continue to detail climate credentials in Annual Report.

Risk	Impact assessment
8 Substitution of existing technologies to lower emission options	Investing in lower emission technology requires significant initial outlay but is accepted as almost certain to be required by McBride plc, as part of the climate transition. McBride plc has already invested £4-5 million capex in new sustainable technology for detergent packaging. Investments have thus already begun; however, the main impact of this risk is likely to be felt between 2030 and 2050 as pressure to achieve Net Zero, and thus invest in lower emission technology, intensifies.

Risk response

- A future-proofed manufacturing plan could be required, focused on reduced energy, reduced footprint and reduced water.
- Commercial strategy adaptation could be required, with nuances between geographies and divisions.

Climate-related financial disclosures continued

Strategy continued

Opportunities

9 Operational decarbonisation through low-emission sources of energy	Description • Reduce direct costs	Impact assessment Use of renewable Purchase Price Agreements (PPAs) could reduce energy costs in the future as carbon taxation is implemented. This will help to achieve the Net Zero strategy and create additional opportunities to attract investors, lenders, customers and consumers.
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Opportunity response

- Continue monitoring the cost difference in renewables versus non-renewables so that the shift to increased renewables can be timed correctly.
- Seek relatively short-term PPAs (i.e. maximum three years) to avoid being locked into expensive contracts and being able to possibly accrue cost savings.
- Pursue plans to increase renewable energy as part of McBride plc's energy mix up to 30% by 2025.

10 Use of more efficient production and distribution processes	Description • Reduce direct costs	Impact assessment Adopting low-emission technologies such as fitting air source heat pumps and developing products with more recycled content will require upfront capex costs but could develop cost savings through production efficiencies over time. Better pallet utilisation to reduce transportation emissions via enabling more goods to be transported from the same space also helps to develop transportation efficiencies and reduce costs.
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Opportunity response

- Improve communication of financial benefits – via cost savings and energy efficiency – of investment in more efficient low-emission processes.
- Closely monitor technological developments and major brand behaviour to be able to act as a fast follower.

11 Development of new products or services through R&D and innovation	Description • Increased revenues resulting from increased demand for products and services	Impact assessment Increasing consumer demand for sustainable products could enable McBride plc to increase its market share. This opportunity will be maximised if sustainable products are affordable to consumers, otherwise consumers may choose more affordable less sustainable products due to budget constraints.
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Opportunity response

- Continue monitoring consumer demand for sustainable products.
- Ensure continued capex investment in sustainable technology to ensure readiness to meet rising demand.

Note: All the opportunities outlined above are only considered within the Low Carbon World Scenario (1.5°C).

Strategy continued

Physical risks

12	Heat stress	Description	Impact assessment
13	Drought stress	- Periods of time with sustained high temperatures more than 30°C. - Period of abnormally dry weather sufficiently prolonged for the lack of water to cause serious hydrologic imbalances and regional water scarcity.	Increased opex, energy consumption and carbon emissions due to increased cooling demand. Failure of cooling systems may interrupt business and manufacturing. Potential delays in supply chain, bottlenecks in logistics and distribution. Reduced labour productivity/ineffective work performance. Impact to water-intensive manufacturing processes. Potable and process water supply reduction/disruption could impact manufacturing and commercial operations. High water costs. Impact to raw materials.

Risk response

- Consider, review and plan for a range of specific measures, including, but not limited to:
 - Review operating temperature tolerances for machinery and computer equipment.
 - Review building design and HVAC for inefficiencies.
 - Consider additions such as solar shading, trees, double glazed windows, thermal insulation.
 - Consider introduction of natural cooling and ventilation solutions.
 - Maintain a good practice fire loss control maintenance and mitigation.
 - Understand suppliers' preparedness for future heat stress.
 - Water system audits, pipe repair and leak maintenance.
 - Explore options for water saving in the manufacturing process.
 - Look at incentivising and encouraging water saving by employees.
 - Look to introduce grey/rainwater collection and input to non-potable uses.

14	Floods (inland flood, storm surge and sea level rise)	Description	Impact assessment
		- Includes inland floods caused by heavy precipitation (flash floods) and/or by riverbank overflow (riverine). Coastal flooding caused by storms. - Sea level rise plays an important role on the severity of storm surges.	Factory and infrastructure damage. Damage to contents stored on ground and basement level. Possible long disruptions for repairs or installation of critical utilities. Impact on emergency services. Delays in supply chain and distribution. Long-term/temporary road and railroad damage and closure. Threat to life.

Risk response

- Consider, review and plan for a range of specific measures, including, but not limited to:
 - Risk transfer/insurance.
 - Consider deep dive (engineering) assessment for high-risk assets to gauge the flood risk.
 - Prepare business continuity and emergency response plans and create stress test 'what if' scenarios.
 - Consider temporary and portable flood defence systems.
 - Look to reduce critical equipment and operations in basements.
 - Engage with suppliers currently at risk and for those having future risk of flooding.
 - Monitor and warn employees using government/local authorities/flood (and coastal) warnings and associated guidance on personal protection.

Note: All the physical risks outlined above and on the following page are only considered within the Hot House World Scenario (4°C). Any specific risk responses will be reviewed annually and actively considered if the scenario becomes increasingly relevant.

Climate-related financial disclosures continued

Strategy continued

Physical risks continued

15 Windstorms

Description

- Includes the wind-related impact of different types of storms such as winter storms, extratropical cyclones or hurricanes.

Impact assessment

Factories and infrastructure damage.
Impact to utilities (water supply, energy supply, telecoms/internet).
Possible long disruptions for repairs or installation of critical utilities.
Delays in supply chain and distribution.
Long-term/temporary road and railroad damage and closure.
Threat to life.

Risk response

- Consider, review and plan for a range of specific measures, including, but not limited to:
 - Risk transfer/insurance.
 - Consider deep dive (engineering) assessment for high-risk assets to gauge the windstorm risk.
 - Make sure that any critical equipment and utilities attached to the building and installed on rooftops are well fixed and secured.
 - Prepare business continuity and emergency response plans and create stress test 'what if' scenarios.
 - Engage with suppliers currently at risk and for those having future risk of tropical and extratropical cyclones.
 - Monitor and warn employees of government/Met Office windstorm and tornado warnings and associated guidance on personal protection.

Informing resilience and strategy planning

Noting the importance of mitigating the potential impacts of these risks and enabling McBride plc to capitalise on the identified opportunities, the table above outlines actions McBride plc is currently undertaking and additional plans it intends to take to ensure resilience in the face of both the Low Carbon World (1.5°C) and Hot House World (4°C) Scenarios.

Focus going forward to meet recommended disclosures b) and c)

We have made good progress in identifying the CROs we could be exposed to over different time horizons. We have also started to describe the impact of CROs on our business, which has helped inform its risk management response and potential adaptations to its strategy and financial planning. In 2023, McBride plc intends to conduct a more granular risk assessment for the most material risks under the two articulated scenarios. The most material risks have been prioritised based on their gross risk score; a combination of their impact, likelihood and time horizon assessment. In 2023 we will start considering risks on a residual basis, i.e. after management response and strategies have been implemented and consideration of the resilience of our strategy under the two articulated scenarios will be given.

Risk management

Defining a process for climate risk identification and management

As detailed on pages 71 to 78, the Company has a rigorous process in place to report the organisation's principal and emerging risks. Through this process, climate change and environmental concerns was identified as a principal risk and was assessed accordingly. Aspects of climate change risk are also captured in other principal risks; notably supply chain resilience; changing market dynamics; and increased regulatory focus. In addition, we conducted a thorough climate risk assessment in 2022 with third-party consultants from WTW. The process used for identifying, assessing and managing climate-related risks under different climate scenarios is detailed in the graphic below.

Under the articulated climate scenarios, a list of potential CROs that could impact McBride plc's business were identified. This involved considering each of our business units and all activities performed across its value chain. The list of risks and opportunities was drawn up using details from the scenarios, knowledge of the business and its value chain, industry reports and peer benchmarking. These risks were then validated by the TCFD Working Group.

In order to assess the identified risks and opportunities, workshops were held with the cross-functional senior individuals from across the Group. The first workshop focused on the assessment of transition risks, which were assessed under the 1.5°C Low Carbon World scenario. The scenario was articulated to workshop participants who were then asked to assess the risk or opportunity in terms of impact, the most likely timeframe of impact and the likelihood of impact. Impacts were considered in terms of a potential hit to financial performance (profit & loss) and financial position (balance sheet). The second workshop assessed physical risks under both the 1.5°C and 4°C climate scenarios.

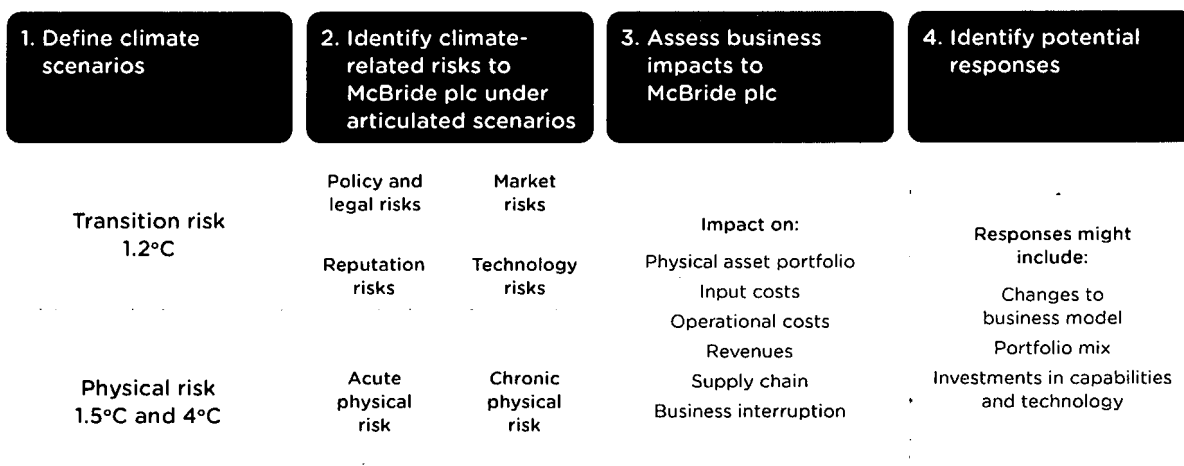
In advance of the workshop, WTW modelled the exposure of McBride plc's own manufacturing locations together with a selection of its suppliers and supplier regions against both climate scenarios. The modelling provided the likelihood of occurrence and the most likely time horizon of impact and the workshop was then used to discuss the potential impact to McBride plc as a result of its exposure.

Throughout the assessment process, participants were asked to consider existing mitigation actions that were in place and what more is required to reduce future risk and capitalise on potential opportunities.

Following the assessment of both transition and physical risks and the identification of risk management actions, a final validation assessment workshop was held with the TCFD Working Group and the outputs from the assessment were then shared with the Audit and Risk Committee to communicate exposure to inherent risk. In 2023, risk assessment of the most material CROs will be conducted, considering risks on a residual risk basis.

Integration of climate risk management into McBride plc's wider risk management

The climate risk assessment conducted in 2022 assessed risks against an adapted version of our Enterprise Risk Management (ERM) scales. The adapted scales allowed for longer time horizons due to the nature of climate risk and the assessment of upside opportunities. Using aligned scales has enabled McBride plc to integrate the assessment of its climate risks into its corporate risk register. We will continue to identify, assess and manage climate risks through the existing risk management process on an annual basis. We will also conduct more detailed scenario analyses in 2023. Following completion of the 2023 study, we intend to update our climate scenario analysis at least every three years, when scenario indicators change, or if there is a material change to our business.



Climate-related financial disclosures continued

Metrics and targets

We have been calculating our Scope 1 and Scope 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. Details of the Group's Scope 1 and 2 carbon emissions for the financial year ended 30 June 2022 are set out on page 45.

In addition, during the fiscal year we engaged Climate Partner³, to validate the Group's Scope 1 and 2 GHG emissions and to calculate the Group's Scope 3 emissions for the year ending 30 June 2021. Climate Partner³ are also currently repeating this exercise for the year ending 30 June 2022, expected for completion during October 2022.

Currently, the Group is not consistent with recommended disclosures 4(a) – 4(c). Whilst Scope 1 and Scope 2 GHG emissions have been calculated 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, Scope 3 emissions data for 2022 is currently being finalised.

The next stage in the Group's journey towards consistency with the TCFD recommended disclosures 4(a) – 4(c) is to work with an external partner during the financial year ending 30 June 2023 to:

- set appropriate metrics and targets for the careful management of resource use and efficiency, to drive a reduction in emissions;
- conduct an analysis and to develop a set of prioritised initiatives for emission reduction;
- identify GHG emission abatement potential and related abatement costs;
- develop a roadmap of emissions reduction opportunities;
- develop Science Based Targets and KPIs aligned to the roadmap; and
- include Scope 3 emissions for financial year ending June 2023.

Focus for 2023

McBride plc commits to building on the progress achieved in 2022 in relation to the impact our operations have on the world.

Our strategy outlines our commitments to reduce carbon emissions. The results of these commitments will be externally validated by setting appropriate Science Based Targets and our performance will be benchmarked by the Carbon Disclosure Project (CDP).

We are also very aware of the impact that climate change may have on us as an organisation. The CRO identification process is now an established tool for us to identify the inherent risks that McBride plc faces. Following risk identification and scenario analysis in 2022, we remain committed to prioritising and further embedding the appropriate mitigating actions within our strategy to ensure we address the assessed material climate-related risks.

This will be centred around ensuring we build on our existing goals and ambitions, whilst developing appropriate metrics and Science Based Targets (to be initiated during 2023), with a view to monitoring and assessing those risks whilst focusing on maximising the climate-related opportunities within our business model.

Location of TCFD aligned disclosures within the Annual Report

Governance

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

See page(s)

- | | | | |
|----|---|---------------------------------------|----------|
| a) | Describe the Board's oversight of climate-related risks and opportunities | Climate-related financial disclosures | 56 to 59 |
| b) | Describe management's role in identifying, assessing and managing climate-related risks and opportunities | Audit and Risk Committee report | 102 |

Strategy

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

- | | | | |
|----|--|--|----------------|
| a) | Describe the climate-related risks and opportunities that the organisation has identified over the short, medium and long term | | |
| b) | Describe the impact of climate-related risk and opportunities on the Company's business, strategy and financial planning | Climate-related financial disclosures
Principal risks and uncertainties | 59 to 66
77 |
| c) | Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | | |

Risk management

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

- | | | | |
|----|---|---|------------------------|
| a) | Describe the Company's process for identifying and assessing climate-related risks and opportunities | | |
| b) | Describe the Company's process for managing climate-related risks and opportunities | Climate related-financial disclosures
Principal risks and uncertainties
Audit and Risk Committee report | 67
77
102 to 104 |
| c) | Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management | | |

Metrics and targets

Disclose the metrics and targets used to assess and manage climate-related risks and opportunities

- | | | | |
|----|---|---|----------|
| a) | Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | | |
| b) | Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks | Climate-related financial disclosures
Environmental, social and governance | 68
45 |
| c) | Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | | |

Group non-financial information statement

Understanding the impact of our activities with regard to specified non-financial matters.

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 regard to specified non-financial matters.

Reporting requirement and our material areas of impact	Relevant Group principal risks	Relevant Group policies	Policy embedding, due diligence, outcomes and key performance indicators – page references
Environmental matters Responsible approach to product design and production	Consumer and customer trends	Group ESG Policy	Environmental, social and governance, pages 44 to 47
Employees Responsible for the health and safety of our workforce	Legislation	Group Quality, Health, Safety and Environment Policy	Environmental, social and governance, page 49 and policies, page 91 Workforce engagement, page 85 Our stakeholders, workforce, page 39
Social matters Responsible approach to taxation	Financial risks	- Tax Strategy Statement - Business Ethics Policy	Environmental, social and governance, pages 50 to 52
Respect for human rights, anti-bribery and corruption Reinforcing an ethical business culture	Legislation	- Business Ethics Policy - Supplier Code of Conduct - Anti-Bribery and Corruption Policy - Gifts and Hospitality Policy - Policy on the use of independent auditor for non-audit services - Whistleblowing Policy - Anti-slavery and Human Trafficking Statement	Environmental, social and governance, pages 54 and 55 and policies, page 91
Business model	All risks		Pages 10 and 11
Non-financial key performance indicators			Page 37
Description of principal risks			Pages 71 to 78

Principal risks and uncertainties

An effective risk management process is a fundamental cornerstone of good corporate governance, essential in enabling the business to achieve its overall strategic and day-to-day operational objectives and in delivering on its commitments to all stakeholders.

The Group's established risk management framework, which is aligned to ISO 31000:2018, was enhanced during the year to formalise a defined risk taxonomy structure. This is to guide risk identification and to help with the categorisation of the types of risk to which McBride plc is exposed, whilst establishing a common language for the reporting of risk across the organisation. Additionally, a comprehensive risk appetite framework was established during the year. This is to help with the assessment, escalation and reporting of principal risks, through the identification and regular monitoring of key risk indicators tracked by senior business leaders.

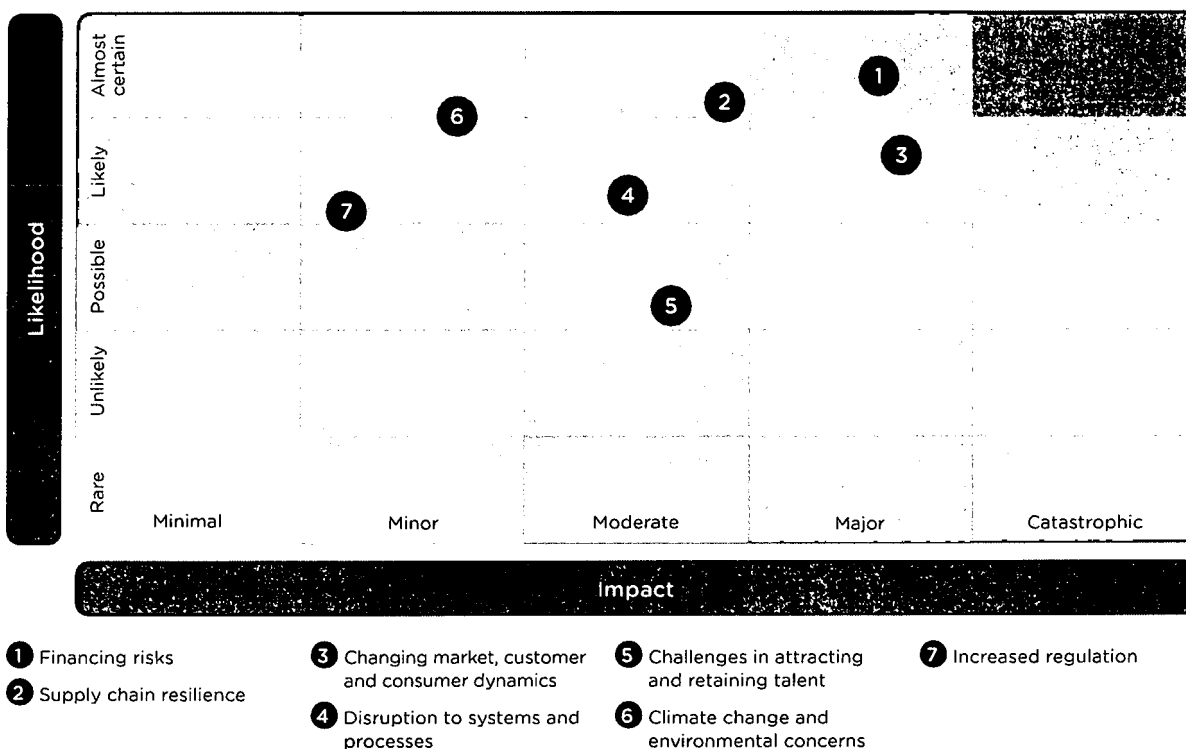
Further detail on the risk management process can be found on page 103.

This process has allowed the Board to identify those risks which are deemed fundamental to the business as they potentially threaten the delivery of the Group's strategic priorities.

The Group continues to review its overall risk framework within the context of an ever shifting and dynamic post-Covid-19 environment, which has resulted in

high levels of input price inflation and a time-lag in recovering these in the form of price increases from our customers, product re-design initiatives and cost reduction exercises conducted by the Group. This has impacted McBride plc from both a global supply chain perspective as well as the more regional/local retailer and consumer behavioural aspects.

This has been accompanied with a heightened focus on climate and environmental considerations from both consumers and governments, a complex and evolving set of legislative requirements across individual jurisdictions, as well as the increased risk to sensitive business data as a result of legacy systems, potential security breaches and cyber threats. The Board also considered the specific risks and opportunities relating to the Group's level of debt, largely driven by higher levels of working capital and trading losses. Over the course of the year, this has squeezed our liquidity headroom with our funders, although this risk has been reduced post year end as a result of the revised funding agreement announced on 29 September 2022.



Principal risks and uncertainties continued

The set of principal risks and uncertainties provided on the following pages is 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 the potential to cause an adverse impact on our business. The Board has confidence in the ongoing risk horizon scanning and monitoring activities embedded within the Group's existing risk management processes, to provide early notification of emerging, potentially significant and strategically important risks on a regular basis.

1 Financing risks

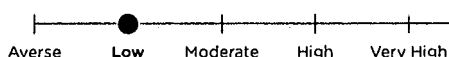
The Company is potentially exposed to financing risks affecting liquidity and funding that could threaten the ongoing operation and financial viability of the Company

Risk trend/change:



Risk impact	Mitigation	Key developments
- Inability to offset in a timely manner the significant input cost inflation by raising prices, has resulted in a significant deterioration of the Group's profitability and liquidity. - Not achieving historic levels of profitability and cash flows increases the risk that banking facilities may be withdrawn due to breach of banking covenants.	- Divisional Managing Directors are accountable for developing and executing pricing plans or cost-saving product redesigns to recover gross margins through cost price increases to customers. - A comprehensive governance process of divisional performance reviews is in place to monitor actual performance versus pricing and financial targets. This includes the Executive Committee's weekly review of key operational and financial performance metrics, including health and safety, volume, customer service, trading and pricing, meaning that risks can be identified and mitigating actions agreed in a timely manner.	- Our lender group waived the December 2021 and June 2022 covenant tests. In reaching the agreement of the waiver, the Group agreed to maintain liquidity (cash plus facility headroom) of at least £40 million and not pay dividends until it is in compliance with its existing covenants. - At 29 September 2022, the Group announced that it had agreed an amended RCF with its lender group, ensuring the Group has sufficient levels of liquidity headroom and can comply with revised covenant requirements. Key provisions of the revised agreement are set out in the CFO's report on page 34.

Risk appetite rating: Low



McBride plc recognises that it is not possible to fully eliminate financing risk, but will deploy a one-time robust and proportionate level of control to ensure material instances of risk are minimised.

2 Supply chain resilience

Raw materials continue to drive a significant proportion of our product costs, thereby resulting in key underlying risks associated with commodity markets and their heightened volatility

Risk trend/change:



Risk impact

- Global supply chains were stretched beyond breaking point in many areas as demand bounced back from Covid-19-driven lows which saw capacity reduced in many sectors.
- Pressures on material and freight availability, along with underlying labour challenges in the market, affects our ability to ship products out on time, ultimately posing a risk to our customer service levels.
- Uncertainty over forward input price inflation will restrict the Group's ability to implement plans for recovery through pricing initiatives.
- A growing trend of some customers moving to a more transactional approach to relationship management leading to lengthy and prolonged discussions on the implementation of the required pricing actions. This has the potential to have a significant impact on the Group's profitability.
- An increased focus on environmental considerations in the form of sustainability demands poses a risk from both a cost and complexity perspective.
- Over-reliance on any one supplier poses a significant risk to the business.

Mitigation

- An appropriately resourced and skilled Group Purchasing function with the requisite market and industry knowledge providing the ability to spot market trends and developments.
- Long-standing and strong supplier relationships allowing McBride plc to leverage scale and push for prioritisation in times of material shortages. Divisional teams taking full responsibility for demand forecasting providing forward views of requirements.
- Reliable and regular forecasting capability in order to equip the Group with forward visibility of both the direction and magnitude of input cost evolution, along with a well-structured and controlled information flow through the supply chain into the Divisional Commercial teams to help position each wave of pricing actions with our customers.
- Clearly defined account plans across our customer base to ensure that we create the appropriate engagement, at the right level and at the right time.
- A clearly defined set of corporate goals underpinned by specific metrics and targets, with well-articulated plans to achieve them, that are shared with our customers.
- A strong and effective risk management ethos, driving the most opportune sourcing decisions to ensure McBride plc is not overly exposed to any single supplier.

Key developments

- In addition to the continued investment in training and development, access to market intelligence and analytical resources has been improved.
- The continual improvement of the high-level early warning tool already in place, along with a more automated, rolling forecasting process, capturing both feedstock and supply/demand influences, embedded in the organisation.
- Key risk indicators (KRIs) in place to monitor progress and drive appropriate action, where necessary.
- A continued focus on contractual cover, with closer alignment between the Group Purchasing, Commercial and Legal functions.
- Group Purchasing provide the divisional sales teams with regular 'commercial packs' to help explain the markets within which we operate from a pricing and supply chain perspective, and how that translates into the products that we sell.
- McBride plc already has a set of published sustainability targets which are monitored on a regular basis, and have started on the TCFD reporting journey to drive further improvements in this area.
- Specific actions taken during the year to broaden our supplier base, in areas of increased supply risk.

Risk appetite rating: Moderate



McBride plc accepts a moderate level of concentration risk in relation to raw material suppliers to maximise economies of scale and leverage pricing strategies. The Company is also prepared to accept a moderate level of risk exposure in the supply chain to optimise pricing strategies whilst maintaining a certain level of flexibility across the value chain to be able to absorb disruptions and quickly adapt to change.

Principal risks and uncertainties continued

3. Changing market, customer and consumer dynamics

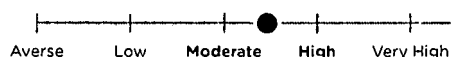
Loss of key product categories and/or customer positions could arise due to an inability to maintain supply or through an uncompetitive cost position. Additionally, the demand in sustainability trends in product technology, formats and usage has increased significantly, and speed to market is essential and is required by our customers and end consumers

Risk trend/change:



Risk impact	Mitigation	Key developments
- The 'post-Covid-19' consumer is adapting to a higher cost of living in an inflationary environment, also marked by a heightened sustainability agenda and a significant demand for e-commerce. The lack of an appropriate product portfolio would be a risk to our sales performance. - Shifts in purchasing habits due to 'sticky post-Covid-19 factors' (such as working from home) may mean that there are permanent shifts in product choices misaligned to the capacity in the business. - Key international retailers face significant pressure to be the 'backstop' of grocery inflation and therefore continue to resist price increases. - Despite an increasing number of high-profile failures in our competitor set, together with global pressures on supply chain networks, continuity of supply of essential hygiene products remains critical. High levels of CSL are therefore being demanded, and failure to deliver jeopardises our reputation and sales performance. - There is a risk that in addressing the short-term issues faced by customers and consumers that innovation becomes a lower priority and risks medium-term sales growth and profitability.	- An appropriate amount of resource and attention to the understanding of consumer trends. This includes an established ESG forum where sustainability insights and Group-wide ESG targets are monitored to drive actions through divisional deployment. - A flexible approach to product portfolio management that can adapt with agility to changes in consumer needs. This could include a range of alternative offerings to minimise the price impact to consumers. - A five-year strategic plan, reviewed on an annual basis, in order to balance capital allocation between new initiatives and supporting existing business. - Strengthened partnerships with key retailers to avoid one-dimensional discussions solely focused on price. - Clear cost-saving initiatives in each area of the business to mitigate the effects of input price increase.	- Having centralised our approach to market data, we are using this effectively to drive decision-making and inform longer-term strategy. - We have accelerated our approach in R&D in respect of two major pillars around cost saving and sustainability – working closely with suppliers to achieve speed to market and capital efficiency. - The ESG Group has made great progress in measuring the Company's environmental impact and setting appropriate targets to support ongoing business performance and growth. - The five-year plan has been reviewed and adjusted in the short term to take account of latest market priorities. - We have been proactive and reacted quickly to assist retailers where they have had disruptions in supply due to competitors' financial and operational difficulties, demonstrating our agility and role as a valued supplier of choice. - We have developed new relationships with direct and indirect suppliers in order to ensure best pricing and continuity of supply in volatile circumstances. - All divisions and Group functions have clear cost-saving targets enabled by continued investment in business processes. - As part of the TCFD risk assessment performed during the year, climate-related changes to market factors were considered and risk responses explored.

Risk appetite rating: Moderate to High



We strive to uphold strong relationships with our customers during a period of dynamic market conditions.

We accept a moderate to high level of risk in our relationships with customers whilst these are being tested by increased product prices to take account of increased input costs, market factors, competitor actions and customer responses.

4 Disruption to systems and processes

Reliability, availability and security of our business systems and processes continue to be a focus area to avoid business disruption. Availability of core systems is targeted, as a minimum, to be at the levels required to maintain the day-to-day operations of the business. The risk has increased due to an increase in the number of external cyber-attacks and elevated threat levels globally. This trend is expected to continue for the foreseeable future

Risk trend/change:



Risk impact

- Loss of key and sensitive business data as a result of security breaches, external hacking and/or cyber attacks.
- The loss of data or the inability to obtain data – due to issues with physical storage (e.g. data destruction), logical storage (e.g. deletion) and data corruption (e.g. software errors).
- Physical damage to key computer equipment – e.g. due to fire, theft, flood, malicious damage, etc which would disrupt a physical location which hosts critical IT services.
- Internet/World Wide Web disrupted/unavailable due to an external, global event affecting our systems, data, connectivity and operations.
- Increased incidence of security breaches due to high volumes of home working experienced during the pandemic and a move to flexible working patterns.
- Underinvesting in IT leads to outdated technologies with weak IT General Controls (ITGCs), potentially leading to increased overhead mitigation costs, a higher risk of cyber-attack, loss of key data, failure to adequately harness digitalisation and significant business disruption.

Mitigation

- Continual review and investment in security policies, controls and technologies to protect commercial and sensitive data.
- Continued monitoring of developments in cyber security including engaging with third-party penetration testers and other specialists, where appropriate.
- Alignment to changes in legislation assessed and implemented, including GDPR.
- Ongoing hardware and software refresh and upgrade programmes to ensure performance can be monitored and systems and technologies adequately supported to combat against any potential loss of data and/or cyber-attacks.
- Formal disaster recovery planning to ensure critical systems have a clear plan for recovery.
- The IT team has continued to support the business during the transition from office-based to home working experienced during the year, by continuing to roll out processes and solutions that maintain strong access controls to our systems.
- Review of the business systems roadmap to ensure relevance.

Key developments

- Recruitment of additional IT security resource to strengthen focus in this area.
- External vulnerability testing undertaken.
- Security key risk indicators (KRIs) in place to monitor progress and drive appropriate action, where necessary.
- Development and rollout of an employee education programme to improve cyber risk awareness.
- Cyber simulation exercise conducted.
- Upgrading critical infrastructure and ensuring the correct patch levels are applied.
- Moving critical systems away from our sites into an external cloud infrastructure.
- Review of disaster recovery processes for all business-critical systems and ensuring relevant back-up and recovery plans are in place.
- Introduction of new secure access mechanisms when employees connect to the corporate systems away from the office.
- Core business system reviewed and key actions in progress.
- Investments in updated applications to modernise the workplace.

Risk appetite rating: Moderate



We have a moderate appetite for risk in relation to IT resilience and to manage our IT infrastructure, in order to ensure the security of confidential information and the availability of our critical systems are not compromised.

Principal risks and uncertainties continued

5 Challenges in attracting and retaining talent

Failure to attract, retain and develop the required capabilities and to embed our values in our culture, which could impact the delivery of our purpose, vision and business performance

Risk trend/change:



Risk impact

- Our ability to attract, develop and retain a diverse workforce with a wide range of skills is critical for the effective delivery of our strategies.
- The loss of key leadership and talented colleagues and the inability to replace them could make it difficult to manage the business, ultimately adversely affecting operations and financial results.
- Market competition for key leadership and talent remains strong across the wider economy and specifically in some of the countries within which we operate. Whilst we continue to have strong response mechanisms in place, we face complexities posed by uncertain macroeconomic conditions, intense competition for talent and significant wage inflation.

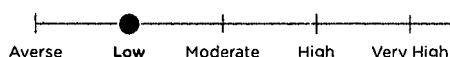
Mitigation

- People performance, potential and succession management is formally reviewed and subject to calibration by senior management each year. Core skills gaps are identified to inform clear action plans and address key talent retention or attraction risks.
- Our Remuneration Committee agrees the objectives and remuneration arrangements for senior leaders.
- Agile ways of working (including smart home working) frequently reviewed, to unlock internal capacity and support our ability to motivate, retain and attract talent.
- Regular review of our ways of working to drive speed and simplicity through our business, allowing us to remain agile and responsive to marketplace trends.

Key developments

- Our talent planning and people development processes are established and are being rolled out, utilising our new Human Capital Management (HCM) system across the Group.
- There are frequent discussions on talent and retention with the Executive Committee, with regular oversight by the Board.
- Investment in our learning management system, providing all colleagues with access to online self-paced development, supporting skills growth internally.
- We continue to roll out measures to ensure the wellbeing of our colleagues, with a number of specific initiatives launched during the year.

Risk appetite rating: Low



McBride plc has a low appetite in relation to people risks. It acknowledges that there is a core dependency on people and their knowledge in order to provide an effective service both within the business and to our customers.

6 Climate change and environmental concerns

An evolving, multi-dimensional risk influencing our ability to continue to produce and deliver appropriate goods and services in a sustainable and environmentally responsible manner, leading to a lack of alignment with key retail customers, a loss of revenue, supply disruptions and an inability to deliver a reduction on our corporate carbon footprint

Risk trend/change:



Risk impact

- Failing to adapt our business models and strategies could influence our ability to continue to produce and deliver appropriate goods and services in a sustainable and environmentally responsible manner. This could lead to reputational damage for the Company, whilst impacting our customers and consumers and ultimately affecting our growth, competitiveness and profitability.
- The increased incidence of extreme weather events could impact our ability to sustainably source essential components for our products and services, potentially leading to supply disruptions.
- Failing to be eligible as a preferred supplier by our customers due to lack of our commitment to measure our corporate carbon footprint and to set and realise appropriate targets.

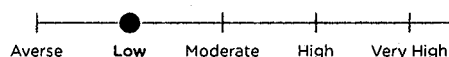
Mitigation

- The immediate focus of our mitigation activities is on our preparedness for both supply disruptions (e.g. through flexible sourcing policies in place) and the ongoing reduction of our operational carbon footprint.
- A full understanding of our customers' needs, goals and objectives to mitigate their overall carbon footprint, aligning our own climate change action plans as appropriate.
- Measurement of our corporate carbon footprint with external consultants, driving action plans to reduce our carbon-intense production areas.
- A focused cross-functional ESG forum continues to operate effectively, leading the Company's environmental, social and governance activities and specifically driving our response to climate change and environmental concerns.
- An established ESG framework in place that continues to drive and steer our overall ESG approach, including climate and environmental considerations.

Key developments

- We engaged Willis Towers Watson (WTW) to work with the TCFD Working Group to facilitate the identification of CROs over the short, medium and long term and to begin to assess their potential impact on the Group's business. Further details are provided on pages 59 to 66.
- Measurement of our corporate carbon footprint to set future science based targets.
- Working with our energy suppliers to increase the proportion of our energy from renewable sources at minimal additional cost, to meet our 2025 target (30%), starting January 2023.
- Completion of the 2022 CDP disclosure on climate action.
- Successful submission of our climate and sustainability data to EcoVadis for a revised business sustainability rating.
- Advances in product development with capex approved for new packaging solutions that reduce plastic consumption in the laundry category.

Risk appetite rating: Low



We have a low tolerance for risk in this area but recognise external factors can be difficult to mitigate as they are often outside our control.

Principal risks and uncertainties continued

7 Increased regulation

The regulatory environment is increasing in complexity with requirements for increased monitoring, governance and reporting. McBride plc is subject to laws and regulations in the markets in which it operates and compliance with these is an essential part of our business operations

Risk trend/change:



Risk impact	Mitigation	Key developments
- Non-compliance with relevant laws and regulations could expose McBride plc and/or our customers to civil and/or criminal actions. This could result in possible damages, fines, criminal sanctions, and damage to our corporate reputation. - Some examples of the heightened regulatory landscape for 2022 include: - Climate regulation (incl TCFD) - EU Chemical Strategy for Sustainability - UK Environment Act - Plastic taxes - Post Brexit increased intra-European regulatory requirements and regulatory divergence - Changes to and introduction of additional laws and regulations also have a material impact on the cost of doing business via increased reporting and/or growing resource requirements to meet heightened, complex, and frequently evolving compliance needs.	- Continued focus on product compliance processes and controls, which are regularly monitored to drive improvement. - Communication to relevant employees ensures that compliance is embedded within key roles. - All raw material suppliers must verify compliance to relevant legal and safety requirements, with these standards continually monitored and updated. - Legal and regulatory specialists continue to monitor the relevant legislative framework that McBride plc operates under, to provide assurances of compliance with all existing and new legal obligations. External legal guidance is sought, where appropriate. - McBride plc is an active member of relevant trade associations and industry bodies. Where appropriate, we can provide input into government consultations which affect our products or industry.	- Continual improvement of monitoring and oversight systems, processes and activities to respond to increased emerging regulatory compliance and reporting obligations. - Specific systems, process rationalisation and standardisation projects are in place and McBride plc continues to look for opportunities to leverage technology to improve automation and increase process uniformity. This has already helped drive improvements in regulatory compliance, with further improvements to resilience, efficiency and performance expected. - Monitoring of the legislative landscape continues to be a priority, particularly in relation to the EU Chemical Strategy for Sustainability. - McBride plc has successfully contributed to the detergent industry impact assessment report via AISE. - Communication of legislative requirements now fully formalised via specific divisional briefing, leadership briefings and specific project teams. - Increased regulation has also been assessed as a transitional risk as part of the work undertaken by the TCFD Working Group. Further details are in pages 61 and 62.

Risk appetite rating: Low



So far as legal compliance and safety of consumers and employees are concerned, the Company has a zero tolerance for risk. McBride plc recognises the need to adopt a risk-based approach to managing regulatory risk that is proportionate to the risk, delivers acceptable outcomes for its customers and is financially sustainable and practical to operate.

In accordance with the UK Corporate Governance Code 2018, 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 for the Group when preparing its viability statement.

Going concern and viability statement

In accordance with the UK Corporate Governance Code 2018, the Board has taken into consideration the Group's principal risks and uncertainties when determining whether to adopt the going concern basis of accounting and when assessing the prospects for 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 report of the CFO on pages 30 to 35. 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. At 30 June 2022, committed undrawn facilities and net cash position amounted to £70.6 million.

The Group's base case forecasts are based on the Board-approved budget and three-year plan. They indicate sufficient liquidity throughout the going concern review period to ensure compliance with its minimum liquidity banking covenant. The Group's base case scenario assumes:

- revenue growth of c.5%, driven predominantly by the wrap-around effect of pricing already agreed with customers;
- raw material prices marginally reducing compared to the June 2022 levels, which in themselves were significantly higher than pre-Covid-19 pandemic levels;
- interest rates increasing by c.150 basis points; and
- Sterling: Euro exchange rate of £1:€1.185.

The Directors have considered a severe but plausible downside scenario including several downside assumptions to stress test the Group's financial forecasts:

- zero revenue growth from volumes, with revenue growing in 2023 just for pricing already agreed with customers;
- higher than forecast raw material and packaging input costs and additional inflationary pressures driven particularly by energy, distribution and labour, ultimately being recovered through pricing actions, but only after a lag;
- worsening trade working capital, caused by deterioration in both customer and supplier payment terms;
- interest rates increasing by a further 100 basis points; and
- Sterling appreciating significantly against the Euro to £1:€1.22.

In the event that such a severe but plausible downside risk scenario occurs, the Group would incur a covenant breach and a liquidity shortfall.

In this downside risk scenario, the Group would therefore need to obtain a covenant waiver and increase its funding facilities compared to those that are currently committed, to ensure that the business can meet its obligations for the next eighteen months.

To mitigate against these risks, the Group is currently negotiating to further increase liquidity by £25 million by extending invoice discounting facilities to unencumbered receivables ledgers, however there is no certainty that these negotiations will be successful.

After reviewing the current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described above, and based on the currently committed funding facilities, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence and without significant curtailment of operations for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Group financial statements. However, the occurrence of multiple downside trading and liquidity risks represents a material uncertainty at 29 September 2022 that could cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

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 2025 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. The analysis considers a severe but plausible downside scenario, incorporating the principal risks from a financial and operational perspective, with the resulting impact on key metrics, such as debt headroom and covenants. The downside risk scenario assumes sensitivity around exchange rates and interest rates, along with significant reductions in revenue, margins and cash flow over the three-year period. 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 subject to the material uncertainty noted in the basis of preparation in note 2 of the financial statements 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 2025.

Chairman's introduction to the Directors' report



Jeff Nodland
Chairman

The Board continues to support and challenge management as we strive to deliver the next chapter of our strategic goals and vision.

Dear shareholder

On behalf of the Board, I am pleased to present this year's Directors' report and to update you on the work of the Board and its Committees and how we have discharged our responsibilities during this financial year.

Board leadership

As Chairman, I am responsible for leading and ensuring an effective Board. The current period of economic uncertainty has impacted the way the Board and its Committees worked throughout 2021/22. During the last few months of the financial year 2022 the Board convened additional meetings to receive and consider financial updates, and updates on progress with the Company's pricing initiatives. These meetings have continued into the financial year 2023. I would like to pay tribute to my Board colleagues for their flexibility and outstanding support throughout the year.

Governance

The application of the Principles of the UK Corporate Governance Code 2018 ('the 2018 Code') is evidenced throughout this Annual Report.

We are accountable to all of our stakeholders for ensuring that governance processes are in place and we are fully committed to meeting the standards of the 2018 Code as far as it applies to a FTSE Fledgling company. The table on page 84 provides details of our compliance with the 2018 Code for the financial year 2021/22.

Board changes

In October 2021, Neil Harrington retired from the Board at the conclusion of the 2021 AGM following nine years' service. During his tenure, Neil was Chair of the Audit and Risk Committee and his contribution and insights were valued greatly. As previously disclosed, Alastair Murray became Chair of the Audit and Risk Committee in October 2021 and the transition has been seamless.

Following a recruitment process led by the Nomination Committee, we were delighted to appoint Regi Aalstad to the Board as an independent Non-Executive Director on 14 March 2022. Regi brings with her a wealth of knowledge in the fast-moving consumer goods sector and strong experience as a Non-Executive Director. Information on her induction process can be found within the Nomination Committee report on page 93.

In line with our succession plans and in anticipation of Steve Hannam not seeking re-election at the 2022 AGM since he has served nine years on the Board, Elizabeth McMeikan will be appointed as Senior Independent Director from the conclusion of the 2022 AGM. Elizabeth already has extensive experience as a Senior Independent Director which she will bring to the role. Regi Aalstad will be appointed as the Non-Executive Director responsible for employee engagement, continuing Steve's good work in this area once he has stepped down from the Board.

I would like to thank Steve for his dedicated service over the nine years he has been on the Board and for his unwavering support, particularly during the challenges over the last twelve months.

As required by Provision 10 of the 2018 Code, the Board considered the independence of Steve Hannam at the point he had served on the Board for nine years, and again as at the date of this report. The Board concluded that the objectivity of Steve Hannam was not impaired by his length of tenure and he continues to demonstrate his commitment to making decisions that are in the best interests of the business.

Dividend

The Board has agreed with its lender group that no dividends will be paid until it is in compliance with its banking covenants. Therefore, the Board is not recommending a final dividend in 2022. Future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum, in November of each year.

S172 of the Companies Act 2006

Stakeholder interests are at the heart of every strategic and operational decision taken by the Board. Our focus on discharging our responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and the impact our decisions will have on our stakeholder groups is at the forefront of our minds at each and every Board and Committee meeting.

Further information on our stakeholders, how we have considered them in decisions during the year and our engagement with these stakeholders is set out on pages 38 to 41.

Board effectiveness

As Chairman, I am responsible for ensuring we continue to have an effective and functioning Board. We review our effectiveness as a Board on an annual basis, including an assessment of its Committees.

The internally led Board evaluation undertaken in May 2022 gave us the opportunity to reflect on our own performance and consider areas of focus which will drive positive change over the coming years. Further details of the Board evaluation can be found in the Nomination Committee report on page 95.

I will continue to work with my fellow Directors and with the Company Secretary to seek enhancements to the effectiveness of the Board and its Committees and create further focus on those areas that the Board believes will make the most impact in achieving long-term sustainable success for the business.

General Meeting

As explained in the Strategic Report, the rapid and unprecedented rise in input costs and macroeconomic supply chain challenges, exacerbated by the war in Ukraine, had a negative effect on the financial performance and cash flows of the Group during the financial year ended 30 June 2022. This resulted in an increase in the Group's borrowings and a reduction to the value of the adjusted capital and reserves in the Company's balance sheet. As the borrowing limit in the Articles of Association ('Articles') is calculated by reference to the adjusted capital and reserves in the Company's latest audited consolidated balance sheet, when the accounts for the financial year 2022 were published it was expected that the Group's borrowings would exceed the limit in the Articles. Consequently, in anticipation of the borrowing limit set out in the Company's Articles being exceeded, at a General Meeting of the Company held on 25 August 2022, the prior sanction of shareholders was sought to the borrowing limit being exceeded and subject to a new higher borrowing limit of the higher of £500 million and an amount equal to five times the aggregate of (i) the amount paid up on the issued share capital of the Company; and (ii) the total of the capital and reserves of the Group.

I am pleased to report that the ordinary resolution to sanction the borrowing limit being exceeded and to approve an increased borrowing limit was passed with 99.98% votes in favour.

Annual General Meeting

The 2022 AGM will be held at Building C, Central Park, Northampton Road, Manchester M40 5BP on 16 November 2022 at 2.00pm.

Each ordinary share of the Company carries one vote at General Meetings of the Company. Any ordinary shares held in treasury and the B Shares have no voting rights.

A shareholder entitled to attend, speak and vote at a General Meeting may exercise their right to vote in person, by proxy, or in relation to corporate members, by corporate representatives. To be valid, notification of the appointment of a proxy must be received not less than 48 hours before the General Meeting at which the person named in the proxy notice proposes to vote.

As a Board, we have adapted to reflect the changing times we have all experienced. We would like to thank our colleagues, suppliers, investors, lender group and customers for their continued support during this period of economic uncertainty. As we look forward to the future, I believe that your Board has the right balance of skills and expertise to continue to support and challenge management as we strive to deliver the next chapter of our strategic goals and vision.

Jeff Nodland
Chairman

Board of Directors

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



Jeff Nodland
Chairman



Chris Smith
Chief Executive Officer



Mark Strickland
Chief Financial Officer



Steve Hannam
Senior Independent
Non-Executive Director

Appointed to Board:
June 2019

Skills and experience:
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 one of North America's largest independent manufacturers of consumer packaged goods (including branded and private label products), KIK Custom Products, retiring in February 2019 after eleven years in the role. 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 and Pioneer Recycling Inc.

Committees:

N * R

Appointed to Board:
January 2015

Skills and experience:
Chris joined the Company in 2015 as Chief Financial Officer. During the period 22 July 2019 to 1 November 2019 he held the position of Interim Chief Executive Officer and on 11 June 2020 he was appointed Chief Executive Officer.

Chris's career spans over 30 years working in listed manufacturing businesses in highly competitive global industries. He brings extensive experience of international leadership in multi-site and multi-country organisations, covering mostly the UK, Europe and Asia Pacific. From 2008 to 2014, Chris was Group Finance Director at API Group plc, the AIM-listed specialty metallic film, foil and laminates producer. Other previous roles have included Scapa plc, where he was Finance and IT Director for Europe & Asia and also a number of senior finance roles at Courtaulds plc, where he gained extensive international experience, including overseas positions based in Germany and Hong Kong.

Appointed to Board:
January 2021

Skills and experience:
Mark has operated at the C-Suite level for more than 25 years, possessing extensive and hands-on finance experience across chemicals, logistics, retail/own label food businesses, B2B/B2C services, insurance and financial services. More recently, Mark has been involved in a number of business turnarounds/transformations and has delivered a number of successful private equity exits (having worked with CBPE, Apollo and Promethean). Immediately prior to joining McBride plc, he was Interim Chief Financial Officer at The AA plc. Mark has an MBA from Manchester Business School and is a Fellow member of CIMA.

Appointed to Board:
February 2013

Skills and experience:
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:

A N R



Elizabeth McMeikan
Independent
Non-Executive Director

Appointed to Board:
November 2019

Skills and experience:
Elizabeth has extensive experience within the consumer goods and retail sectors, including senior management roles in operations and marketing at Colgate Palmolive and Tesco. This, combined with her strong non-executive experience, makes her an excellent addition to the Board. Elizabeth is currently Senior Independent Director at Unite Group plc, a Non-Executive Director of Dalata Hotel Group plc, Senior Independent Director of property investment trust Custodian REIT plc and a Non-Executive Director of private company Fresca Group, where she chairs the Audit Committee. Her past appointments include Senior Independent Director at J.D. Wetherspoon plc and Remuneration Committee chair at Flybe plc.

Other roles:
Senior Independent Director and Remuneration Committee Chair of Unite Group plc, Non-Executive Director and ESG Committee Chair of Dalata Hotel Group plc, Senior Independent Director at Custodian REIT plc, Non-Executive Director and Chair of the Audit Committee of Fresca Group.

Committees:
A * N R *



Alastair Murray
Independent
Non-Executive Director

Appointed to Board:
2 August 2021

Skills and experience:
Alastair, a chartered management accountant, brings a strong financial background, having operated as Chief Financial Officer of Premier Foods plc until August 2019. Alastair has recent and relevant financial experience across a number of listed companies, including Premier Foods plc, Dairy Crest plc and The Body Shop International plc. As well as a background in finance, Alastair has significant experience in corporate strategy, restructuring and M&A.

Other roles:
Independent Member of the Audit and Risk Committee for the Department for Education.

Committees:
A * N R



Igor Kuzniar
Non-Executive Director

Appointed to Board:
June 2019

Skills and experience:
Igor brings a strong background in finance, operational efficiency and strategy. He has more than 15 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 of Teleios Capital Partners GmbH.

Committees:
N



Regi Aalstad
Independent
Non-Executive Director

Appointed to Board:
14 March 2022

Skills and experience:
Regi has extensive leadership experience in global fast-moving consumer goods. She has held Regional General Manager and Vice President positions with Procter & Gamble (P&G) in Europe, Asia, the Middle East and Africa. She first joined P&G in the Nordics within the laundry and cleaning sector. Regi is currently a Non-Executive Director at the Ontex Group and at several tech start-ups in Switzerland, where she resides. She also works as an adviser to private equity companies and as a coach.

Regi holds a Master of Business Administration from the University of Michigan, USA.

Regi has previously held Non-Executive Director positions at Telenor ASA, Geberit AG and as chair of an international NGO.

Other roles:
Regi is a Non-Executive Director at Ontex Group NV, Gmelius SA and Plair SA.

Committees:
A N R

A Audit and Risk Committee

N Nomination Committee

R Remuneration Committee

* Chair

Compliance with the UK Corporate Governance Code 2018

The Board is pleased to report that the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 for its financial year ended 30 June 2022, except in relation to Provision 6, which states 'there should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously'. However, a new, externally supported Whistleblowing Reporting Line was introduced in June 2022, which complies with the EU Whistleblower Directive as far as this has been transposed into national law by the relevant countries. Further work to promote and improve understanding of the Whistleblowing Reporting Line within the Group is underway.

The table below provides a guide to the most relevant explanations for how the Company has complied with each Principle.

Board leadership and Company purpose	Page reference
A. An effective and entrepreneurial Board promotes the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.	pages 1 to 79, 82 to 83 and 86 to 91
B. Purpose, values and strategy are set and align with culture, which is promoted by the Board.	pages 12 to 15, 48, 85 to 91 and 109
C. Resources allow the Company to meet its objectives and measure performance. A framework of controls enables assessment and management of risk.	pages 55, 67, 71 to 79, 103 and 104
D. Engagement with shareholders and stakeholders is effective and encourages their participation.	pages 38 to 41 and 85 to 86
E. Oversight of workforce policies and practices ensures consistency with values and supports long-term sustainable success. The workforce is able to raise matters of concern.	pages 39, 48 to 53, 85 to 86 and 91
Division of responsibilities	Page reference
F. The Chairman is objective and leads an effective Board with constructive relations.	pages 81, 82 to 83 and 88 to 91
G. The Board comprises an appropriate combination of Non-Executive and Executive Directors, with a clear division of responsibilities.	pages 80 to 83 and 89
H. Non-Executive Directors commit appropriate time in line with their role.	pages 91, 92, 98 and 105
I. The Company Secretary and the correct policies, processes, information, time and resources support Board functioning.	pages 86 to 87 and 91 to 93
Composition, succession and evaluation	Page reference
J. There is a procedure for Board appointments and succession plans for Board and senior management which recognise merit and promote diversity.	pages 80 and 91 to 97
K. There is a combination of skills, experience and knowledge across the Board and its Committees. Tenure and membership are regularly considered.	pages 82 to 83, 88, 90 and 92 to 97
L. Annual evaluation of the Board and Directors considers overall composition, diversity, effectiveness and contribution.	pages 81 and 95
Audit, risk and internal control	Page reference
M. Policies and procedures ensure the independence and effectiveness of internal and external audit functions. The Board satisfies itself of the integrity of financial and narrative statements.	pages 98 to 103
N. A fair, balanced and understandable assessment of the Company's position and prospects is presented.	pages 1 to 79, 104 and 136 to 203
O. Procedures manage and oversee risk, the internal control framework and the extent of principal risks the Company is willing to take to achieve its long-term strategic objectives.	pages 71 to 78, 87 and 98 to 104
Remuneration	Page reference
P. Remuneration policies and practices are designed to support strategy and promote long-term sustainable success, with executive remuneration aligned to Company purpose, values and strategic delivery.	pages 106 and 108 to 118
Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration.	pages 106, 108 and 109
R. Independent judgement and discretion is exercised over remuneration outcomes taking account of the relevant wider context.	pages 106 and 108 to 118

The Code is published by the Financial Reporting Council, a full copy of which can be viewed on its website www.frc.org.uk

Corporate governance statement

Board leadership and Company purpose

Introduction

In this Annual Report we report on how we have applied the main Principles of the 2018 Code and followed its recommendations. A cross-referencing table to each Code Principle can be found on page 84.

The Directors' report complements the Strategic report and explains how the Board operates in support of fulfilling McBride plc's purpose. The Board's role is promoting the Group's long-term success; setting its strategic aims and values; supporting leadership to put them into effect; supervising and constructively challenging leadership on the operational running of the business; ensuring a framework of prudent and effective controls; and reporting to shareholders on the Board's stewardship. We trust that the Strategic and Directors' reports together enable our stakeholders to assess the effectiveness of those frameworks and the quality of their outcomes.

Business model, strategy and risks

Strategy

Throughout the year, the Board's focus shifted to immediate short-term margin recovery actions. Despite this, the divisional business teams still managed to develop and mature over the year in line with our strategy, Programme Compass. As a Board, we reviewed the strategic direction of each division during the year. The review confirmed the Compass approach, divisional organisation and the strategic direction of each division, whilst reaffirming the fact that our purpose, vision and values continue to set the right objectives for the Group. On pages 42 to 55 we explain our approach to enhancing the sustainability of our business, whilst outlining some of the key initiatives we are taking to create value for our customers, employees, shareholders and society. Further details on strategic topics assessed by the Board during 2022/23 can be found on page 87.

Purpose, values and culture

McBride plc's purpose, values and strategy, Programme Compass, have sustainability at their heart. Whilst we operate through five divisions, we have a single vision and purpose and common values. Our guiding principles of focused profitable growth, backed by effective execution and a strong McBride plc identity, provide strategic direction towards achieving our vision and purpose and achieving long-term sustainable success. As explained in the Strategic report, to fulfil our commitment to our stakeholders to govern responsibly, we need to ensure that we have a full understanding of the impact of our products and the way we conduct business, on people and the environment. Our sustainability framework is therefore based around four objectives:

- product and design;
- production and operations;
- our people; and
- community and society.

McBride plc continues to encourage a sense of belonging and employee engagement to ensure a motivated and productive workforce. We are continuing to focus on the development of our people and on promoting a diverse and inclusive culture. The measurements the Board uses to evaluate culture are evolving and include senior leaders' pulse surveys and monitoring HR statistics such as absenteeism, employee turnover, learning and development completion rates and safety incidents. Some of these are already part of our non-financial KPIs as set out in the Strategic report.

Stakeholder engagement

The Board is aware of its obligations both collectively and individually to promote the success of the Company for the benefit of its stakeholders as a whole: its workforce, its customers, its suppliers, its shareholders and its communities. Having an overall understanding of our stakeholders' perspectives and values, and considering them in our decision-making and planning, is crucial to the Group's continued success and we value their broad range of perspectives. Comprehensive engagement allows us to make informed decisions, while taking into account the consequences of our actions on the different stakeholder groups. The Board is mindful of all of the Group's stakeholders when making decisions of strategic importance.

Workforce engagement

In accordance with Provision 5 of the 2018 UK Corporate Governance Code, the Board appointed Steve Hannam, Senior Independent Director, as the dedicated Non-Executive Director for workforce engagement.

When Steve steps down from the Board in November 2022, Regi Aalstad will take on the role of dedicated Non-Executive Director for workforce engagement and continue with the good work that Steve started.

During the year, the Board visited a number of the Group's manufacturing plants and spent time with our colleagues. Engaging with the workforce, both formally and informally, is a priority for the Board to ensure that we are aware of the views of the workforce and can address any concerns they may have.

Corporate governance statement continued

Board leadership and Company purpose continued

Case study

Dialogue between the Board and employees is achieved through different forums. Face-to-face discussions during site visits as well as frequent interaction with the divisional leadership teams have proved effective this past year.

As soon as coronavirus restrictions were lifted, the Board took the opportunity to reconnect in person, visiting the sites in Middleton, UK and Estaimpuis, Belgium. More site visits are planned, to enable the Board to build an appreciation of our colleagues' experience of their working environment and how this differs by site.

The site visits provided the opportunity for informal discussions and deeper two-way dialogue between Board members and individual colleagues working in the manufacturing facilities and in roles such as R&D and H&S.

Meetings with divisional leadership teams provided the Board with the opportunity to interact with employees in various roles from diverse geographies, providing insight of the challenges of day-to-day life in McBride.

A meeting with the European Works Council employee representative spokesperson provided the Board with greater appreciation of the issues of importance to the workforce.



Stakeholder engagement continued

Customer engagement

Engagement with customers is at operational level. The Board receives regular updates from the CEO and members of the senior management team on sales performance and customer metrics. Updates are also shared in relation to evolving relationships with customers as we respond to market conditions. During the course of the year, there have been global challenges with raw material price increases, availability of certain raw materials and packaging, together with distribution and wider macroeconomic supply chain issues. Engagement with our customers has been vital at these times to ensure that we were able to agree price increases with our customers that would reduce the impact of raw material price increases whilst still fostering a good working relationship with our customers. These updates assist the Board in developing and maintaining its understanding of any potential issues and how these could be addressed.

Supplier engagement

Further details on engagement with our suppliers can be found on page 40.

Communities

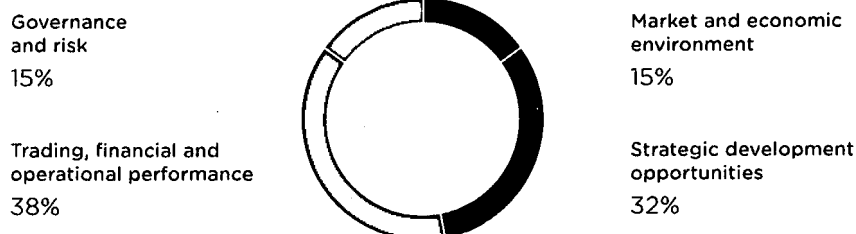
The Board is conscious of the need to positively impact the communities living and working around us by providing employment within our communities and by our increased focus on ESG initiatives. Further details of engagement within our communities can be found on page 41.

Shareholder engagement

The Board recognises the importance of regular, open and constructive dialogue with shareholders throughout the year. The Board welcomes the opportunity to openly engage with shareholders and help them understand our business. Details of engagement with shareholders can be found on page 41.

Board activity in 2022

Below is a non-exhaustive list of areas of focus, actions and decisions taken by the Board during the year.



Market and economic environment

Matters considered

- Market and customer development updates
- Competitor activity analysis
- Raw material market updates
- Pricing indexation reviews
- Review of trading in Russia
- Sales and pricing activity reviews
- Purchasing performance and feedstock forecasts
- Forward outlook for FX and interest rates

Strategic development opportunities

Matters considered

- Overseeing strategic implementation
- Programme Compass – review of divisional strategies and organisational strategy
- Key operational project progress reviews, including major capital expenditure investment proposals
- Business excellence initiative review
- Review of talent strategy

Trading, financial and operational performance

Matters considered

- Financial management and performance
- Approval of budget
- Banking, tax and treasury strategy and policy reviews
- Review and approval of five-year plans
- 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
- Reviewed the funding and management of the defined benefit pension scheme
- Considered the share price performance
- Covenant waiver
- Banking and liquidity reviews
- Approval of amendment to revolving credit facility
- Considered the impact of raw material price increases on the business
- Reviewed customer price increase progress
- Divisional trading reports

Governance and risk

Matters considered

- Approved the business to be considered at the 2022 AGM
- Insurance programme renewal
- Corporate policies review and approval
- Health and safety updates
- Directors' duties training
- Approved the business to be considered at the 2022 General Meeting
- Approval of the modern slavery statement
- Received updates from the Audit and Risk Committee, Nomination Committee and Remuneration Committee
- Approved the 2022 Annual Report and Accounts
- Approved the risk appetite framework
- Approved Committee Terms of Reference
- Litigation updates
- Corporate governance horizon scanning
- Approved the appointment of Non-Executive Director, Regi Aalstad

Corporate governance statement continued

Division of responsibilities

The Board

The Board has collective responsibility for leading the Group and promoting its long-term success. It has the prime role of confirming the Group's purpose and vision and agreeing a sustainable strategy that supports its purpose. It is responsible for setting cultural expectations that drive ethical and responsible business conduct.

As of 30 June 2022, the Board of Directors comprised the Non-Executive Chairman, four independent Non-Executive Directors, one non-independent Non-Executive Director, representing McBride plc's largest shareholder, and two Executive Directors. Additional responsibilities assigned to certain Non-Executive Directors are explained on page 89.

The composition of the Board is subject to review and is a responsibility delegated to the Nomination Committee. Details of the tenure, gender, nationality and relevant experience of Board members are set out below.

Board Committees

The Board is directly assisted in the discharge of its duties by three Board Committees: the Nomination Committee, the Audit and Risk Committee and the Remuneration Committee. The remit, authority and composition of the Committees is monitored to ensure effective Board support. Each Committee provides dedicated focus to a defined area of responsibility with the nature of delegated work ranging from a recommendation being made to the Board or, if within its agreed authority, a final decision being taken on behalf of the Board. Further information on the specific role of each Committee is set out in their respective reports on pages 92 to 131.

The Audit and Risk Committee

The Board has established an Audit and Risk Committee of independent Non-Executive Directors. The Audit and Risk Committee is responsible for monitoring the integrity of the financial statements, reviewing the effectiveness of internal controls and risk management systems, and overseeing the relationship with the independent auditor.

Details of its composition and work during the year are set out in the Audit and Risk Committee report on pages 98 to 104. The Board is satisfied that the Chair of the Audit and Risk Committee has recent and relevant financial experience including competence in accounting.

The Remuneration Committee

The Board has established a Remuneration Committee, the composition and role of which is set out in the Remuneration report. The Remuneration Committee ensures that the remuneration policies and practices are designed to support the Company's strategy and promote long-term sustainable success. Further details of the work of the Remuneration Committee throughout the year can be found on pages 106 and 107.

The Nomination Committee

The Board has established a Nomination Committee. The Nomination Committee is responsible for setting out and monitoring the Board's succession plans, reviewing composition and diversity of the Board and proposing new appointments to the Board. Further detail of the composition of the Nomination Committee and its work during the year can be found on pages 92 to 97.

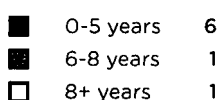
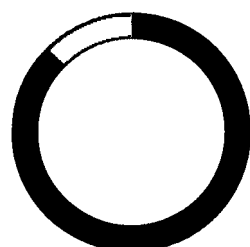
Operational management

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

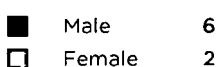
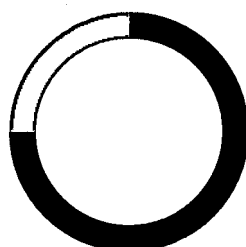
As at 30 June 2022, the membership of the Executive Committee comprised the Chief Executive Officer, the Chief Financial Officer, the Divisional Managing Directors of the three largest divisions, namely Liquids, Unit Dosing and Powders, the Chief HR Officer and the Chief Legal Officer and Company Secretary.

Board composition as at 30 June 2022

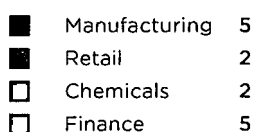
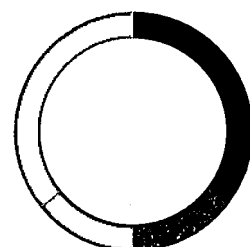
Tenure



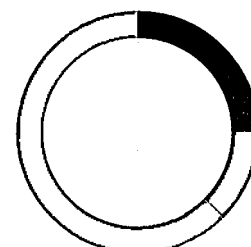
Gender



Relevant experience



Nationality



Roles within the Board

The roles of the Chairman and the Chief Executive Officer are separate and there is a clear division of responsibility between the executive and non-executive members of the Board. Details of these responsibilities are set out below:

Chairman of the Board

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;
- maintaining a focus on strategy, performance and value creation and the assessment of significant risks in the implementation of strategy;
- ensuring the Board as a whole has a clear understanding of shareholder, customer and workforce views;
- promoting a healthy culture of challenge and debate at Board and Committee meetings and encouraging constructive debate and decision-making;
- fostering effective relationships and open communication between all Directors;
- ensuring both Board and shareholder meetings are properly conducted; and
- developing a supportive working relationship with the Chief Executive Officer.

Senior Independent Director

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 on behalf of the Directors; and
- being available to shareholders, where contact through the Chairman or Executive Directors is not appropriate.

Non-Executive Directors

Responsible for:

- providing the skills, experience and knowledge to assist the Board's decision-making;
- challenging and assisting with developing and establishing objectives and monitoring the Group's business model and strategy;
- measuring and reviewing the performance of the Executive Directors;
- providing independent insight and support and advice to the Executive Directors;
- reviewing Group financial information and overseeing the effectiveness of the Company's internal controls;
- reviewing succession plans for Board Directors and senior managers and supporting inclusion and diversity; and
- setting policy in respect of Executive Director remuneration.

Chief Executive Officer

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.

Chief Financial Officer

Responsible for:

- deputising for the Chief Executive Officer;
- proposing policy and actions to support sound financial management, including in relation to funding and net debt;
- leading the Finance, Tax, Treasury and IT functions;
- leading on mergers and acquisitions; and
- overseeing the defined benefit pension scheme.

Company Secretary

Responsible for:

- compliance with Board procedures and supporting the Chairman of the Board;
- ensuring the Board has high-quality information, adequate reading time and the appropriate resources;
- advising and keeping the Board updated on corporate governance developments;
- considering Board effectiveness in conjunction with the Chairman;
- facilitating the Directors' induction programmes and assisting with professional development; and
- providing advice, services and support to the Directors as and when required.

Corporate governance statement continued

Division of responsibilities continued

How the Board operates

Boardroom culture

The Board recognises the importance of establishing the right culture and values and communicating this message consistently throughout the organisation. It is important that the Board provides strong and effective leadership, constructive challenge and accepts collective accountability for the long-term sustainable success of the Group. In so doing, it 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 interaction 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 senior managers is sought and encouraged. In-person Board meetings have been held at various site locations across the Group in 2021/22.

Independence

All 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 2018 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.

Despite the long tenure of Steve Hannam, the Board resolved that Steve remains independent at the date of this report and would continue to serve on the Board until the 2022 AGM to allow the new Board members to become accustomed with the business.

It is believed that the balance between non-executive and executive representation continues to encourage healthy independent challenge.

Powers of Directors

The powers of the Directors are determined by the Articles of Association ('Articles'), which are available on our website, UK legislation, including the Companies Act 2006, and any directions given by the Company in a General Meeting. The Directors are authorised by the Company's Articles to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each AGM. Further information is set out on page 133 of the Directors' report.

The appointment and replacement of Directors is governed by the Company's Articles, the 2018 Code, the Companies Act 2006 and related legislation.

The Directors may from time to time appoint one or more Directors. As required by the Articles, any Director appointed during the year will be required to step down and stand for re-election at the next Annual General Meeting.

Any amendments to the Articles can only be made by special resolution at a General Meeting of shareholders. Subject to the Articles and the Companies Act 2006 and any directions given by special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company.

Conflicts of interest

In line with the Companies Act 2006 and the Articles, 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 Articles, the Board is authorised to approve such conflicts where appropriate.

During the period to 30 June 2022, the Board authorised Igor Kuzniar's conflict of interest as an appointed representative of McBride plc's largest shareholder, Teleios Capital Partners GmbH.

No 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.

Re-election of Directors

The Board is satisfied that all the Directors standing for 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 Board meetings as well as from the general support they have given to the Executive Directors and senior managers. 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 require the Directors to submit themselves for re-election at every third AGM, in line with the requirements of the 2018 Code, all Directors are subject to annual re-election at the AGM.

The biographies for each Director seeking re-election are set out on pages 82 and 83 of the 2022 notice of meeting. These provide details of the skills and experience which demonstrates why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

The Board, its Committees and the individual Directors participate in an annual performance evaluation. Further details of the performance evaluation process can be found in the Nomination Committee report on pages 92 to 97.

The performance evaluation process confirmed the continuing independent and objective judgement of all the Non-Executive Directors. The process also confirmed that the performance of all the current Directors standing for re-appointment and appointment continued to be effective and that they continue to demonstrate commitment in their respective roles.

Policies

Whilst the Board takes overall responsibility for approving Group policies, including those relating to 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 Executive Committee and the various functional teams.

Attendance at meetings year ended 30 June 2022

Number of scheduled Board meetings held: 7

Members of the Board	Number of scheduled meetings attended	Eligible to attend
Jeff Nodland		
Chairman	7	7
Chris Smith		
Chief Executive Officer	7	7
Mark Strickland		
Chief Financial Officer	7	7
Regi Aalstad⁽²⁾		
Independent Non-Executive Director	2	2
Steve Hannam		
Senior Independent Non-Executive Director	7	7
Neil Harrington⁽¹⁾		
Independent Non-Executive Director	2	2
Igor Kuzniar		
Non-Executive Director	7	7
Elizabeth McMeikan		
Independent Non-Executive Director	7	7
Alastair Murray⁽²⁾		
Independent Non-Executive Director	6	6

(1) To date of resigning as a Director.

(2) From date of joining Board.

Time commitment

The expected time commitment of the Chairman and Non-Executive Directors is agreed and set out in writing in the letters of appointment confirming their position. The existing demands on a Non-Executive Director's time are assessed on appointment to confirm their capacity to take on the role. The Nomination Committee reviews Directors' external commitments annually to ensure they still have sufficient capacity to fulfil their role. Further appointments which could impair their ability to meet these arrangements can only be accepted following approval by the Board. The taking on of any external appointment by an Executive Director is subject to Board consent.

There were seven scheduled meetings in the year to 30 June 2022. Scheduled meetings of the Board follow an agreed format, with agendas developed by the Chairman, Chief Executive Officer and Company Secretary who consider the Board's annual plan of business and the current status of projects, strategic workstreams and overarching operating content. Adequate time is allocated to support effective and constructive discussion of each item. An electronic resources portal allows efficient navigation of Board papers.

Board and other meetings

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. During the last few months of the financial year 2022 the Board convened additional meetings to receive and consider financial updates, and updates on progress with the Company's pricing initiatives. These meetings have continued into the financial year 2023.

From time to time, the Board authorises the establishment of an additional committee or sub-committee to consider and, if thought fit, approve certain items of business.

During the year, the Non-Executive Directors have met without Executive Directors being present after each scheduled Board meeting. The Senior Independent Director and the Non-Executive Directors have also conversed by telephone without the presence of the Chairman as part of the Board performance evaluation exercise.

The Corporate governance statement was approved by the Board on 29 September 2022 and signed on its behalf by:

Jeff Nodland
Chairman

Nomination Committee report

Composition, succession and evaluation



Jeff Nodland
Chair of the Nomination Committee

The Committee focused on the appointment of a new Non-Executive Director in line with the succession plans for Steve Hannam and continued to strive towards greater diversity on the Board and at a senior level within the business.

Committee membership and meetings 2021/22

The Committee held two scheduled meetings during the year. Details of attendance by all members at scheduled meetings can be found below:

Members	Number of meetings attended (quorum is three members)	Eligible to attend
Jeff Nodland (Chair)	2	2
Regi Aalstad	—	—
Steve Hannam	2	2
Igor Kuzniar	2	2
Elizabeth McMeikan	2	2
Alastair Murray	2	2

Dear shareholder

On behalf of the Nomination Committee, I am pleased to present the Nomination Committee report for the year ended 30 June 2022.

The Committee's key objective is to ensure that the Board comprises individuals with the appropriate skills, knowledge, experience and diversity to ensure that McBride plc can fulfil its purpose, achieve its vision and execute its strategy.

On 14 March 2022, we welcomed Regi Aalstad to the Board. Regi brings with her a wealth of knowledge in the fast-moving consumer goods sector and strong experience as a Non-Executive Director. She has already brought significant value to the Board, and we look forward to the contribution she will make to enrich our Board discussions.

Elizabeth McMeikan has agreed to take on the role of Senior Independent Director following Steve Hannam stepping down at the 2022 AGM. Elizabeth already has strong experience as a Senior Independent Director so we are confident that she will excel in this role.

As announced on 18 February 2022, Steve Hannam will be stepping down from the Board immediately following the Annual General Meeting on 16 November 2022. The Board would like to thank Steve for his wise counsel and guidance over the last nine years. Steve's insight and contribution to discussions have been invaluable to both the Board and the business, from which we will continue to benefit until the AGM. The Committee extended Steve's term of appointment in February 2022 to allow Regi time to settle into her role whilst he continued to provide experienced advice.

Composition of the Nomination Committee

I chair the Nomination Committee and I was regarded as independent on appointment. I will not chair the Committee when it is dealing with matters of succession to the Chairmanship of the Board. The Committee also comprises four other independent Non-Executive Directors, Steve Hannam, Elizabeth McMeikan, Alastair Murray and Regi Aalstad, and one non-independent Non-Executive Director, Igor Kuzniar, representing our largest shareholder.

Further details on our key responsibilities can be found in our Terms of Reference at www.mcbride.co.uk

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, 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.

In March 2022 Regi Aalstad joined the Board. The Chief Executive Officer and Company Secretary assisted the Chairman with the preparation and delivery of a tailored comprehensive induction programme, designed to give Regi a thorough overview and understanding of our business, with a focus on purpose, strategy and wider business objectives. The induction sessions were mainly face to face, complemented by visits to our Middleton and Manchester sites, which involved a factory tour, meetings with senior management and the wider workforce and a meeting with the Company Secretariat.

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. During the year, the Board was provided with external training on directors' duties and the market abuse regulations.

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.

Key responsibilities of the Nomination Committee **Board composition**

- Review the ongoing composition of the Board and its Committees to ensure they have the necessary expertise to discharge their role now and in the future.
- Lead the appointment process for new Directors.

Succession planning and talent management

- Ensure adequate plans are in place for effective succession planning at management and Board level.
- Review the measures in place for the development and retention of senior management.

Diversity and inclusion

- Ensure a balance of skills, knowledge, experience and diversity on the Board.
- Encourage diversity throughout the Group and oversee a diverse pipeline for succession.
- Review the Board's monitoring of diversity and inclusion initiatives to ensure compliance with the Board's policy.

Governance

- Oversee the Board performance and evaluation process.
- Agree an action plan addressing the results of the annual performance evaluation process.

Nomination Committee report **continued**

Composition, succession and evaluation **continued**

Committee activities

Our principal activities during 2021/22 and up to the date of approval of this Annual Report were as follows:

Board composition	Discussed and recommended proposed changes to the Board of Directors.
Non-Executive Director recruitment	Oversaw the search and appointment for new Non-Executive Director, Regi Aalstad.
Re-election of Directors	After considering the individual contributions made by the Directors, recommended to the Board that all Directors be proposed for re-election at the 2022 AGM, other than Steve Hannam who is not standing for re-election.
Review of performance and effectiveness during 2020/21	Undertook a review of the Board and the Committee's performance and effectiveness as part of the Board evaluation.
Conflicts of interest and independence	Informed the Board of updates to the Conflicts of Interest Register. Reviewed the independence of all independent Non-Executive Directors. The Committee considered the following when assessing the independence of Steve Hannam, who has now served over nine years on the Board: • continuing to provide challenge to the Board and Committees; • effective workforce engagement as the designated Non-Executive Director for workforce engagement; • continuing effectively to act as a sounding board for the Chairman and provide support to the other Directors where necessary; and • remaining objective despite deep understanding of the business. It was agreed that Steve Hannam remains independent, despite serving over nine years, and would continue to serve on the Board until the 2022 AGM to allow our new Board member time to become accustomed with the Board. All other independent Non-Executive Directors were considered to have maintained independence throughout the year.
External commitments and Director performance review	During the year, Jeff Nodland was appointed to the Board of Pioneer Recycling Inc. The Committee carefully considered the additional external commitment, considering his other commitments and the time commitment that each appointment afforded. The Committee also took into consideration his level of contribution at Board and Committee meetings. Having carefully considered the appointment, the Board agreed that Jeff Nodland continued to be effective as Chairman and that an additional appointment would not affect this. The Committee will continue to review the external commitments of each Director on an annual basis. The performance of all Directors was assessed during the year and discussed with the Chairman. Details of the Directors' external commitments can be found on pages 82 and 83.
Board Inclusion and Diversity Policy	Received for review a Board-level policy on inclusion and diversity to ensure the ongoing relevance of Board membership to a global manufacturing company in today's world. The Committee updated the policy to bring it in line with Listing Rule 9.8.6R(9) that will be applicable to the Company for the financial year ending 30 June 2023.

Board evaluation

As a constituent of the FTSE Fledgling, McBride plc is not required to conduct an externally facilitated Board evaluation; however, the Board recognises the importance and benefits of continually monitoring the Board's effectiveness. In May 2022, the Board conducted an online evaluation, led by the Chairman. The evaluation used BoardClic's online system as the basis of the review. The respondents consisted of the Board and the Company Secretary who anonymously answered questions derived from the BoardClic question libraries. A report was prepared by BoardClic based on the results of the self-assessment. No interviews or document reviews were conducted as part of this exercise, and the report was based solely on the information gathered through the questionnaires.

The evaluation covered themes regarding the operation of the Board, value creation and strategy, talent and culture, management of risk, Board composition and dynamics, the Chairman and the Committees. Subsequently, the Chairman held one-to-one discussions with each Director to discuss areas of focus for the year ahead.

The Senior Independent Director, Steve Hannam, also led a meeting of the Non-Executive Directors (without the Chairman being present) to appraise the Chairman's performance separately to the Board evaluation. Steve discussed the feedback and any areas of development with the Chairman.

The Board's main strengths identified by the evaluation were:

- the Chairman's ability to promote open discussion that leverages the Board's collective knowledge and experience;
- a spirit of trust and openness between the Board and the Executive Committee;
- Director contribution to the formation of strategy;
- making a positive contribution to the organisation; and
- the effectiveness of the Committees.

Key areas of focus from our 2021/22 evaluation	Actions to be implemented during 2022/23
Value creation and strategy	More time to be set aside in Board meetings for strategic discussions; to identify Group strategic priorities and to assess and support the implementation of agreed strategic objectives.
Talent management and culture	Continue to engage with employees through site meetings, manufacturing plant visits and social occasions to provide the Board with better oversight of any issues. Continue to focus on talent and capability across senior leadership and developing further bench strength.
Oversight of ESG	Oversight of ESG ambitions and targets and how to further embed ESG into strategy.

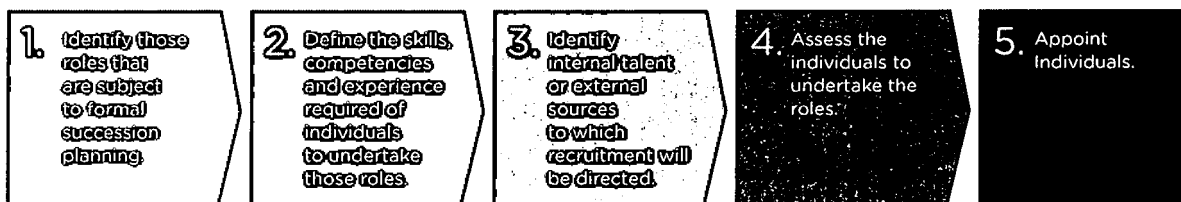
Nomination Committee report **continued**

Composition, succession and evaluation **continued**

Succession planning

During the year, the Committee continued to develop its succession plan for all Board roles to ensure that appointments are made of individuals who have the appropriate skills, experience and personal characteristics.

Our succession planning involves the following steps:



In 2020/21 the Board approved a formal succession plan considering the Group's strategy and structure, the size and composition of the Board, the terms of appointment for the current Directors and the skills and expertise that McBride plc will need going forward. Short-term and medium-term plans were put in place for all roles subject to formal succession planning. The Committee has continued to work towards this succession plan throughout 2021/22.

Over the next year, the Committee will continue to review the succession plan to ensure that it continues to support the development of a diverse pipeline with particular focus on key senior employees. Where internal candidates are identified, ongoing development will be put in place to ensure that they are prepared for the role.

Board appointments

The Committee has overall responsibility for leading the process for new appointments to the Board and ensuring that the Board has Non-Executive Directors with relevant, diverse and complementary skills.

Prior to the appointment of Regi Aalstad, the Board reviewed the size and composition of the Board. The Board also took into consideration the recent appointment of Alastair Murray, who joined the Board in August 2021 to replace Neil Harrington who stepped down as a Director and Chair of the Audit and Risk Committee, and the planned departure of Steve Hannam as a Director and Senior Independent Director immediately after the 2022 AGM.

The Nomination Committee was keen to add a Non-Executive Director with European experience in the consumer, own label and/or retailing sector and in due course to promote a current Board Director to the Senior Independent Director role to offer continuity and provide the Board with the required depth of experience of UK listed companies' governance.

The Board engaged Warren Partners to assist with the recruitment process. Warren Partners has no other connection with the Company or its individual Directors. The candidate specification was drawn up and agreed with Warren Partners for the European Non-Executive Director appointment. Besides focusing on specific knowledge and experience, the brief highlighted the benefit of all types of diversity, including gender.

The search was led by the Nomination Committee and co-ordinated by the Chief HR Officer. Our search partners, Warren Partners, conducted an extensive search to identify and engage with a diverse and broad pool of candidates across the agreed industry sectors. At the longlist stage, Warren Partners engaged with 13 candidates. They included commercial leaders, past and present, with deep experience in the consumer products and/or retail sectors in Europe. Every effort was made to identify and approach suitably experienced female Non-Executive Directors in the region. Warren Partners' research showed that the number of women on boards in markets such as France, Germany and Holland are increasing, but only very slowly. There was also a higher number of women on boards across the FMCG sector than in retailing. There were many more experienced female Non-Executive Directors in Scandinavia – with countries such as Norway one of the first to introduce quotas. The picture was much bleaker for ethnic minorities.

During the search, several candidates based in Europe had to consider whether they could meet the time demands of a Non-Executive Director appointment alongside their executive role and/or factoring the travel and logistics of flying into Manchester/London (or indeed other locations). Some needed to seek the necessary permissions from their Board before progressing their candidature.

Warren Partners was pleased to present and shortlist three strong female candidates. This led to the successful appointment of Regi Aalstad on 14 March 2022. Regi brings with her a wealth of knowledge in the fast-moving consumer goods sector and strong experience as a Non-Executive Director. Regi is a member of the Nomination, Remuneration and Audit and Risk Committees.

Diversity and inclusion

In 2022, the Committee approved a Board Diversity Policy, which sets out a commitment to encourage diversity and inclusion in the boardroom. The policy sets out to ensure that appointments are based on the best individual for the role and that the Board's composition should have an appropriate balance of skills and diversity to meet the requirements of the business. The Committee considers that it has successfully achieved diversity in terms of differing experience, education, background, thinking styles and gender both on the Board and Executive Committee. However, the Committee acknowledges it must continue to move forward to embrace all aspects of diversity. As a global company with manufacturing sites in the EU and Asia, with six non-UK nationals on the Board and Executive Committee, the Company is well placed to continue on this journey.

At 30 June 2022, two members of the Board were female (25%), three out of seven members (43%) of the Executive Committee were female and 34% of the direct reports to the Executive Committee were female.

The objectives of the Board Diversity Policy are reviewed and recommended to the Board for adoption annually by the Committee. This year the Board updated the policy as it continues to strive for greater diversity on the Board and at executive and senior management level. The Board's objectives are set out below:

Objective	Implementation and progress
To ensure so far as possible that the proportion of women on the Board is not less than 40%.	McBride continues to work towards its diversity target of 40% female representation. The Committee is hopeful that any future recruitment will bring the Board closer to achieving this target.
To ensure that at least one of the senior Board positions (Chair, CEO, SID or CFO) is a woman.	In November 2022, Elizabeth McMeikan will take on the role of Senior Independent Director when Steve Hannam steps down from the Board.
To ensure so far as possible that the proportion of women within the Executive Committee and their direct reports is not less than 25%.	The minimum target for female representation within the Executive Committee and their direct reports has been achieved and maintained throughout the year. The Company will continue to ensure that there are no barriers for women rising to senior positions within McBride.
To ensure so far as possible that there is one member of the board from a minority ethnic background.	During the search for our new Non-Executive Director, our search partner, Warren Partners, uncovered ethnically diverse talent using technology such as LinkedIn and other online search engines, identifying potential candidates across a list of target companies as well as assessing 'first-time' Non-Executive Directors or candidates operating below board level. We will continue to ensure that these methods are used during recruitment to identify ethnically diverse talent to enable the Board to achieve this target.

The Committee will continue to make recommendations for new appointments to the Board based on the best individual for the role, whilst ensuring that the Board's composition has an appropriate balance of skills and diversity to meet the requirements of the business.

2022/23 objectives

The Committee's focus for 2022/23 will be on talent and capability across senior leadership and senior leaders' development to support future plans.

Jeff Nodland

Chair of the Nomination Committee

Audit and Risk Committee report

Audit, risk and internal control



Alastair Murray
Chair of the Audit and Risk Committee

Over the course of 2022, we focused on the impact of significant changes in the external environment, regulatory frameworks and macroeconomic conditions in our key markets.

Committee membership and meetings 2021/22

The Committee met five times in the year ended 30 June 2022, at appropriate times in the financial reporting and audit cycle. Details of attendance can be found below:

Members	Number of meetings attended (quorum is three members)	Eligible to attend
Alastair Murray (Chair) ⁽¹⁾	4	4
Regi Aalstad ⁽²⁾	—	—
Steve Hannam	5	5
Neil Harrington ⁽³⁾	3	3
Elizabeth McMeikan	5	5

(1) Alastair Murray was appointed as a Director on 2 August 2021.

(2) Regi Aalstad was appointed as a Director on 14 March 2022.

(3) Neil Harrington stepped down as a Director on 19 October 2021.

Dear shareholder

On behalf of your Board, I am pleased to present the Audit and Risk Committee report for the year ended 30 June 2022.

In March 2021, the Department for Business, Energy and Industrial Strategy (BEIS) published a consultation paper on its proposals for significant reform to UK audit and corporate governance. Recognising the Audit Committee's responsibility for oversight of risk and internal controls, the Audit Committee was re-named in July 2021 as the Audit and Risk Committee ('the Committee').

The Committee is responsible for monitoring and reviewing the integrity of the Group's financial reporting systems and for assessing and providing assurance on the adequacy and effectiveness of internal control policies and procedures in place for the identification, assessment and reporting of risk. The Committee also reviews and oversees the relationship with the independent auditor, PwC, including the approval of the terms of their engagement and fees, their independence and expertise, and the effectiveness of the audit process. In addition to the disclosure requirements relating to audit and risk committees under the Code, the Committee's report sets out areas of significant and particular focus for the Committee.

Over the course of 2021/22, we carried out our usual work as set out on page 87. In addition, given the unprecedented inflationary impact on commodity prices due to global supply chain shocks post the Covid-19 pandemic, we gave special consideration to the impact of macroeconomic conditions and the external environment in our principal geographies and on the Group as a whole, especially as regards Group funding.

Composition of the Audit and Risk Committee

Steve Hannam and Elizabeth McMeikan served on the Committee throughout the year. Neil Harrington stepped down on 19 October 2021 following the conclusion of the 2021 AGM, at which point I replaced him as Chair of the Committee. Regi Aalstad joined the Committee on 14 March 2022 when she was appointed as a Non-Executive Director.

For the purposes of the UK Corporate Governance Code, I qualify as a person with 'recent and relevant financial experience' being a Fellow of the Chartered Institute of Management Accountants and having previously been the Chief Financial Officer for Premier Foods plc. I have previously held other senior finance roles at Dairy Crest plc and The Body Shop International plc.

All members of the Committee are independent Non-Executive Directors, with a broad range of fast-moving consumer goods (FMCG), commercial, operational and financial experience relevant to the Group's business.

In addition to the Committee members, the Chief Executive Officer, Chief Financial Officer, Chairman, Group Financial Controller, Head of Internal Audit and independent audit partner are regularly invited to attend and present at the Committee's meetings. During the year, PwC attended all five meetings.

During the year I met separately with representatives of the independent auditor in the absence of the Executive Directors. I also had regular meetings with senior members of the Finance team and the Head of Internal Audit. This provided me with a better understanding and insight of the key risk and control issues raised, and ensured sufficient time was devoted to them at subsequent meetings.

Effectiveness of the Audit and Risk Committee

As part of the annual Board evaluation, the effectiveness of the Committee was reviewed by questionnaire. It was determined that the Committee continues to be effective in its role. More details on how the annual Board evaluation was conducted can be found on page 95 of the Nomination Committee report.

The Board is satisfied that each of the Committee members is independent and that the Committee as a whole has the necessary commercial, financial and audit expertise required to fulfil its responsibilities. The members of the Committee have a wide range of business, international and governance expertise both within the sector and elsewhere, as shown in their biographies on pages 82 and 83. The Board has determined that the Committee, as a whole, has competence relevant to the sector in which the Group operates.

Independent auditor

The Audit and Risk Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the independent auditor. This is submitted to shareholders for their approval at the Company's AGM. Following the audit tender carried out during 2021/22 and pursuant to the Committee's recommendation, a resolution for the re-appointment of PwC as independent auditor for the Company was proposed and passed at the last AGM in October 2021.

As part of its oversight of the independent auditor, the Committee has undertaken its annual assessment of the auditor and audit process. This included the Committee's own evaluation of the reports and services received, such as the scope, strategy, approach, audit hours, quality of reports presented to the Committee, value added and outcome of the interim and year-end audits. The Committee also considered the professionalism, competence and objectivity, constructive challenge of management and key judgements of the auditor. In its assessment the Committee took account of the views of management and the Committee's own experience and interactions with the independent auditor throughout the year.

The Committee has sought assurance from PwC 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 globally.

The Committee has considered and approved the terms of engagement and fees of PwC for the year ended 30 June 2022. Fees payable by the Group to PwC totalled £1.1 million (2021: £0.9m) in respect of audit services. There were no contingent fee arrangements with PwC.

Audit tenure

PwC was appointed as the Group's auditor on 14 November 2011. In accordance with the Companies Act 2006 and the EU Audit Regulation forming part of UK law (as amended by the EU Exit Regulations), a full tender for the appointment of the independent audit firm was undertaken during 2021, as a result of which, PwC were re-appointed as our independent auditor from 2021/22.

The Committee remains satisfied with the level of independence, objectivity, expertise, fees, resources and general effectiveness of PwC and, accordingly, the Committee recommends (and the Board agrees) that a resolution for the re-appointment of PwC as independent auditor for the Company should be proposed at the forthcoming AGM in November 2022. The independent auditor is required to rotate the audit engagement partner every five years. The current audit engagement partner, Graham Parsons, began his appointment in September 2018, so this is his fourth audit cycle.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Non-audit services

The Company maintains a detailed policy on the engagement of the independent 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 independent 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 expertise, 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 £2,000 (2021: £23,000) in respect of non-audit services, equating to 0.2% of audit fees received by PwC during the same period (2021: 2.6%). These non-audit services involved other non-audit assurance services. The Committee is of the view that this has not threatened the independence or objectivity of the independent auditor.

The Company's policy on the employment of former employees of the independent auditor was adhered to during the financial year. No such employees were employed by any company in the Group.

In all other respects, the Committee is satisfied that the independent auditor has exercised an appropriate level of scepticism and challenge in relation to the Company's control environment.

Responsibilities of the Audit and Risk Committee

The Committee's principal responsibility is to monitor the Group's financial reporting process and the integrity of the Group and Company financial statements, reviewing any significant financial reporting judgements contained therein.

Additional responsibilities of the Committee are:

- to review the formal announcements of the Group's performance;
- to consider the Group's viability statement;
- to review the Internal Audit programme and the consideration of findings of any internal investigations and management's response, and to review the effectiveness of the Internal Audit function;
- to review and monitor the effectiveness of the Group's financial, operational and compliance internal controls and risk management systems; and
- to oversee the appointment, objectivity, independence, effectiveness and remuneration of the independent auditor, including the policy on the engagement of the independent auditor for non-audit services.

The main roles and responsibilities of the Committee are set out in its Terms of Reference. The Committee is authorised by the Board to investigate any matters within its Terms of Reference. The Terms of Reference are reviewed annually to ensure that they are aligned with best practice, including the recommendations of the ICSA: The Chartered Governance Institute. A copy of the Committee's Terms of Reference is available on the Group's website www.mcbride.co.uk.

Committee activities

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 PwC 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 financial year, are set out overleaf. The Committee is satisfied that the presentation of the financial statements is appropriate and in accordance with the Group's accounting policies.

The Committee concluded that there were no major concerns that had not been addressed, that there was no evidence of systemic control weaknesses and that the overall control environment was acceptable for a group of McBride's size and nature.

Going concern and viability

The Code requires the Board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the Company's ability to do so over a period of at least twelve months from the date of approval of the financial statements. Details of the Group's going concern statement are on page 79.

The Committee thoroughly considered and constructively questioned the forecast assumptions underlying the going concern and viability statements presented by management. The Committee assessed the prospects of the Company over a three-year period following a robust assessment of principal and emerging risks affecting the Company, the business model, forecasts and strategic plans. It also reviewed stress test scenarios. Details of the assessment and the viability statement are set out on page 79.

Significant judgements and estimates

Matters considered	Committee review and conclusions
Impairment reviews	Management's judgement on the need (or otherwise) to take impairment charges for goodwill or fixed assets was reviewed, considering the trading performance of, and the prospects for, each cash-generating unit (CGU). Recommendations were discussed and agreed with PwC. Details of the impairment reviews performed are outlined in note 12 to the financial statements. The reviews concluded that no impairment was required.
Going concern status and longer-term viability statements	In line with typical market practice for most UK companies, the Board considered that an eighteen-month period from the reporting date, constitutes an appropriate period over which to provide its going concern statement. The Board determined that a three-year period to 30 June 2025 constitutes an appropriate period over which to provide its viability statement. Reviews of the Group's going concern status were carried out by the Committee at both 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 PwC. The Group's base case forecasts, based on the Board-approved budget and three-year plan, indicate sufficient liquidity throughout the going concern and viability review period to ensure compliance with its minimum liquidity banking covenant. The Committee noted that if a severe but plausible downside risk scenario occurs, the Group would need to obtain a covenant waiver and increase its funding facilities compared to those that are currently committed, to ensure that the business can meet its obligations for the next eighteen months. To mitigate against these risks, the Group is currently negotiating to further increase liquidity by £25 million by extending invoice discounting facilities to unencumbered receivables ledgers, however there is no certainty that these negotiations will be successful. After reviewing the Group's liquidity position, financial forecasts, stress testing of potential risks and uncertainties, and based on the current funding facilities, the Directors have a reasonable expectation that the Group has sufficient resources to be able to meet its liabilities as they fall due over the three-year period ending 30 June 2025. The risk that the Group would become insolvent during this timeframe was considered remote. The Committee recommended to the Board that the going concern and viability statements on page 79 be approved.
Exceptional items	The Committee reviewed the accounting treatment of exceptional items and agreed that the items listed in note 4 are exceptional in size and nature in relation to the Group and therefore it is appropriate to disclose them separately.
Quality of earnings	Reviews of the quality of the earnings (material items of income or expense) and one-off items included in cash flow were carried out by the Committee both at the half and full-year period ends. The Committee agreed that sufficient disclosure has been made in the financial statements.
Tax and treasury matters	The Committee continued to review the Group's tax strategy and monitor tax governance and compliance with transfer pricing rules. The Committee approved the Group's tax strategy for 2022; this can be found in the Corporate Policies section of the Group's website at www.mcbride.co.uk. The Committee received updates regarding the project to update the Group's transfer pricing policy for changes to operating structures and accountabilities following Programme Compass changes. The Committee approved the minor changes made to the Group's transfer pricing policy and were satisfied that Programme Compass did not result in any cross-border reorganisation or transfer of significant functions, assets or risks, meaning that the risk of exit tax is considered low. The Committee reviewed the Group's debt funding strategy and compliance with policies on currency, interest rate and commodity hedging transactions. The Committee continued to monitor performance versus all relevant covenants, to ensure the Group could continue to have sufficient funding capacity to deliver its strategy. The worsening financial performance in 2022, driven by exceptional input cost inflation, meant that normal debt cover and interest cover covenants had to be waived at the 31 December 2021 test date, and deferred at the 30 June 2022 test date. In the second half of the financial year, the Committee reviewed the Group's short-term cash flow forecasts to ensure that these remained above the minimum liquidity covenant agreed with RCF lenders following the waiver of the 31 December 2021 covenant test.
Pensions	The Committee reviewed the performance of the Robert McBride Pension Fund ('the Fund'), a defined benefit pension scheme, closed to new members and future accrual, operated in the UK. The Cash flow Driven Investment (CDI) strategy, implemented during the first half of 2021, continues to operate in line with expectations, reducing volatility in the reported accounting deficit as the assets and liabilities of the Fund are better matched. Following the triennial valuation at 31 March 2021, the Company and Trustee agreed a new deficit reduction plan based on the scheme funding deficit of £48.0 million. The current level of deficit contributions of £4.0 million per annum, payable until 31 March 2028, will continue and this is expected to eliminate the deficit by 31 March 2028.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Significant judgements and estimates continued

Matters considered	Committee review and conclusions
Covid-19	The Committee reviewed the impact of Covid-19 on the Group's financial performance and the steps taken by management to mitigate supply risks as well as other risk considerations relating to the pandemic. This has resulted in a number of short-term operational issues, requiring tactical responses from the business, as well as long-term strategic matters and emerging risk considerations, incorporated into the significant and strategic risk topics identified by the Group's risk management process.
Task Force on Climate-related Financial Disclosures (TCFD)	The Committee provides oversight of the Group's compliance with the recommendations of TCFD. A TCFD working group has been established to develop the Group's approach to TCFD, raise awareness of climate-related risks around the business and to report on progress to the Committee. The TCFD working group also co-ordinates the adoption of TCFD best practices into the Group's risk management processes and ensures visibility and oversight of the programme by the ESG Governance Committee. The Committee has reviewed progress against the various workstreams, the Group's TCFD roadmap and the four disclosure pillars (Governance, Strategy, Risk Management, and Metrics and Targets). The Group's TCFD disclosure is set out on pages 56 to 69.

Risk management framework

The Group has an established risk management framework to identify, evaluate, mitigate and monitor the risks facing the business. The risk management framework, which is aligned to ISO 31000:2018, incorporates both a top-down approach to identify the Group's principal risks and a bottom-up approach to identify the Group's operational risks. The framework was updated and enhanced during the year to formalise a risk taxonomy framework, to help with the categorisation of risk types to which McBride is exposed, whilst providing a common language for the management and reporting of risk across the organisation. In addition, a risk appetite framework was also established during the year, to help with the assessment, communication, escalation and reporting of principal risks, within the context of determining the amount of risk that the Board is prepared to accept, tolerate or be exposed to at any point in time.

Responsibility for the ongoing monitoring, review, reporting and oversight of risks lies with a cross-functional Risk Council made up of senior employees from across the business. The council acts as a focal point for the exploration and evaluation of strategic and emerging risks faced by the Group in pursuit of its strategic objectives. It provides regular reporting on key risk indicators to the Executive Committee and makes recommendations 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, a more joined-up discussion on risk and the consideration of risk in key decision-making across the organisation. During the fourth quarter of the financial year 2022, an assessment of each principal risk was completed by the Risk Council.

The Risk Council considered any contextual changes to the risks and whether over the course of the year the risks had become more or less material based on impact and likelihood and ensured procedures were in place for controlling the risks. Climate change and environmental concerns, and increased regulation were both recognised as principal risks this year, having previously been regarded as emerging risks.

The principles of risk management have also been embedded into the day-to-day operations of the divisions and corporate functions, who are primarily responsible for identifying and evaluating key risks in their functional, operational and geographical domains, and escalating the same to the Risk Council. 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 specifically considered those risks and uncertainties which were deemed significant and sought comfort from management on any specific and underlying mitigating factors being used to manage, monitor and address these. The current principal risks and uncertainties affecting the Group can be found on pages 71 to 78.

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 page 71.

Risk management framework

Risk Council

- Provides a Group-wide cross-functional forum for the discussion, monitoring and oversight of risks and controls arising from business activities
- Explores and evaluates strategic, significant and emerging risks through access to internal and external knowledge, expertise and insight
- Reviews key risk indicators submitted periodically by individual functions and divisions, before reporting and escalating the same to the Executive Committee
- Supported by various risk forums within individual functions and divisions, focusing on the identification, assessment and monitoring of risks and controls within each division and function

Executive Committee

- Reviews the strategic risk register and ratifies the assessment and evaluation of risks conducted by the Risk Council
- Agrees actions to mitigate key risks facing the business that are escalated to it
- Ensures risk management is embedded across the business
- Defines and establishes the risk appetite of the Group
- Considers key risk indicators escalated by the Risk Council and works with the business to ensure adequate and effective risk mitigation actions are in place for risks outside acceptable tolerance thresholds

Audit and Risk Committee

- 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 independent audit process and reports. These include key risk indicators escalated by the Risk Council and the Executive Committee on an ongoing basis
- Receives and reviews a report from the Risk Council on the principal risks, discusses and confirms the risk trend, overall effectiveness of the risk control and monitoring environment and considers whether any additional control improvement actions are required

The Board

- 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 and Risk Committee on risk management and internal controls

Risk management and internal control environment

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

- business risk reviews;
- major project and investment reviews;
- strategic risk assessments and specific functional risk mapping activities;
- year-end self-assessment questionnaires supporting key internal control procedures, with an in-built control validation, review and reporting mechanism;
- a quarterly follow-up process to review outstanding internal control actions; and
- a programme of audits within and across individual processes, functions and sites by various internal stakeholders, including Internal Audit and other assurance providers within the business.

The Audit and Risk 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, key corporate policies, financial reporting framework and processes, the preparation of the Group's consolidated financial statements, and also the overall risk management system in place throughout the year under review, up to the date of this Annual Report.

The Committee receives regular reporting from senior management and it has concluded that there continues to be a robust and effective control environment in place. The Committee also confirms that it has not been advised of any failings, breaches or weaknesses which it considers to be significant during the financial year, and which had a material effect on the Group's financial performance.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Risk management and internal control environment continued

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

- monthly consolidated management accounts reviewed by the Executive Committee;
- monthly reporting on commercial, operational, financial and non-financial KPIs, with performance discussed at both functional and Group level;
- regular updates to the Board on the Group's financial performance and position against targets;
- 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 to 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.

The Internal Audit function provides independent assurance on the adequacy and effectiveness of the Group's risk management framework and is responsible for overseeing and monitoring the effective design and operation of internal control processes across the Group. Further details are set out below.

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

The Board, through the Audit and Risk Committee, confirms that a robust assessment of the Company's risk management and internal controls has been carried out and that no significant failings or weaknesses have been identified. The assessment covered financial, operational and compliance controls together with financial reporting processes.

Internal Audit

The Internal Audit function provides assurance to the Committee that the overall control environment and specific control activities across the Group are adequate, effective and fit-for-purpose. The Internal Audit function provides a range of financial, operational, regulatory and compliance-driven audit activities, either performed by our independent, experienced and qualified in-house internal audit professionals, or in conjunction with skilled and experienced in-house personnel, at a central functional or a local divisional level. For specific audits, services have also been co-sourced from external professional firms, providing experienced, local resources to perform audit reviews, under the supervision and direction of the Internal Audit function.

Regular meetings are held between the Head of Internal Audit and the Chair of the Audit and Risk Committee and the Committee actively engages the Internal Audit function to determine the extent to which the overall internal control environment is robust and effective and how it can be enhanced further by considering and evaluating specific process and control enhancements.

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 and key current and emerging risk management considerations, whilst also ensuring there is appropriate focus on essential and integral compliance monitoring requirements. There are in-built mechanisms to ensure the Internal Audit Plan remains flexible and agile in order to address any new and emerging risks that may arise throughout the year.

Every six months, 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 processes, functions or locations are challenged and these, along with any significant audit findings, could result in specific follow-up reviews or separate assurance projects, informing and influencing the scope of work undertaken in the Internal Audit Plan, both for the current year and for subsequent years.

The Committee continues to be satisfied that the Internal Audit function has sufficient resource and provides a critical and effective assurance role to the organisation.

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, performance, strategy and business model, and has undertaken to report accordingly to the Board.

The Audit and Risk Committee report was approved by the Board on 29 September 2022 and signed on its behalf by:

Alastair Murray

Chair of the Audit and Risk Committee

Remuneration Committee report

Annual statement



Elizabeth McMeikan
Chair of the Remuneration Committee

The Committee seeks to support the delivery of McBride's strategy through establishing appropriate remuneration arrangements.

Committee membership and meetings 2021/22

The Committee met five times in the year ended 30 June 2022. Details of attendance can be found below:

Members	Number of meetings attended (quorum is three members)	Eligible to attend
Elizabeth McMeikan	5	5
Regi Aalstad ⁽¹⁾	1	1
Steve Hannam	5	5
Neil Harrington ⁽²⁾	2	2
Alastair Murray ⁽³⁾	4	4
Jeff Nodland	5	5

(1) Regi Aalstad joined the Board as an independent Non-Executive Director on 14 March 2022.

(2) Neil Harrington stepped down as a Non-Executive Director on 19 October 2021.

(3) Alastair Murray joined the Board as a Non-Executive Director on 2 August 2021.

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration report ('the Report') for the year ended 30 June 2022.

This 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) Regulations 2008 as amended ('the Regulations'), the UK Corporate Governance Code 2018 and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of the shareholder representative bodies. The Report is split into three sections: the Remuneration Committee Chair's annual statement, Annual Report on Remuneration and the Remuneration Policy.

At the 2022 AGM, we will be asking shareholders to vote on a single resolution: an advisory vote on the Annual Report on Remuneration, which provides details of how we have operated the approved policy, the remuneration earned by Directors for performance in the year ended 30 June 2022 and how the approved Remuneration Policy will be implemented for the coming year.

Remuneration Committee report continued

Annual statement continued

Performance of the business

The most significant external factor overshadowing this past year related to the unprecedented inflationary environment experienced across our industry. As we now emerge from the challenges of maintaining supply chains, mitigating unpredictable and extraordinary input cost inflation, and stabilising our finances, the business can start focusing on delivering the mid-term Compass benefits of improved profitability and growth.

2021/22 remuneration outcomes

All awards in relation to the financial year 2021/22 were made in accordance with our Remuneration Policy. The key decisions made by the Committee in respect of Directors' remuneration were as follows:

- annual bonus (Executive Directors) – The outcomes for the Chief Executive Officer and Chief Financial Officer were determined by reference to performance against the agreed financial measure of Group adjusted EBITA⁽¹⁾ and the Committee's assessment of their individual performance during a challenging year. The methodology used to calculate the financial performance determined that there would be no payout this year. The Committee considered the progress against each Executive Director's personal objectives for the year across all aspects of the Company's strategy, cost reduction and value creation. Despite the progress made against these objectives, payout being contingent upon attainment of threshold performance of the financial measure, no payment against these objectives was made;
- vesting of 2019 LTIP awards – Following a review of the last three years' performance against the pre-agreed measures, the Committee determined that the 2019 LTIP awards would not vest, as the performance measures had not been satisfied. Further detail can be found on page 122; and
- taken as a whole, the Committee is satisfied that the overall pay outcomes for the year ended 30 June 2022 are appropriate and, accordingly, we have not applied any discretion to this year's outturns.

Remuneration principles and structure

The Committee seeks to support the delivery of McBride's strategy through establishing appropriate remuneration arrangements. The link to strategy for each element of the Executive Directors' remuneration is described in the Remuneration Policy.

The Committee has adopted remuneration principles which are designed to ensure that executive remuneration:

- is transparent in respect of elements of remuneration, quantum, the rationale for targets and performance outcomes;
- is simple to ensure that remuneration structures act as intended and are clearly understood;
- discourages inappropriate behaviours or excessive risk-taking through clawback provisions and holding periods;
- is predictable through the use of a range of outcomes and individual caps;
- is aligned to the Group's strategy and the long-term sustainable development of the business; and
- is aligned to the Company's purpose, values and strategy and to the Group's culture.

These principles apply equally to those of senior management.

Directors' remuneration matters considered during and in respect of 2021/22

A summary of the key matters considered by the Committee during the year and since the year end in respect of 2021/22 is as follows:

- the committee determined that the Executive Directors would not receive any increase to salary in 2021/2022;
- in relation to the annual bonus, the Committee determined after the year end that no bonus would be payable to Executive Directors covering this period. No discretion was applied in reaching this decision. Further details can be found on page 121;
- in relation to the LTIP awards granted in September 2019, the Committee reviewed the performance conditions after the year end and determined that performance for these awards was below the threshold levels. No discretion was applied in determining the level of vesting. The awards have, therefore, lapsed;
- the Committee approved the grant of the 2021 LTIP and RSU awards; and
- the Committee reviewed and approved the Chief Executive Officer's and Chief Financial Officer's personal objectives under the annual bonus scheme.

(1) Please refer to APM in note 2.

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 Chairman, 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 (LTIPs) and to review the formal policy for shareholding requirements, both in employment and post-cessation.

Committee membership and attendance at meetings year ended 30 June 2022

Jeff Nodland satisfied the independence condition on his appointment as a Non-Executive Director. The Board is satisfied that the remaining members during the year were independent Non-Executive Directors.

Meetings may be attended by the Chief Executive Officer on all matters except those relating to his own remuneration. The Chief Financial Officer, Igor Kuzniar (a Non-Executive Director), the Chief HR Officer 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 their own remuneration.

The Terms of Reference of the Committee were reviewed during the year and a copy of the Committee's Terms of Reference is available on the Group's website www.mcbride.co.uk.

Remuneration Policy and shareholder engagement

The Remuneration Policy, approved at the 2020 AGM, has operated as intended in year one and year two. Further details on application of the Policy can be found on pages 110 to 120.

Looking forward 2022/2023

- 2022 LTIP awards granted will change from ROCE measure to statutory net debt to EBITDA ratio, to ensure that the business focuses on maintaining a healthy cash flow, along side EPS with equal weighting.
- 2022 LTIP the number of shares to be granted will be determined using the share price of 35 pence or the prevailing share price on the day of grant, if higher.

The share price of 35 pence has been chosen as it reflects the consensus forecast of McBride's share price in the forthcoming year. The Committee will also carry out an overall assessment of the Company's underlying performance and the vesting outcome of the LTIP to ensure the vesting reflects Company performance and that there is no windfall gain.

Looking ahead

Looking to the future, the Committee intends to continue to seek to align Executive Director remuneration with the experience of our shareholders. During the year ending 30 June 2023, the Committee will carry out a review of the Policy and consult with shareholders on any proposed significant changes in preparation for our next triennial binding vote on the Policy at our 2023 AGM. We shall continue to ensure appropriate alignment between executive pay arrangements and the wider workforce. We also look to continue to enhance our alignment of pay with McBride's strategy, Programme Compass.

Elizabeth McMeikan

Chair of the Remuneration Committee

Remuneration Committee report continued

Remuneration Policy

The Remuneration Policy was approved by shareholders at the AGM held on 23 November 2020. The Remuneration Policy as approved by shareholders is available on our website www.mcbride.co.uk. We have included a version of the Remuneration Policy below, which has been updated where appropriate to reflect the passage of time.

Remuneration Policy principles

The Group's approach for all employees, including executives, is to set remuneration that is closely aligned with our underlying Group strategy, 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 Policy aims to attract, motivate and retain suitably effective employees.

The Committee follows the following broad principles when considering the design, implementation and assessment of remuneration in line with the recommendations set out in Provision 40 of the 2018 UK Corporate Governance Code:

Clarity	The Committee is committed to being transparent in respect to the elements of remuneration, quantum, the rationale for targets set and performance outcomes. The Committee engages with shareholders and is keen to understand their views and priorities when considering key remuneration issues and any major changes.
Simplicity	The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. The Committee is confident that the remuneration structure and its operation is understood by participants and supports the overall strategic objectives.
Risk	Targets are reviewed to ensure they reflect the overall risk appetite set by the Board and do not encourage inappropriate behaviours or excessive risk-taking. Mitigation is provided through the clawback provisions (which are in line with current best practice expectations) and through the discretion the Committee has to override the vesting result in exceptional circumstances. In addition, holding periods are in place for awards under the RSU plan, the DBP and the LTIP.
Predictability	The Committee assesses the potential outcome of future reward by reference to potential payouts that can be received at a range of outcomes (minimum, mid-point and maximum). Individual caps apply to participation in our incentive plans.

Proportionality	The Committee seeks to ensure that targets for annual bonus and long-term incentives are aligned with the Group's strategy and the long-term sustainable development of the business. The focus of our remuneration strategy is on rewarding performance – the majority of executive remuneration is performance based and only payable if demanding performance targets are met. The majority of variable pay is delivered in the form of shares. When setting targets for variable elements of pay, the Committee carefully considers the targets to minimise the risk of excessive reward by reference to the maximum potential award that could be achieved. When assessing performance against annual bonus and LTIP, the Committee also considers: • the overall performance of the business; • the quality of earnings when assessing the achievement of financial targets; and • the market in which the Company operates. Both annual bonus and LTIP payments are at the ultimate discretion of the Committee. The Committee retains discretion to override formulaic outcomes produced by the assessment of performance against predetermined performance conditions and scale back awards where, in the Committee's view, the payout levels do not reflect the performance of the wider business over the period, individual performance or where events happen that cause the Committee to determine that the conditions are unable to fulfil their original intended role. Any exercise of discretion will be fully disclosed to shareholders. Notwithstanding that the RSUs, which are an element of our fixed pay, are not subject to performance conditions, the Committee is mindful of the potential for windfall gains when awards vest and downward discretion may also be applied to the actual number of shares to be granted and the vesting of RSU awards where exceptional circumstances exist.
Alignment to culture	The Committee believes that the overall design of the Group remuneration strategy is consistent with the Company's purpose, values and strategy and is aligned with the Group's culture. In particular, the Committee has taken steps to improve the alignment of interests between senior management and shareholders through the RSU plan and the matching awards under the DBP, both of which are designed to increase share ownership.

Remuneration Committee report continued

Remuneration Policy continued

Remuneration Policy table

The following table summarises each element of our Remuneration Policy for the Executive Directors, explaining how each element operates.

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 121. - Salaries are normally reviewed annually and may be increased each year. There is no maximum, but 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: RSUs	
Purpose and link to strategy	- To ensure the Group is able to recruit and retain high-calibre executives. - To provide enhanced alignment to shareholders.
Operation	- Annual awards, as part of fixed pay. - Awards will normally vest three years from the date of grant. - Awards will be subject to a two-year post-vesting holding period, less any shares required to be sold to cover withholding tax. - Not pensionable, or 'salary', for the purposes of bonus, LTI or payments for loss of office. - Subject to malus and clawback⁽¹⁾.
Maximum	Awards of up to 15% of salary may be granted annually.
Performance measures	Not applicable.

(1) Malus and clawback apply in the event of an error in calculation, a material misstatement of the financial results, serious misconduct by a participant, corporate failure or reputational damage.

Element: benefits

Purpose and link to strategy	To provide market-competitive benefits, in line with those provided to other Group employees.
Operation	- Benefits may include private medical insurance, sick pay, a fully expensed car (or equivalent cash allowance), disability and life assurance cover. - Some benefits may be provided in the case of relocation, such as removal expenses, and in the case of international relocation might also include such items as cost of accommodation, children's schooling, home leave, tax equalisation and professional advice etc. - 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 8% of base salary, or such other amount in line with that available to the majority of the UK general workforce, from time to time.
Performance measures	Not applicable.

Remuneration Committee report continued

Remuneration Policy continued

Remuneration 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. - To provide alignment of Directors' interests to the interests of shareholders through enhanced shareholdings.
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, 30% of the bonus is paid via the Deferred Annual Bonus Plan (DBP). - Executive Directors can voluntarily invest any remaining bonus, up to a maximum of 70% of salary, into the DBP. Invested sums will be matched with additional shares on a 1:2 ratio. - Awards granted under the DBP vest after three years and are normally subject to the Director remaining employed by the Group at the end of that period. - A 'dividend equivalent' provision is also available on the DBP shares at the discretion of the Committee, enabling dividend equivalent payments to be paid, in cash or shares, on any shares that vest. - All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year when determining the final bonus amount to be awarded. - Both the cash and deferred share elements of the annual bonus are subject to malus and clawback⁽¹⁾.
Maximum	100% of base salary.
Performance measures	- At least 80% of the bonus will be assessed against a sliding scale of challenging and stretching financial performance targets, with no more than 20% of the bonus being 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.

(1) Malus and clawback apply in the event of an error in calculation, a material misstatement of the financial results, serious misconduct by a participant, corporate failure or reputational damage.

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 malus and clawback⁽¹⁾. - The Committee will operate the LTIP according to its respective rules and in accordance with the Listing Rules and HMRC rules, where relevant.
Maximum	125% of salary for the Chief Executive Officer and 110% of salary for the Chief Financial Officer and any other Executive Director 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 key financial measures of performance (such as, but not limited to, earnings per share (EPS), ROCE), selected by the Committee and measured over a period of no less than three financial years. EPS is a measure of the Company's overall financial success and ROCE is a key performance indicator for the Group. - Different performance measures and/or weightings may be used for future awards to help drive the strategy of the business. - 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. - 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.

(1) Malus and clawback apply in the event of an error in calculation, a material misstatement of the financial results, serious misconduct by a participant, corporate failure or reputational damage.

Remuneration Committee report continued

Remuneration Policy continued

Remuneration Policy table continued

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. - Expenses incurred for advice in respect of UK tax returns for non-UK NEDs may be reimbursed. - 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 (and may include additional ad-hoc payments to reflect increased time commitments over a short period). - A supplementary fee is also paid to Committee Chairs and to the Senior Independent Director to reflect their additional responsibilities. - An additional allowance of up to £50,000 p.a. may be payable to the Chairman to compensate for the additional time commitment involved in travelling both to attend Board meetings and to generally carry out the duties as Chairman. - An additional allowance of up to £15,000 p.a. may be paid to NEDs based overseas for any additional time commitment involved in travelling both to attend Board meetings and to generally carry out the duties as a NED.
Maximum	Details of the current fees for the Chairman and Non-Executive Directors are set out on page 130. The aggregate annual sum for Non-Executive Director fees cannot exceed £600,000 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 nor Non-Executive Directors' fees is performance related.

Element: share ownership guidelines/requirements

Purpose and link to strategy	- Executive Directors and other senior executives are required 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. - Non-Executive Directors are encouraged to build and maintain a shareholding.
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, net of sales to settle tax and/or shares purchased in their own right. - Vested but unexercised LTIP awards, unvested RSU awards and deferred shares will count towards this requirement, on a net of tax basis. - The Executive Directors are also required to maintain their shareholding requirement or the actual shareholding on departure, if lower, for a minimum of twelve months after cessation of employment. The post-cessation shareholding obligation will apply to shares acquired (net of tax) under awards granted under this and future policies. Shares purchased from the executives' own funds would not be included.
Maximum	- There is no maximum; however, Executive Directors are required to build and maintain a shareholding equivalent to 200% of salary, 300% for the CEO and 50% of salary for other senior executives. - Newly appointed Executive Directors would normally be required to achieve the required shareholding within a five-year period of appointment to the Board. - The guideline for NEDs is to hold shares equivalent to 100% of their annual fee.
Performance measures	Not applicable.

Committee discretion in the operation of variable pay schemes

The Committee operates the Group's incentive plans according to their respective rules and in accordance with HMRC requirements and the Listing Rules, where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. The extent of such discretion is set out in the relevant plan rules and the Remuneration Policy table above. The Committee will apply certain operational discretions to ensure the efficient administration of the plans which include, but are not limited to:

- selecting the participants;
- timing;
- quantum of awards, including determining the actual number of shares granted, taking into account share price and wider factors;
- setting the performance criteria and respective weightings of performance measures;
- determining the extent of vesting based on the assessment of performance;
- determining 'good leaver' status;
- the form of payment; and
- making appropriate adjustments required in certain circumstances, including overriding formulaic outcomes and scaling back awards in respect of variable pay outturns.

The Committee may vary the performance conditions applying to share-based awards if an event occurs which causes the Committee to consider it would be appropriate to amend the performance conditions, if the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions.

Any use of such discretion would, where relevant, be explained in the Annual Report on Remuneration.

Any proposed application of this discretion to make an upward adjustment would be the subject of consultation with shareholders.

Remuneration Committee report continued

Remuneration Policy continued

Remuneration Policy table continued

Statement of consideration of shareholder views

The Committee considers the feedback from shareholders at the AGM each year and guidance from shareholder representative bodies more generally. In addition, the Committee consulted proactively with major shareholders in the development of the approved Policy and, based on shareholder feedback, changes were made to the Policy that was approved.

Statement of consideration of employment conditions elsewhere in the Group

Workforce remuneration data is provided to the Committee on a regular basis by the Chief HR Officer. Recognising there are good reasons for the level and structure of executive pay to differ from that of the wider employee population, the Committee will continue to consider pay across McBride, reflecting on the appropriate alignment with the principles which guide executive remuneration across the wider employee population.

Differences in the Policy for executives relative to the broader employee population

The Policy for the Executive Directors is informed by the structure operated for the broader employee population. Pay levels and components vary by organisational level but the broad themes and philosophy remain consistent across the Group:

- salaries are reviewed annually with regard to the same factors as those set out in the Policy table for Executive Directors;
- members of the Executive Committee participate in an annual bonus plan aligned with that offered to the Executive Directors. Other members of senior management participate in the same plan, dependent on performance of the Group or performance of business division, according to their role and level;
- members of the senior management team can be considered for awards under the LTIP. This is intended to encourage share ownership in the Company and align the management team with the strategic business plan; and
- eligibility for and provision of benefits and allowances varies by level and local market practice.

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 129 and 130. 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 for an external appointment. 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 under the new Restricted Share Plan, 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 which would normally be subject to clawback in certain situations, in line with other elements under the Company's Remuneration Policy. • 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. - The Committee will take into account the departing Director's duty to mitigate their loss when determining the amount of compensation.
Operation	- In the event of an early termination, any compensation commitments will be within the principles of the Company's approved Remuneration Policy (or if an amendment to the Policy authorising the Company to make the payment has been approved by shareholders). - 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 may be paid by the Company, where appropriate. - Payments may be made by the Company where appropriate to settle claims brought against the Company, such as unfair dismissal.
Maximum	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.

Remuneration Committee report continued

Remuneration Policy continued

Remuneration Policy table continued

Element: Executive Director compensation on loss of office continued			
	Normal exit (termination for reasons of resignation or dismissal where the Committee does not exercise discretion to treat the leaving Director as a good leaver).	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).
Base salary, RSUs, pension and benefits	Base salary, pension and benefits will be paid/provided to the date employment ends or payment in lieu of notice made. Any untaken holiday is pro-rated to the leaving date. Unvested RSUs will lapse. Any vested RSUs will normally remain subject to the two-year post-vesting holding period.	Base salary, pension and benefits will be paid/provided to the date employment ends or payment in lieu of notice made. Any untaken holiday is pro-rated to the leaving date. Unvested RSUs (at Committee discretion) will vest at the normal vesting date unless the Committee determines they shall vest on an earlier date. Any vested RSUs will normally remain subject to the two-year post-vesting holding period.	If within twelve months of a change of control the individual is given notice or there is a material change to their duties precipitating departure, there would be an additional payment due of 18 months' salary for the CEO and twelve months' salary for the CFO and other Executive Directors. Any unvested RSUs will vest on the date of the relevant event, subject to pro-rata by reference to a twelve-month period from the grant date (as defined) and the two-year post-vesting holding period will end.
Annual bonus	No entitlement for year of exit. Payments in earlier years may be subject to clawback in certain circumstances.	Annual bonus is pro-rated (based upon timing) and subject to performance for year of exit. Any DBP awards, which include compulsory and voluntary deferral and matching shares, (at Committee discretion) vest in full at either the normal vesting date or on cessation of employment.	Extent to which performance requirements are satisfied in year determines level of annual bonus. If within twelve months of a change of control the individual is given notice or there is a material change to their duties precipitating departure, there would be an additional payment due of 150% of target bonus for the CEO and 100% for the CFO and any other Executive Directors. Any unvested DBP awards will vest in full on the date of the relevant event.
LTIP	Unvested awards lapse. Vested awards may be subject to clawback in certain circumstances. Any vested awards will normally remain subject to the two-year post-vesting holding period.	Unvested awards may be pro-rated based upon the rules of the LTIP plan (at Committee discretion) and vest on either the normal vesting date or cessation of employment. Vested awards may be subject to clawback in certain circumstances. Any vested awards will normally remain subject to the two-year post-vesting holding period.	Unvested awards may be pro-rated based upon the rules of the LTIP plan (at Committee discretion) and vest on the date of the relevant event. Vested awards may be subject to clawback in certain circumstances and the two-year post-vesting holding period will end.

Executive Directors' service contracts

Service contracts stipulate that the Executive Directors will provide services to the Company on a full-time basis. Copies of the Executive Directors' service contracts are available for inspection at the Company's registered office.

Executive Director ⁽¹⁾	Date of service contract	Notice period ⁽²⁾
Chris Smith	11 June 2020	6 months
Mark Strickland	4 January 2021	6 months

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

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

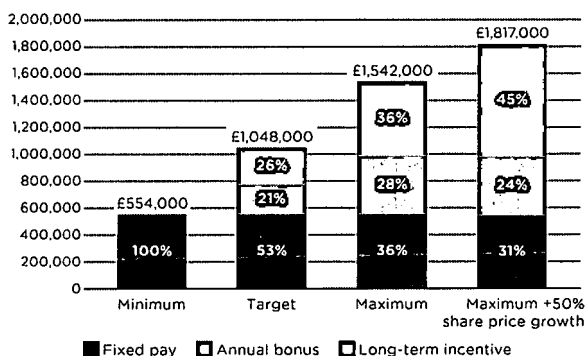
The contracts contain restrictive covenants for periods of up to six months post-employment relating to non-competition and non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any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

The employment contracts for Executive Directors are structured on a similar basis to the US 'double trigger' in the event of a change of control. If the change of control is followed within twelve months by the Executive Director being given notice or there is a material change in their duties precipitating their departure, the Chief Executive Officer would receive an additional payment equivalent to 18 months' salary and 150% of target bonus for the relevant period. For the Chief Financial Officer and any other Executive Director, this payment will be by reference to twelve months' salary and 100% of target bonus.

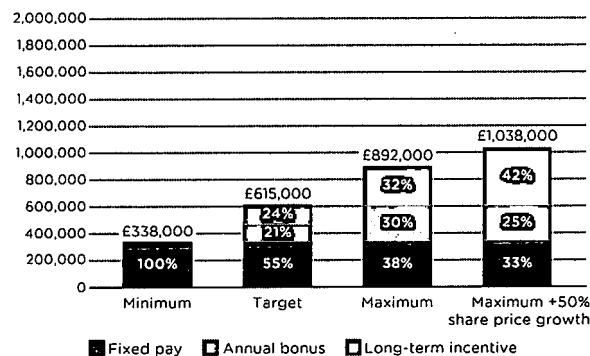
Remuneration performance scenarios 2022/23

The Executive Directors' remuneration packages comprise both core fixed elements (base salary, RSUs, pension and benefits) and performance-based variable pay. The charts below illustrate the composition of the Chief Executive Officer's and Chief Financial Officer's remuneration packages (£'000) at minimum, target, maximum and maximum +50% share price growth for 2022/23 in line with policy.

CEO



CFO



(1) Fixed pay comprises salary for the financial year beginning 1 July 2022, RSUs, benefits and cash allowance in lieu of pension.

(2) Bonus includes both the cash element and the deferred share element but it is assumed that no voluntary deferral takes place and therefore no matching award is made.

(3) Assumptions when compiling the charts are:

- minimum = fixed pay only (i.e. salary, RSUs face value at grant (i.e. 15% of annual salary), benefits and pension);
- target = fixed pay plus 50% of annual bonus payable and 50% vesting of LTIP;
- maximum = fixed pay plus 100% of annual bonus payable and 100% of LTIP vesting; and
- maximum +50% share price growth = fixed pay plus 100% of annual bonus payable and 100% of LTIP vesting at a 50% higher share price than when the LTIP was awarded.

Remuneration Committee report continued

Remuneration Policy continued

External appointments

Executive Directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. Where the Company releases the 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. During the year ended 30 June 2022, neither Executive Director held any external non-executive directorships.

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.

Copies of the letters of appointment are available for inspection at the Company's registered office.

Director ⁽¹⁾	Latest letter of appointment	Date first appointed to the Board	Notice period ⁽²⁾
Jeff Nodland	21/06/2019	26/06/2019	3 months
Steve Hannam	03/09/2019	04/02/2013	3 months
Elizabeth McMeikan	14/11/2019	14/11/2019	3 months
Neil Harrington ⁽³⁾	03/09/2019	03/01/2012	3 months
Igor Kuzniar	31/05/2019	03/06/2019	3 months
Alastair Murray	01/07/2021	02/08/2021	3 months
Regi Aalstad	17/02/2022	14/03/2022	3 months

(1) All Directors stand for re-election on an annual basis at the AGM.

(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. Appointments are of an unlimited duration subject to note 1 above.

(3) Neil Harrington stood down as a Non-Executive Director on 19 October 2021.

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. Further information on the Board's assessment of independence and succession planning can be found in the Nomination Committee report on pages 92 to 97.

Annual Report on Remuneration

Application of the shareholder-approved 2020 Remuneration Policy for 2021/22

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 2021/22 financial year:

	Fixed remuneration					Performance-related remuneration			Total £'000
	Base salary £'000	RSU ^(2,3) £'000	Benefits ⁽⁴⁾ £'000	Pension ⁽⁵⁾ £'000	Total fixed remuneration £'000	Annual bonus £'000	LTIPs £'000	Total variable remuneration £'000	
Chris Smith									
2021/22	439	64	13	35	551	—	—	—	551
2020/21	437	65	14	35	551	—	—	—	551
Mark Strickland⁽¹⁾									
2021/22	264	40	13	21	338	—	—	—	338
2020/21	134	20	7	10	171	—	—	—	171

(1) Mark Strickland was appointed CFO on 4 January 2021.

(2) The RSU grants have been included for Chris Smith: (i) using the closing share price for the day prior to the effective date of grant of 11 June 2020 for the initial award as this was effectively backdated to the date he was appointed as CEO with 20/365ths of this included in 2019/2020 and 345/365ths of this included in 2020/21; (ii) using the closing share price for the day prior to the date of grant of 11 June 2021 for the second award with 20/365ths of this included in 2020/2021 with the remaining 345/365ths of this included in 2021/22; and (iii) using the closing share price for the day prior to the date of grant of 13 June 2022 for the third award with 18/365ths of this included in 2021/22 with the remaining 347/365ths of this to be included in 2022/23.

(3) The RSU grants have been included for Mark Strickland: (i) using the closing share price for the day prior to the effective date of grant of 25 February 2021 for the initial award with 6/8ths of this included in 2020/2021 and the remaining 2/8ths of this included in 2021/22; and (ii) using the closing share price for the day prior to the date of grant of 9 September 2021 for the second award with 10/12ths of this included in 2021/22 and the remaining 2/12ths of this to be included in 2022/23.

(4) Benefits consist of the provision of a company car and fuel (or cash equivalent), private healthcare, disability insurance and life cover.

(5) 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.

Pension (audited)

Both Chris Smith and Mark Strickland receive a pension supplement in lieu of contributions to a pension scheme of 8% of salary, which is in line with that available to the majority of the UK general workforce. 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 2021/22 financial year, the maximum bonus opportunity for the Executive Directors was 100% of base salary. 80% of bonus was based upon financial performance and 20% for performance against demanding specific measurable personal objectives.

Financial element outcomes

	Performance targets ⁽³⁾ (£m)			Actual performance £m	Payout (% of salary)
	Threshold	Target	Stretch		
Group adjusted EBITA ^(1,2)	15.39	16.2	20.25	£(24.5)m	—

(1) Please refer to APM in note 2.

(2) Excludes amortisation of intangibles and exceptional costs.

(3) EBITA as a percentage of target will be calculated on a straight-line basis between the threshold and target and between target and stretch.

Personal element outcomes

Both Executive Directors were set two personal objectives to be measured as a whole, weighted at a maximum of 20% as follows:

- For both Executive Directors: develop a series of options/ideas for value creation that go beyond Programme Compass, which could include: big ideas on efficiencies, commercial targets, absolute costs; reduce earnings volatility – pricing and input cost mitigations; and acquisition or disposals or co-operation arrangements.
- For Chris Smith: ensure Programme Compass continues to deliver on its strategic objectives.
- For Mark Strickland: cost reduction plan that goes beyond the planned reductions for 2020/21 and 2021/22 with specific timelines.

Notwithstanding Chris and Mark performed well against their personal objectives throughout the year, the Committee determined that no payment would be payable in respect of their personal objectives in line with the scheme rules, as the outcome of the financial element did not meet the threshold performance target.

Remuneration Committee report continued

Annual Report on Remuneration continued

LTIP (audited)

In the year under review, LTIP awards were granted to both Executive Directors in September 2021 under the McBride plc 2014 LTIP. These awards were granted in the form of conditional share awards.

Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on page 193.

Interests of Directors under the McBride plc 2014 LTIP at 1 July 2021 and 30 June 2022 are set out below:

Director	Date of award	Number of awards at 1 July 2021	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2022	Market price the day before the date of award (£)	Vesting date	Performance period
Chris Smith	10/09/2018	248,006	—	—	248,006	—	1.3040	11/09/2021	1 July 2018-30 June 2021
	07/10/2019	585,870 ⁽¹⁾	—	—	—	585,870	0.552	08/10/2022	1 July 2019-30 June 2022
	10/09/2020	877,016	—	—	—	877,016	0.62	10/09/2023	1 July 2020-30 June 2023
	09/09/2021	—	716,955 ⁽²⁾	—	—	716,955	0.766	09/09/2024	1 July 2021-30 June 2024
Total		1,710,892	716,955	—	248,006	2,179,841			
Mark Strickland	25/02/2021	178,378	—	—	—	178,378	0.8140	25/02/2024	1 July 2020-30 June 2023
	09/09/2021	—	379,112 ⁽²⁾	—	—	379,112	0.766	09/09/2024	1 July 2021-30 June 2024
Total		178,378	379,112	—	—	557,490			

(1) The LTIP awards granted on 7 October 2019 were based on performance over the three years to 30 June 2022. On 27 July 2022 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 on 7 October 2022.

(2) Awards were granted on the basis of 125% of salary for Chris Smith and 110% of salary for Mark Strickland. The face value of the awards are Chris Smith: £549,188 and Mark Strickland: £290,400.

The performance conditions attaching to awards under the LTIP included in the preceding table are:

Grant October 2019

- a) 50% of the award is subject to a relative Total Shareholder Return (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	—
Equal to the median (threshold)	12.5
Upper quartile (maximum)	50

(1) The awards vest on a straight-line basis between threshold and maximum.

- b) 50% of the award is subject to a performance condition based on the compound annual growth rate in earnings per share (EPS) 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.

Grant Oct 2019	% of total award vesting (max 50%) ⁽¹⁾
<8% p.a.	—
8% p.a. (threshold)	10
17% p.a. (maximum)	50

(1) The awards vest on a straight-line basis between threshold and maximum.

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 page 113. The Committee has noted the decrease in the issued share capital during 2020/21 due to the share buy-back. Following a careful review of the last three years' performance against the pre-agreed measures, the Committee determined that the 2019 LTIP awards would not vest, as the performance measures had not been satisfied.

Grant September 2020, Grant February 2021 and Grant September 2021

- a) 50% of the award is subject to a ROCE performance condition. ROCE is defined as the adjusted operating profit⁽¹⁾ as a percentage of average capital employed in the period. Operating profit is defined as EBITA adjusted for the amortisation of tangible assets and exceptional items. Capital employed is defined as tangible and intangible fixed assets, including goodwill plus inventories and current trade and other receivables less current trade and other payables.

ROCE	% of total award vesting (max 50%) ⁽²⁾
Grant Sept 2020 and February 2021	
<14.8%	—
14.8%	5 (threshold)
17.2%	25 (target)
18.6%	50 (maximum)
ROCE	% of total award vesting (max 50%) ⁽²⁾
Grant Sept 2021	
<11.6%	—
11.6%	5 (threshold)
14.0%	25 (target)
15.4%	50 (maximum)

(1) Please refer to APM in note 2.

(2) The awards vest on a straight-line basis between threshold and target and between target and maximum.

- b) 50% of the award is subject to an EPS performance condition as set out in the table below.

EPS Compound Annual Growth Rate (CAGR) ⁽¹⁾	% of total award vesting (max 50%) ⁽²⁾
Grant Sept 2020 and February 2021	
<7% p.a.	—
7% p.a.	5 (threshold)
14.3% p.a.	25 (target)
21.1% p.a.	50 (maximum)
EPS Compound Annual Growth Rate (CAGR) ⁽¹⁾	% of total award vesting (max 50%) ⁽²⁾
Grant Sept 2021	
<12.6% p.a.	—
12.6% p.a.	5 (threshold)
21.95% p.a.	25 (target)
31.3% p.a.	50 (maximum)

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

(2) The awards vest on a straight-line basis between threshold and target and between target and maximum.

ROCE 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 page 113.

Remuneration Committee report continued

Annual Report on Remuneration continued

Restricted Share Unit Plan (RSU) (audited)

The RSU was approved by shareholders at the 2020 AGM on 23 November 2020. In the year under review, RSU awards were granted to Chris Smith and Mark Strickland under the McBride plc 2020 RSU. These awards were granted in the form of conditional share awards.

Interests of Directors under the McBride plc 2020 RSU at 1 July 2021 and 30 June 2022 are set out below:

Director	Date of award	Number of awards at 1 July 2021	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2022	Market price the day before the date of award (£)	Vesting date
Chris Smith	23 December 2020 ⁽¹⁾	98,864	—	—	—	98,864	0.66 ⁽¹⁾	11 June 2023 ⁽¹⁾
	11 June 2021 ⁽²⁾	74,382	—	—	—	74,382	0.886	11 June 2024
	13 June 2022 ⁽³⁾	—	216,073	—	—	216,073	0.305	13 June 2025
Total		173,246	216,073	—	—	389,319		
Mark Strickland	25 February 2021 ⁽⁴⁾	32,432	—	—	—	32,432	0.814	25 February 2024
	9 September 2021 ⁽⁵⁾	—	51,697	—	—	51,697	0.766	9 September 2024
Total		32,432	51,697	—	—	84,129		

(1) The RSU plan was approved by shareholders at the 2020 AGM on 23 November 2020. Following the approval of the RSU, McBride plc resolved to grant RSU awards on 23 December 2020, with a deemed grant date of 11 June 2021, being the date that Chris Smith was appointed as CEO. This led to two grants in the financial year 2020/21. This was because the award formed part of his CEO remuneration package from his date of appointment. The share price disclosed of £0.66 was the closing share price on 10 June 2021 which was used by the Committee to determine the number of shares subject to the award such that the total value would be 15% of his salary and has therefore been included above. Based on this price, the face value of the award was £65,250, being 15% of his base salary. The closing share price on the day prior to the actual date of grant was £0.886.

(2) The face value of the award granted to Chris Smith on 11 June 2021 was £65,902, being 15% of his base salary.

(3) The face value of the award granted to Chris Smith on 13 June 2022 was £65,902, being 15% of his base salary.

(4) The face value of the award granted to Mark Strickland on 25 February 2021 was £26,400, being 15% of 8/12ths of his base salary (as the RSU award was only meant to cover the period from January to August with future awards being made in September each year).

(5) The face value of the award granted to Mark Strickland on 9 September 2021 was £39,599, being 15% of his base salary.

Deferred Annual Bonus Plan (DBP) (audited)

No awards were made under the McBride plc 2012 Deferred Annual Bonus Plan during the year. Neither of the Executive Directors currently have any outstanding awards under this plan.

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

	2021/22				2020/21			
	Base fee £'000	Committee Chair/ SID fee £'000	Benefits ⁽¹⁾ £'000	Total £'000	Base fee £'000	Committee Chair/ SID fee £'000	Benefits ⁽¹⁾ £'000	Total £'000
Jeff Nodland ⁽²⁾	200	—	49	249	200	—	1	201
Steve Hannam	50	8	—	58	49	8	—	57
Neil Harrington ⁽³⁾	20	—	—	20	49	9	—	58
Igor Kuzniar	50	—	1	51	49	—	—	49
Elizabeth McMeikan	50	8	—	58	49	8	—	57
Alastair Murray ⁽⁴⁾	46	6	—	52	—	—	—	—
Regi Aalstad ⁽⁵⁾	15	—	—	15	—	—	—	—

(1) Benefits comprise reimbursement of expenses on a gross of tax basis incurred by Non-Executive Directors in the course of carrying out their roles which are considered by HMRC to be taxable.

(2) Jeff Nodland received a travel allowance of £45,833 during the year.

(3) Neil Harrington stepped down as Chair of the Audit and Risk Committee and from the Board on 19 October 2021.

(4) Alastair Murray joined the Board on 2 August 2021 and was appointed the Chair of the Audit and Risk Committee on 19 October 2021.

(5) Regi Aalstad joined the Board on 14 March 2022.

Statement of Directors' shareholding and share interests (audited)

	At 30 June 2022					At 28 September 2022		At 1 July 2021	
	Total shares beneficially owned ⁽¹⁾	Value of shares £'000	% of annual base salary	Shareholding requirement/guideline % ⁽²⁾	Shareholding requirement/guideline met ⁽²⁾	Conditional share awards ⁽³⁾	Share holding	Total shares beneficially owned ⁽¹⁾	Conditional share awards ⁽³⁾
Jeff Nodland	664,600	103	51.5	100	Below guideline	N/A	664,600	464,600	N/A
Steve Hannam	75,126	9	23.2	100	Below guideline	N/A	75,126	75,126	N/A
Neil Harrington ⁽⁴⁾	64,395	10	—	100	—	N/A	N/A ⁽⁶⁾	64,395	N/A
Igor Kuzniar ⁽⁵⁾	—	—	—	N/A	—	N/A	—	—	—
Elizabeth McMeikan	29,000	4	0.09	100	Below guideline	N/A	29,000	15,790	N/A
Alastair Murray	—	—	—	100	Below guideline	N/A	—	N/A ⁽⁶⁾	N/A
Regi Aalstad	80,000	12	24.8	100	Below guideline	N/A	80,000	N/A ⁽⁶⁾	N/A
Chris Smith ⁽⁷⁾	436,928	68	15.4	300	Below requirement	2,569,160	436,928	393,669	1,884,138
Mark Strickland ⁽⁸⁾	45,923	7	0.03	200	Below requirement	641,619	45,923	—	210,810

(1) Changes in the current Directors' interests in shares in the Company and those of their Connected Persons between the end of the financial year and 29 September 2022 are shown in the table above.

(2) Executive Directors have a shareholding requirement equal to a multiple of base salary; 300% in the case of the CEO and 200% in the case of the CFO which they are expected to reach within five years of their appointment. NEDs have a shareholding guideline equivalent to 100% of their annual base fee.

(3) The conditional share awards have been made under the McBride plc 2014 LTIP, 2020 Restricted Share Unit Plan and the 2020 Deferred Annual Bonus Plan. The conditions to which the share awards are subject are set out on pages 122 to 124.

(4) Neil Harrington stepped down from the Board on 19 October 2021. This sets out his shareholding at the time of his stepping down from the Board.

(5) Igor Kuzniar is the appointed representative of McBride plc's largest shareholder Teleios Capital Partners GmbH and therefore the NED guidelines do not apply to him.

(6) Not in employment at this date, therefore N/A.

(7) Of the CEO's 2,569,160 shares subject to conditional awards (2020/21: 1,884,138), 389,319 (2020/21: 173,246) were granted as RSUs and hence are not subject to performance measures and are only subject to continued employment.

(8) Of the CFO's 641,619 shares subject to conditional awards (2020/21: 210,810), 84,129 (2020/21: 32,432) were granted as RSUs and hence are not subject to performance measures and are only subject to continued employment.

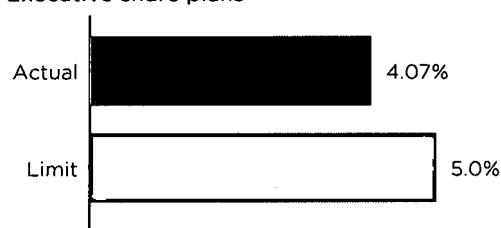
None of the Directors had any interest in the shares of any subsidiary company.

Shareholder dilution

Awards under executive share plans are currently being satisfied by market purchase shares acquired by the Employee Benefit Trust which held 587,159 shares at 30 June 2022 that were available to satisfy subsisting awards. However, newly issued shares may be used in future to satisfy these awards. There are no all-employee share plans. The Company monitors the number of shares issued under these schemes and their impact on dilution limits.

The Company's maximum usage of shares compared with the dilution limits set by the Investment Association in respect of executive share plans (5% in any rolling ten-year period) as at 30 June 2022 is as follows:

Executive share plans



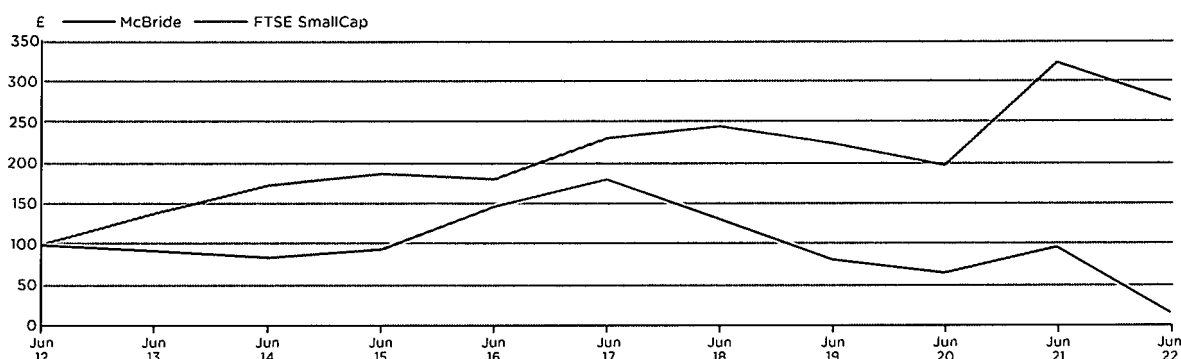
This reduces to 3.17% following the Committee determining on 27 July 2022 that the remaining 1,562,107 September 2019 awards lapsed in full.

Remuneration Committee report continued

Annual Report on Remuneration continued

Review of past performance

The graph below charts the TSR (share value movement plus reinvested dividends), over the ten years to 30 June 2022, 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.



This graph shows the value, by 30 June 2022, of £100 invested in McBride plc on 30 June 2012, compared with the value of £100 invested in the FTSE SmallCap Index (excluding Investment Trusts) on the same date.

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 vested ⁽⁶⁾
Chris Smith⁽¹⁾			
2021/22	552	—	—
2020/21	551	—	—
2019/20 ⁽²⁾	497	24.8	—
Ludwig de Mot⁽³⁾			
2019/20 ⁽²⁾	368	—	—
Rik De Vos⁽⁴⁾			
2018/19	592	—	—
2017/18	890	—	62.5
2016/17	1,169	70.8	100.0
2015/16	893	98.5	—
2014/15	357	89.0	—
Chris Bull⁽⁵⁾			
2014/15	253	—	—
2013/14	512	—	—
2012/13	512	—	—

(1) Chris Smith was appointed CEO with effect from 11 June 2020 having previously been CFO since 15 July 2014.

(2) For 2019/20, the total remuneration has been adjusted to include the single figure calculation.

(3) Ludwig de Mot was appointed CEO with effect from 1 November 2019 and left the business on 10 June 2020.

(4) Rik De Vos was appointed CEO with effect from 2 February 2015 and left the business on 31 August 2019.

(5) Chris Bull was appointed CEO with effect from 4 May 2010 and left the business on 18 December 2014.

(6) The LTIP % of maximum is the percentage of shares vesting compared to the maximum that could have vested.

Annual percentage change in remuneration of Directors and employees

The table below shows the annual percentage change in remuneration of Directors and UK employees over the last two financial years. Although the Company has an international workforce, this group has been chosen as it continues to represent the most meaningful comparator group to compare to the UK-based Executive Directors. Where there are no prior years to compare to, the value is marked as not applicable.

	Salary/fees change ⁽¹⁾			Benefits change ⁽¹⁾			Bonus change ⁽¹⁾		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Executive Directors									
Chris Smith ⁽²⁾	17.0%	27.0%	0.5%	22.8%	(6.6%)	(2.0%)	N/A	(100.0%)	N/A
Mark Strickland ⁽³⁾	N/A	N/A	96.47%	N/A	N/A	102.57%	N/A	N/A	N/A
Non-Executive Directors									
Steve Hannam	—	8.7%	2.7%	89.9%	(100.0%)	—	N/A	N/A	N/A
Neil Harrington ⁽⁴⁾	—	10.1%	(65.7%)	(100.0%)	—	100%	N/A	N/A	N/A
Igor Kuzniar	N/A	—	2.56%	N/A	(100.0%)	100%	N/A	N/A	N/A
Elizabeth McMeikan	N/A	91.6%	2.65%	N/A	—	—	N/A	N/A	N/A
Jeff Nodland ⁽⁵⁾	N/A	62.9%	—%	N/A	(95.9%)	3,602.8%	N/A	N/A	N/A
Comparator group									
Average for UK employees ⁽⁶⁾	1.3%	7.6%	2.1%	N/A	(65.7%)	(21.5%)	9.5%	417.4%	(18%)

(1) Footnotes in relation to 2020 and 2021 percentage changes can be found in the Annual Report and Accounts for the relevant year.

(2) No bonus was paid in respect of 2018/19, 2020/21 and 2021/22.

(3) Mark Strickland was appointed CFO partway through 2020/21 on 4 January 2021, hence the significant percentage increase in salary and benefits in 2021/22 when he served a full year.

(4) Neil Harrington stepped down as Chair of the Audit and Risk Committee and from the Board on 19 October 2021.

(5) The Chairman received a travel allowance of £45,833 during 2021/22, whereas in 2020/21 he only received £1,323 as a result of Covid-19-related restrictions on travel, resulting in the significant percentage increase in benefits.

(6) The calculations for the comparator group are based upon the average values for UK-based employees (other than Directors) that were employed by Robert McBride Ltd versus the same criteria for the previous financial year. Last financial year there were 481 employees in the comparator group versus 471 employees at the end of this financial year. Pension benefits and long-term incentive awards are excluded from the calculation. The comparator group data is being reported in this way as all of the employees of McBride plc are Directors and therefore the comparison required by the Regulations cannot be shown.

CEO pay ratio

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data was used to identify the best equivalent comparison for the three UK-based employees whose pay is at the 25th, 50th (median) and 75th percentiles of the comparator group. There were 465 UK-based employees in the comparator group. This calculation methodology was selected as it provides the most consistent company approach for identifying meaningful equivalents which are reasonably representative of the percentiles and are aligned to our approach to UK gender pay gap reporting.

The ratios shown in the table compare the total remuneration for the relevant UK-based employees to the current CEO single total remuneration figure. The ratios continue to reduce in 2021/22, primarily as a result of the fact that the CEO did not receive an annual bonus in respect of 2020/21. This means that in future years the pay ratio may increase if a bonus award is paid to the CEO. Our ratio for 2021/22 of 14.8:1 to our median employee total remuneration, is also lower than the median of the ratios in other FTSE SmallCap companies, which is around 27:1. This relatively low ratio is consistent with the pay, reward and progression policies applicable to the Company's employees as a whole. All employees are eligible for incentives, salaries are based on role size and market benchmarks, and there are similar pension contributions (in terms of percentage of salary) for the Executive Directors compared to the median employee. It is also worth noting that the CEO's single figure for 2019/20 was calculated using a cumulative pro-rata single figure to represent the pay of the three different CEOs that had been appointed throughout that year.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/22 ⁽¹⁾	Option B	17.8:1	14.8:1	9.6:1
2020/21 ⁽¹⁾	Option B	20.5:1	16.6:1	11.1:1
2019/20	Option B	23.1:1	19.7:1	14.2:1

(1) The ratios shown in the table compare total remuneration for the three relevant UK-based employees to a CEO single total remuneration figure that includes base salary, RSUs, benefits and pension only as there were no incentive payments in respect of 2020/21 and 2021/22. Typically, a significant proportion of the CEO's pay is delivered through incentives where performance conditions are met. This means that in future years the pay ratio may increase if incentive awards are paid to the CEO.

Remuneration Committee report continued

Annual Report on Remuneration continued

CEO pay ratio continued

The table below shows the total remuneration and salary for each quartile of UK employees as at 23 April 2021.

	25th percentile	Median	75th percentile
Salary	£27,968	£32,836	£51,867
Total remuneration	£30,979	£37,288	£57,324

Relative importance of spend on pay

The table below shows the total amount of distributions to shareholders and the amount paid to buy back shares compared to the total payroll costs for the Group for the financial years ended 30 June 2021 and 30 June 2022.

	Year ended 30 June 2021 £m	Year ended 30 June 2022 £m	% change
Shareholder distribution	Nil	Nil	N/A
Amounts paid to buy back shares	6.8	Nil	N/A
Total payroll costs ⁽¹⁾ (of all Group employees including Directors)	128.9	126.2	(2.3)

(1) Total payroll costs excludes termination benefits.

Compliance with the UK Corporate Governance Code ('the Code')

The table below summarises how we have complied with the Code during the year.

Remuneration provision of the Code	Alignment with Policy
Five-year period between the date of grant and realisation of equity incentives	The LTIP has a three-year performance period and a two-year post-vesting holding requirement.
Post-cessation shareholding requirement	There is a formal post-cessation holding policy, requiring Executive Directors to maintain their in-employment shareholding for a minimum of twelve months post-cessation.
Pension alignment	The pension contribution/allowance for all Executive Directors is aligned with the workforce level of 8% of salary. Only basic salary is pensionable.
Discretion to override formulaic outcomes	Discretion to override formulaic outcomes and scale back awards is included for the annual bonus and Long-Term Incentive Plan.
Extended malus and clawback	Malus and clawback triggers apply to the RSU, annual bonus (both cash and deferred) and Long-Term Incentive Plan in the event of an error in calculation, a material misstatement of the financial results, serious misconduct by a participant, corporate failure or reputational damage.
Notice periods should be a year or less	Executive Directors have a six-month notice period.

Application of the Remuneration Policy for the 2022/23 financial year

The table below sets out how the Remuneration Policy is intended to be applied for the 2022/23 financial year for Chris Smith and Mark Strickland. There is no change to the way the Remuneration Policy will be implemented in the current financial year compared to the previous financial year.

Element	Application of Policy for 2022/23	Explanation
Executive Director base salary	The Executive Directors' salaries will remain unchanged in 2022/23 at £439,350 for the CEO and £264,000 for the CFO.	The Committee believes the Executive Directors' current salaries remain at an appropriate level for 2022/23.
RSUs	An award of £65,902 (15% of salary) was made to Chris Smith on 13 June 2022 in line with the RSU plan, in respect of the twelve-month period from 13 June 2022 to 12 June 2023. An award of £39,600 (15% of salary) will be made to Mark Strickland during October 2022 in line with the RSU plan, pending Committee approval, in respect of the twelve-month period from 3 October 2022 to 3 October 2023.	In line with the Remuneration Policy, the Committee wishes to increase the rate at which Executive Directors acquire shares in the Company and hence continue to structure part of their fixed pay as RSUs.
Benefits	Pension contribution (or cash allowance in lieu of pension) of 8% of salary. Car allowance of £12,180 per annum and private medical coverage of £1,428 per annum.	Pension and private medical allowance is fully aligned with the majority of the UK general workforce. Car allowance is based on the Company Car Policy.
Annual bonus	The structure and operation of the annual bonus scheme will continue in line with the previous financial year. The maximum bonus opportunity continues to be 100% of salary. 40% of the award will be subject to a sliding scale of challenging operating profit targets, 40% of the award will be subject to a sliding scale of working capital 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.

Remuneration Committee report continued

Annual Report on Remuneration continued

Application of the Remuneration Policy for the 2022/23 financial year continued

Element	Application of Policy for 2022/23	Explanation
LTIP	The LTIP awards to be granted in 2022/23 will be subject to EPS and net debt to EBITDA ratio with equal weighting. The intended Executive Director grant level for the LTIP is 125% of salary for the CEO and 110% of salary for the CFO. The number of shares to be granted will be determined using the share price of 35 pence or the prevailing share price on the day of grant, if higher. The Committee will also carry out an overall assessment of the Company's underlying performance and the vesting outcome of the LTIP to ensure the vesting reflects Company performance and that there is no windfall gain.	The past eighteen months have significantly affected the Group's level of debt. This has been impacted by higher levels of working capital as well as trading losses arising from inflationary pressures. As the Group continues to manage the impact of unprecedented inflation and disruption to supply chains in the next few years, it remains a focus of the business to maintain a healthy cash flow and level of debt relative to profit. 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. The Committee is mindful of the current share price compared to a year ago and the resulting increase in number of shares that will be granted. The share price of 35 pence has been chosen as it reflects the consensus forecast of McBride's share price in the forthcoming year.
Non-Executive Director fees	The fee policy for the Chairman and Non-Executive Directors is as follows: • base Chairman fee: £200,000; • base Non-Executive Director fee: £50,000; • Chair of the Audit and Risk Committee: £9,000 (additional fee); • Chair of the Remuneration Committee: £8,000 (additional fee); • Senior Independent Director: £8,000 (additional fee); • international travel allowance for the Chairman up to £50,000; and • international travel allowance for NEDs based overseas up to £15,000.	The Chairman's fees were reviewed and increased in 2020. The current fee is considered to be commensurate with market rate and the time commitments of the role. The other NED fees were reviewed and increased in 2020. The fees are considered to reflect market rate and the time commitments of the NEDs, therefore no fee increases are proposed by the Board. The introduction of international travel allowances was to ensure that the Company could continue to appoint and retain overseas-based NEDs when appropriate without needing to pay higher base fees than are paid to UK-based NEDs. There is no current intention to provide an additional allowance for any Non-Executive Director other than the Chairman.

Exit payments (audited)

No exit payments were made to Executive Directors in the financial year.

Payments to past Directors (audited)

No payments to past Directors were made in the financial year.

Payments to third parties

No payments were made to third parties for making available the services of any of the Directors during 2021/22.

Remuneration Committee and advisers

At the time of this report, the members of the Remuneration Committee are Elizabeth McMeikan (Chair), Jeff Nodland, Steve Hannam, Regi Aalstad and Alastair Murray. Alastair Murray was appointed to the Committee with effect from his appointment to the Board on 2 August 2021 and Regi Aalstad was appointed to the Committee with effect from her appointment to the Board on 14 March 2022. In determining the remuneration structure, the Committee appoints and receives advice from independent remuneration consultants on the latest developments in corporate governance and the pay and incentive arrangements prevailing in comparably sized manufacturing companies. Alvarez & Marsal Taxand UK LLP ('A&M') were appointed by the Committee in June 2020 when the lead adviser moved from Aon plc to A&M. A&M received £37,945 in respect of the services provided for the 2021/22 financial year. A&M is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct which sets out guidelines to ensure that any advice is independent and free of undue influence.

The Committee is satisfied that the advice provided by A&M was independent and objective. The Committee is also satisfied that the team who provided that advice do not have any connection to McBride that may impair their independence or objectivity.

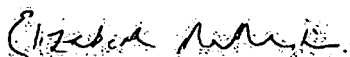
Statement of shareholder voting

The table below shows the voting outcome at the November 2021 AGM for the approval of the Company's 2020/21 Remuneration report:

Resolution	Votes for	%	Votes against	%	Votes withheld
Approval of Remuneration report (advisory vote)	95,445,753	98.43	1,520,894	1.57	19,248,352

The Remuneration report was approved by the Board on 29 September 2022 and signed on its behalf by:

Elizabeth McMeikan
Chair of the Remuneration Committee



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 Strategic report is set out on pages 1 to 79.

As permitted by section 414C(11) of the Companies Act 2006, the below matters have been disclosed in the Strategic report.

An indication of likely future development in the business of the Company	pages 14 and 15
Particulars of important events affecting the Company since the financial year end	pages 183 and 198
Greenhouse gas emissions	pages 44 and 45
Employee engagement and involvement	page 39
Engagement with suppliers, customers and others in a business relationship with the Company	pages 40 and 41
A summary of the principal risks facing the Company	pages 71 to 79

The Corporate governance statement, as required by the Disclosure and Transparency Rules (DTR) 7.2.1, is set out on pages 85 to 91 of the Directors' report.

For the purposes of DTR 4.1.8R the Strategic report and the Directors' report together form the management report.

For the purposes of Listing Rule 9.8.4R, the information required to be disclosed can be found on the following pages:

Listing Rule	Topic	Location
4	Details of long-term incentive schemes	Remuneration report, pages 122 to 124
13	Dividend waiver	Statutory information, page 132

Contracts with controlling shareholders

During the year, there were no contracts of significance (as defined in the FCA's Listing Rules) between any Group undertaking and a controlling shareholder and no contracts for the provision of services to any Group undertaking by a controlling shareholder.

Group results

The results for the year are set out in the consolidated income statement on page 144 and a discussion of the Group's financial performance and progress is set out in the Strategic report on pages 1 to 79.

Directors

The Directors who held office at any time during the year were Jeff Nodland, Chris Smith, Mark Strickland, Steve Hannam, Neil Harrington, Elizabeth McMeikan, Alastair Murray, Regi Aalstad and Igor Kuzniar. Neil Harrington stepped down from the Board on 19 October 2021.

Alastair Murray joined the Board on 2 August 2021 as an independent Non-Executive Director. Details on his appointment were included in our Annual Report for the financial year ended 30 June 2021.

Regi Aalstad joined the Board on 14 March 2022 as an independent Non-Executive Director. Further information on Regi Aalstad's appointment can be found in the Nomination Committee report. The biographical details of all Directors serving at 30 June 2022 appear on pages 82 and 83.

Dividends

The Group's results and performance highlights for the year are set out on pages 1 to 79. The Board has agreed with its lender group that no dividends will be paid until it is in compliance with its banking covenants. Therefore, the Board is not recommending a final dividend in 2022. Continuing the policy outlined last year, future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year.

Details of the scheme can be found in the booklet entitled 'Your Guide to B Shares' and on the Company's website at www.mcbride.co.uk.

Sanne Fiduciary Services Limited, in its capacity as trustee of the McBride Employee Benefit Trust, has waived its entitlement to dividends on ordinary shares in the Company comprised in the trust fund where no beneficial interest in the shares has vested in a beneficiary. This waiver will continue unless and until the Company directs the trustee otherwise.

Directors' interests in the Company's shares

The interests of persons who were Directors of the Company (and of their Connected Persons) at 30 June 2022 in the issued shares of the Company (or in related derivatives or financial instruments) which have been notified to the Company in accordance with the Market Abuse Regulation are set out in the Remuneration report on page 125. The Remuneration report also sets out details of any changes in those interests between 30 June 2022 and 5 October 2022.

Indemnification of Directors

The Directors have the benefit of an indemnity provision contained in the Articles of Association of the Company. In addition, under deeds of indemnity, the Company has granted indemnities in favour of each Director of the Company in respect of any liability that he or she may incur to a third party in relation to the affairs of the Company or any Group company. Consequently, qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year and remain in force at the date of the approval of this report.

During the financial year ended 30 June 2022 and up to the date of this Directors' report, the Company has appropriate Directors' and officers' liability insurance cover in place in respect of legal action against its Directors.

Directors' interests in contracts

Other than service contracts, no Director had any interest in any material contract with any Group company at any time during the year. There were no contracts of significance (as defined in the FCA's Listing Rules) during the year to which any Group undertaking was a party and in which a Director of the Company is, or was, materially interested.

Share capital

As at 29 September 2022, the issued share capital of the Company was 174,015,287 ordinary shares (20.717% of total year-end capital) of 10 pence each (excluding treasury shares), 42,041 treasury shares (0.005% of total year-end capital) and 665,888,258 B Shares (79.278% of total year-end capital). There were no purchases, sales or transfers of treasury shares during the year. There were no allotments of ordinary shares during the year. Details of the issued share capital, together with details of movement in the issued share capital of the Company during the year, are shown in note 26 to the financial statements. This is incorporated by reference and deemed to be part of this report. The Company has one class of ordinary shares, which carries no right to fixed income. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. All issued shares are fully paid.

The Company was authorised at the 2021 AGM to allot shares, or grant rights over shares, up to an aggregate nominal amount equal to £5,800,509 (representing 58,005,095 ordinary shares of 10 pence each excluding treasury shares) representing approximately one-third of its issued share capital. A renewal of this authority will be proposed at the 2022 AGM.

The Company was authorised at the 2021 AGM to allot up to an aggregate nominal amount of £870,076 (representing 8,700,764 ordinary shares of 10 pence each and approximately 5% of the issued share capital) for cash without first offering them to existing shareholders in proportion to their holding. A renewal of this authority will be proposed at the 2022 AGM.

There are no restrictions on the transfer of ordinary shares or B Shares in the Company, other than certain restrictions that may from time to time be imposed by law. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Purchase by the Company of its own shares

At the 2021 AGM, shareholders authorised the Company to make market purchases of up to 17,401,528 ordinary shares of 10 pence each, representing 10% of the issued share capital of the Company (excluding treasury shares). Any shares so purchased by the Company may be cancelled or held as treasury shares. This authority will cease at the date of the 2022 AGM.

On 7 September 2021, as stated in its final results announcement, the Board ended the share buy-back programme announced on 2 November 2020.

During the year, the Group purchased and cancelled 185,375 ordinary shares representing 0.1% of the issued ordinary share capital as at 2 November 2020. The buy-back and cancellation was approved by shareholders at the 2020 AGM. The shares were acquired at an average price of 77.0 pence per share, with prices ranging from 73.3 pence per share to 78.6 pence per share. The total cost of £0.1 million was deducted from equity. A transfer of £nil was made from share capital to the capital redemption reserve.

Statutory information continued

Substantial shareholdings

The Company had been notified in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 28 September 2022 (being the last practicable date prior to the date of this report).

Shareholder	As at 28 September 2022		As at 30 June 2022	
	Number of shares	%	Number of shares	%
Teleios Capital Partners	43,335,757	24.01	43,335,757	24.01
DUMAC, Inc.	30,716,748	16.80	30,716,748	16.80
Zama Capital	21,007,962	12.07	19,872,045	11.01
NN Investment Partners	9,085,000	4.97	9,085,000	4.97
Aberforth Partners LLP	9,072,968	5.21	9,072,968	5.21
Invesco Ltd.	8,952,597	4.89	8,952,597	4.89
Premier Miton Investors	8,347,899	4.76	8,347,899	4.76

No changes have been disclosed in the period since 28 September 2022.

Accounting policies

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 179 to 188.

Political donations

It is the Group's policy not to make political donations or to incur political expenditure. During the year, no political donations were made by the Group to any EU or non-EU political party, political organisation or independent election candidate. During the year, no EU or non-EU political expenditure was incurred. In keeping with the Group's approach in prior years, shareholder approval is being sought at the forthcoming AGM, as a precautionary measure, for the Company and its subsidiaries to make donations and/or incur expenditure, which may be construed as political by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of AGM.

Research and development

The Group is involved in a range of activities in the field of research and development. A number of these activities are referred to in the Strategic report on pages 45 to 47.

Employment of disabled people

Our people policies are designed to provide equal opportunities and create an inclusive culture in line with our values and in support of our long-term success. They also reflect relevant local employment law in our countries of operation.

We expect our colleagues to treat each other with dignity and respect, and do not tolerate discrimination, bullying, harassment or victimisation on any grounds. We are committed to recruiting, training and paying our people fairly and equitably relative to their role, skills, experience and performance – in a way that balances the needs of all our business.

It is our policy to give full and fair consideration to applications for employment received from people with disabilities, having regard to their particular aptitudes and abilities. Wherever possible we will continue the employment of, and arrange appropriate training for, colleagues who have become disabled during the period of their employment. We provide the same opportunities for training, career development and promotion for colleagues with disabilities as for other colleagues.

Creating an inclusive and supportive culture is not only the right thing to do, but also best for our business. It creates a sense of belonging and value and enables colleagues to perform at their best.

Colleague engagement

We recognise the importance of keeping all colleagues at all levels across the business up to date on the strategy, performance and progress of the divisions and Group through multi communication channels. This combines leader-led communication at a site, divisional and Group level supported by emails, intranet, the Group's employee self-service portal, announcements and bulletins.

Colleague engagement at all levels is a crucial element of embedding our core and aspirational values, allowing us to help colleagues see how their efforts contribute to their site, division or function's strategic objectives.

We also engage with our colleagues collectively through a strong and effective partnership with our European Works Council, which represents all colleagues within the European Union, which meet biannually in addition to other local works council forums.

Eligible employees participate in performance-related bonus schemes and some senior managers participate in an LTIP or RSU scheme.

Change of control

As at 30 June 2022 and at 5 October 2022, the nearest practicable date prior to approval of this report, the Company and its subsidiaries were party to a number of commercial contracts, contract manufacturing and brand licensing agreements that may allow the counterparties to alter or terminate the agreements on a change of control of the Company following a takeover bid. The Group has a syndicated multi-currency revolving loan facility for €175 million which may require prepayment if there is a change of control of the Company. The rules of the discretionary share schemes set out the consequences of a change of control of the Company on participants' rights under the schemes. Generally, the rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions. There are no arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover, merger or amalgamation. For further information on the change of control provisions in the Company's share plans and service agreements, please refer to the Directors' Remuneration Policy, which is set out in full in the Directors' Remuneration report.

Branches

The Company has no overseas branches. The Company's subsidiaries are detailed in note 14 to the financial statements.

2022 Annual General Meeting

The Company's 2022 AGM will be held on 16 November 2022 at Central Park, Northampton Road, Manchester M40 5BP at 2.00pm. Details of the resolutions to be proposed, how to vote and ask questions are set out in a separate Notice of Annual General Meeting which accompanies this report for shareholders receiving hard copy documents, and which is available on our website at www.mcbride.co.uk for those who have elected to receive documents electronically. The results will be announced as soon as possible and posted on our website.

Disclosure of information to the auditor

Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that ought to have been taken in his or her duty as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' report was approved by the Board on 29 September 2022 and signed on its behalf by:

Glenda MacGeekie

Chief Legal Officer and Company Secretary



Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the 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 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 UK-adopted international accounting standards 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 Group and Company financial statements respectively;
- 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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 financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

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

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the Group, 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's 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's and Company's auditor is aware of that information.

Independent auditors' 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 2022 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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.

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 2022; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement 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 and Risk Committee.

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.

Other than those disclosed in note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the group financial statements and note 2 to the company financial statements concerning the group's and the company's ability to continue as a going concern. The Group's base case forecasts and projections are based on the board approved budget and indicate continued compliance with its liquidity headroom covenant and sufficient liquidity throughout the going concern review period. However, in the event of a severe but plausible downside scenario, in which revenue volume growth is zero, with revenue growing in 2023 just for pricing already agreed with customers; higher than forecast raw material and packaging input costs and additional inflationary pressures driven particularly by energy, distribution and labour, ultimately being recovered through pricing actions, but only after a time lag; working capital worsens through a deterioration in both customer and supplier payment terms; interest rates increase by a further 100 basis points; and Sterling appreciates significantly against the Euro to £1:€1.22, the group would incur a covenant breach and a liquidity shortfall. In this downside risk scenario, the group would therefore need to obtain a covenant waiver and increase its funding facilities compared to those that are currently committed, to ensure that the business can meet its obligations for the next 18 months. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern;
- We obtained management's severe but plausible downside scenario and discussed the assumptions that were applied in order to understand the rationale and the appropriateness of those assumptions;
- We corroborated the key assumptions in the base case and severe but plausible downside scenario to third party evidence and/or our knowledge of the business;
- We assessed the availability of liquid resources under different scenarios modelled by management, and the associated covenant test applied;
- We checked the banking agreement for the terms of the financing facilities which were put in place during the year and post year end, and agreed these facilities to management's cash flow forecasts.

Independent auditors' report to the members of McBride plc continued

Report on the audit of the financial statements continued

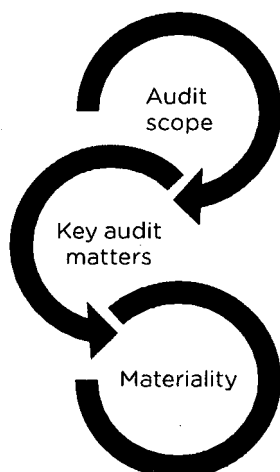
Material uncertainty related to going concern continued

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in note 2 to the group financial statements and note 2 to the company financial statements, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting, or in respect of the directors' identification in the financial statements of any other material uncertainties to the group's and the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

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

Our audit approach

Overview



Audit scope

- 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 the group's shared service centre and at the consolidated level, accounted for approximately 83% of the group's revenue and 91% of the group's loss before tax.

Key audit matters

- Material uncertainty related to going concern
- Valuation of goodwill, other intangible assets and property plant and equipment (group)
- Valuation of investments in subsidiaries and recoverability of amounts owed by subsidiaries (company)

Materiality

- Overall group materiality: £1.7m (2021: £1.7m) based on 0.25% of Revenue.
- Overall company materiality: £1.5m (2021: £1.5m) based on 1% of Total assets, capped at 90% of the group materiality.
- Performance materiality: £1.3m (2021: £1.3m) (group) and £1.1m (2021: £1.2m) (company).

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.

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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Valuation of investments in subsidiaries and recoverability of amounts owed by subsidiaries is a new key audit matter this year. Impact of COVID-19 and Fraud in relation to rebates, which were key audit matters last year, are no longer included because of the impact of the pandemic becoming embedded within the economic environment and due to there not being a track record of errors in relation to rebates. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill, other intangible assets and property plant and equipment (group) Refer to notes 12, 13, and 14 to the Group financial statements. Goodwill of £19.7m (2021: £19.7m), Other intangible assets of £7.3m (2021: £8.2m) and Property, plant and equipment of £122.9m (2021: £129.8m) 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 three 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 several risks that the Directors believe have a reasonable likelihood of occurrence. An impairment of £0.8m (2021: £0.3m) has been recognised against Property, plant and equipment. No impairment has been recognised against Goodwill and Other intangible assets.	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 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 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 and margins by comparing with external forecasts of long-term growth rates and historical data; and the discount rates used by assessing the cost of capital calculations for the Group and comparing against comparable organisations. We challenged management to the extent of which climate change has been reflected within management's impairment assessment process. 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 are satisfied that these are appropriate.
Valuation of investments in subsidiaries and recoverability of amounts owed by subsidiaries (company) Refer to notes 5 and 6 in the company financial statements. Investment in subsidiaries of £158.4m (2021: £158.4m) and amounts owed by subsidiary undertakings of £154.4m (2021: £148.6m) are material to the company financial statements. Due to the performance of the group, impairment indicators exist in the current year and management have assessed the balances for impairment.	We evaluated and assessed the company's investments in subsidiaries with reference to the Group's future cash flow forecasts, and checked the allocation of this by legal entity, 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 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 obtained management's intercompany recoverability model and assessed whether the methods applied were consistent with IFRS 9. We checked the calculations within the model and agreed the figures included to the relevant financial information included in the Group consolidation schedules. 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 are satisfied that these are appropriate.

Independent auditors' report to the members of McBride plc continued

Report on the audit of the financial statements continued

Our audit approach continued

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 15 manufacturing facilities in Europe and Asia. The group is structured in five operating segments: Liquids, Powders, Unit dosing, Aerosols and Asia as well as 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.

Our work incorporated full scope audits of the Group's legal entities in the UK, France, Belgium and Germany plus limited scope procedures in relation to some of the Group's other jurisdictions. The territories where we conducted audit work, together with audit work performed at the Group's shared service centre and at a consolidated level, accounted for approximately 83% of the group's revenue and 91% of the group's loss 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:

	Financial statements – group	Financial statements – company
Overall materiality	£1.7m (2021: £1.7m).	£1.5m (2021: £1.5m).
How we determined it	0.25% of Revenue	1% of Total assets, capped at 90% of the group materiality
Rationale for benchmark applied	We considered materiality in a number of different ways, and used our professional judgement having applied 'rule of thumb' percentages to a number of potential benchmarks. On the basis of this, we concluded that 0.25% of revenue is an appropriate level of materiality considering the overall scale of the business.	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.

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 £0.7m – £1.5m.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £1.3m (2021: £1.3m) for the group financial statements and £1.2m (2021: £1.2m) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £86k (group audit) (2021: £85k) and £77k (company audit) (2021: £58k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and, except for the matters reported in the section headed 'Material uncertainty related to going concern', we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

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

Independent auditors' report to the members of McBride plc **continued**

Report on the audit of the financial statements continued

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 in respect of the financial statements, 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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, environmental laws and employment laws, 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 financial statements such as the listing rules, local and international tax laws and the Companies Act 2006. 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 inappropriate journal entries to improve financial performance, and management bias in accounting estimates and judgements. 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:

- challenging assumptions and judgements made by management in their significant accounting estimates (because of the risk of management bias), in particular around the carrying value of goodwill, other intangible assets, and property plant and equipment (see related key audit matter above), defined benefit scheme liabilities and deferred tax assets;
- discussions with the audit committee, management, internal audit and the in-house legal team including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- enquired with external legal counsel around actual and potential litigation and claims;
- reviewing minutes of meetings of those charged with governance;
- auditing the tax computations to ensure compliance with tax legislation;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- reviewing financial statements disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Remuneration Committee 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 and Risk 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 10 years, covering the years ended 30 June 2012 to 30 June 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

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

29 September 2022

Consolidated income statement

Year ended 30 June 2022

		2022			2021		
		Adjusted (note 2) £m	Adjusting items (note 2) £m	Total £m	Adjusted (note 2) £m	Adjusting items (note 2) £m	Total £m
Continuing operations							
Revenue	3	678.3	—	678.3	682.3	—	682.3
Cost of sales		(487.5)	—	(487.5)	(445.3)	—	(445.3)
Gross profit		190.8	—	190.8	237.0	—	237.0
Distribution costs		(64.3)	—	(64.3)	(56.0)	—	(56.0)
Administrative costs		(148.8)	(5.0)	(153.8)	(154.9)	(8.6)	(163.5)
Impairment of trade receivables		(2.0)	—	(2.0)	(1.3)	—	(1.3)
(Loss)/gain on disposal of property, plant and equipment		(0.3)	3.7	3.4	(0.4)	—	(0.4)
Impairment of property, plant and equipment		0.1	(0.9)	(0.8)	(0.3)	—	(0.3)
Operating (loss)/profit	7	(24.5)	(2.2)	(26.7)	24.1	(8.6)	15.5
Finance costs	8	(5.1)	(3.5)	(8.6)	(4.2)	—	(4.2)
(Loss)/profit before taxation		(29.6)	(5.7)	(35.3)	19.9	(8.6)	11.3
Taxation	9	9.3	2.0	11.3	1.1	1.6	2.7
(Loss)/profit for the year from continuing operations		(20.3)	(3.7)	(24.0)	21.0	(7.0)	14.0
Discontinued operations							
Loss for the year from discontinued operations	4	—	(0.3)	(0.3)	—	(0.6)	(0.6)
(Loss)/profit for the year		(20.3)	(4.0)	(24.3)	21.0	(7.6)	13.4
(Loss)/earnings per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the year							
	10						
Basic (loss)/earnings per share							
From continuing operations				(13.8)p			7.8p
From discontinued operations				(0.2)p			(0.3)p
From (loss)/profit for the year				(14.0)p			7.5p
Diluted (loss)/earnings per share							
From continuing operations				(13.8)p			7.8p
From discontinued operations				(0.2)p			(0.3)p
From (loss)/profit for the year				(14.0)p			7.5p

Consolidated statement of comprehensive income

Year ended 30 June 2022

	Note	2022 £m	2021 £m
(Loss)/profit for the year		(24.3)	13.4
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		0.2	(4.6)
Gain on net investment hedges		0.5	3.7
Gain/(loss) on cash flow hedges in the year		2.4	(0.1)
Cash flow hedges transferred to profit or loss		—	(0.5)
Taxation relating to items above	9	(0.5)	—
		2.6	(1.5)
Items that will not be reclassified to profit or loss:			
Net actuarial gain/(loss) on post-employment benefits	23	12.4	(4.2)
Taxation relating to item above	9	(3.1)	4.1
		9.3	(0.1)
Total other comprehensive income/(expense)		11.9	(1.6)
Total comprehensive (expense)/income		(12.4)	11.8
Total comprehensive (expense)/income attributable to equity shareholders arises from:			
Continuing operations		(12.1)	12.4
Discontinued operations		(0.3)	(0.6)
		(12.4)	11.8

Consolidated balance sheet

At 30 June 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	12	19.7	19.7
Other intangible assets	13	7.3	8.2
Property, plant and equipment	14	122.9	129.8
Derivative financial instruments	21	1.9	0.1
Right-of-use assets	15	11.3	10.0
Deferred tax assets	9	29.7	22.8
		192.8	190.6
Current assets			
Inventories	16	118.9	92.9
Trade and other receivables	17	145.4	117.9
Current tax assets		3.9	3.7
Non-current assets classified as held for sale	18	—	1.6
Derivative financial instruments	21	0.6	0.2
Cash and cash equivalents		4.5	24.9
		273.3	241.2
Total assets		466.1	431.8
Current liabilities			
Trade and other payables	19	206.9	169.2
Borrowings	20	60.5	53.7
Lease liabilities	15, 20	3.9	3.4
Derivative financial instruments	21	—	0.3
Current tax liabilities		5.3	4.2
Provisions	25	3.4	2.7
		280.0	233.5
Non-current liabilities			
Borrowings	20	96.4	78.3
Lease liabilities	15, 20	8.1	7.9
Pensions and other post-employment benefits	23	16.1	31.9
Provisions	25	3.8	3.7
Deferred tax liabilities	9	4.7	6.7
		129.1	128.5
Total liabilities		409.1	362.0
Net assets		57.0	69.8
Equity			
Issued share capital	26	17.4	17.4
Share premium account	26	68.6	68.6
Other reserves	26	77.2	76.0
Accumulated losses		(106.2)	(92.2)
Total equity		57.0	69.8

The financial statements on pages 144 to 198 were approved by the Board of Directors on 29 September 2022 and were signed on its behalf by:

Chris Smith
Director



Consolidated cash flow statement

Year ended 30 June 2022

	Note	2022 £m	2021 £m
Operating activities			
(Loss)/profit before tax			
Continuing operations		(35.3)	11.3
Discontinued operations		(0.4)	(0.7)
Finance costs	8	8.6	4.2
Exceptional items excluding finance costs	4	—	6.9
Share-based payments charge	5	—	0.3
Depreciation of property, plant and equipment	14	16.9	17.6
Depreciation of right-of-use assets	15	4.0	3.8
Loss on disposal of fixed assets		0.3	0.4
Amortisation of intangible assets	13	2.6	2.4
(Reversal of) impairment of property, plant and equipment	14	(0.1)	0.3
Operating cash flow before changes in working capital before exceptional items		(3.4)	46.5
(Increase)/decrease in receivables		(27.4)	13.2
Increase in inventories		(25.7)	(0.4)
Increase/(decrease) in payables		37.8	(22.2)
Operating cash flow after changes in working capital before exceptional items		(18.7)	37.1
Additional cash funding of pension schemes	23	(4.0)	(4.0)
Cash (used)/generated from operations before exceptional items		(22.7)	33.1
Cash inflow/(outflow) in respect of exceptional items		(4.1)	(8.0)
Cash (used)/generated from operations		(26.8)	25.1
Interest paid		(3.3)	(3.2)
Taxation paid		(0.1)	(7.3)
Net cash (used)/generated from operating activities		(30.2)	14.6
Investing activities			
Proceeds from sale of property, plant and equipment		6.1	0.2
Purchase of property, plant and equipment	14	(12.6)	(21.6)
Purchase of intangible assets	13	(1.7)	(2.2)
Settlement of derivatives used in net investment hedges		0.4	3.8
Net cash used in investing activities		(7.8)	(19.8)
Financing activities			
Redemption of B Shares	11	(0.1)	(2.0)
Drawdown of overdrafts		0.7	2.8
Drawdown of other loans		6.0	25.9
Drawdown of bank loans		18.0	76.2
Repayment of bank loans		—	(103.8)
Refinancing costs paid		(1.8)	—
Repayment of IFRS 16 lease obligations	15	(5.0)	(4.9)
Purchase of own shares		(0.1)	(6.8)
Purchase of own shares held by Employee Benefit Trust		—	(0.3)
Net cash generated/(used) in financing activities		17.7	(12.9)
Decrease in net cash and cash equivalents		(20.3)	(18.1)
Net cash and cash equivalents at the start of the year		24.9	44.2
Currency translation differences		(0.1)	(1.2)
Net cash and cash equivalents at the end of the year		4.5	24.9



Consolidated statement of changes in equity

Year ended 30 June 2022

			Other reserves					
	Note	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m	Accumulated losses £m	Total equity £m
At 1 July 2020		18.3	70.6	0.5	(0.1)	74.2	(96.6)	66.9
Year ended 30 June 2021								
Profit for the year		—	—	—	—	—	13.4	13.4
Other comprehensive (expense)/income								
Items that may be reclassified to profit or loss:								
Currency translation differences of foreign subsidiaries		—	—	—	(4.6)	—	—	(4.6)
Gain on net investment hedges	21	—	—	—	3.7	—	—	3.7
Loss on cash flow hedges in the year	21	—	—	(0.1)	—	—	—	(0.1)
Cash flow hedges transferred to profit or loss	21	—	—	(0.5)	—	—	—	(0.5)
		—	—	(0.6)	(0.9)	—	—	(1.5)
Items that will not be reclassified to profit or loss:								
Net actuarial loss on post-employment benefits	23	—	—	—	—	—	(4.2)	(4.2)
Taxation relating to items above	9	—	—	—	—	—	4.1	4.1
		—	—	—	—	—	(0.1)	(0.1)
Total other comprehensive expense		—	—	(0.6)	(0.9)	—	(0.1)	(1.6)
Total comprehensive (expense)/income		—	—	(0.6)	(0.9)	—	13.3	11.8
Transactions with owners of the parent								
Issue of B Shares	11	—	(2.0)	—	—	—	—	(2.0)
Redemption of B Shares	11	—	—	—	—	2.0	(2.0)	—
Share-based payments	24	—	—	—	—	—	0.3	0.3
Purchase of own shares	26	—	—	—	—	—	(6.8)	(6.8)
Purchase of own shares held by Employee Benefit Trust	26	—	—	—	—	—	(0.3)	(0.3)
Transfers between reserves		(0.9)	—	—	—	0.9	—	—
Taxation relating to items above	9	—	—	—	—	—	(0.1)	(0.1)
At 30 June 2021		17.4	68.6	(0.1)	(1.0)	77.1	(92.2)	69.8

				Other reserves				
	Note	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m	Accumulated losses £m	Total equity £m
Year ended 30 June 2022								
Loss for the year		—	—	—	—	—	(24.3)	(24.3)
Other comprehensive income/(expense)								
Items that may be reclassified to profit or loss:								
Currency translation differences of foreign subsidiaries								
		—	—	—	0.2	—	—	0.2
Gain on net investment hedges	21	—	—	—	0.5	—	—	0.5
Gain on cash flow hedges in the year	21	—	—	2.4	—	—	—	2.4
Taxation relating to the items above		—	—	(0.5)	—	—	—	(0.5)
		—	—	1.9	0.7	—	—	2.6
Items that will not be reclassified to profit or loss:								
Net actuarial gain on post-employment benefits								
	23	—	—	—	—	—	12.4	12.4
Taxation relating to items above	9	—	—	—	—	—	(3.1)	(3.1)
		—	—	—	—	—	9.3	9.3
Total other comprehensive income		—	—	1.9	0.7	—	9.3	11.9
Total comprehensive income/(expense)		—	—	1.9	0.7	—	(15.0)	(12.4)
Transactions with owners of the parent								
Redemption of B Shares	11	—	—	—	—	0.1	(0.1)	—
Purchase of own shares	26	—	—	—	—	—	(0.1)	(0.1)
Transfers between reserves		—	—	—	(1.5)	—	1.5	—
Taxation relating to the items above	9	—	—	—	—	—	(0.3)	(0.3)
At 30 June 2022		17.4	68.6	1.8	(1.8)	77.2	(106.2)	57.0

At 30 June 2022, the accumulated losses include a deduction of £0.5 million (2021: £0.5m) 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

Year ended 30 June 2022

1. Corporate information

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. For the purposes of DTR 6.4.2R, the Home State of McBride plc is the United Kingdom.

The Company and its subsidiaries (together, 'the Group') is Europe's leading provider of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

2. Accounting policies

Accounting period

The Group's annual financial statements are drawn up to 30 June. These financial statements cover the year ended 30 June 2022 ('2022') with comparative amounts for the year ended 30 June 2021 ('2021').

Basis of preparation

The consolidated financial statements on pages 144 to 198 have been prepared on the going concern basis in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss, assets held for sale and defined benefit pension plan assets.

A summary of the significant accounting policies is set out below. The accounting policies that follow set out those policies that apply in preparing the financial statements for the year ended 30 June 2022 and the Group and Company have applied the same policies throughout the year.

Going concern

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 report of the CFO on pages 30 to 35. 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. At 30 June 2022, committed undrawn facilities and net cash position amounted to £70.6 million.

The Group's base case forecasts are based on the Board-approved budget and three-year plan. They indicate sufficient liquidity throughout the going concern review period to ensure compliance with its minimum liquidity banking covenant. The Group's base case scenario assumes:

- revenue growth of c.5%, driven predominantly by the wrap-around effect of pricing already agreed with customers;
- raw material prices marginally reducing compared to the June 2022 levels, which in themselves were significantly higher than pre-Covid-19 pandemic levels;
- interest rates increasing by c.150 basis points; and
- Sterling: Euro exchange rate of £1:€1.185.

The Directors have considered a severe but plausible downside scenario including several downside assumptions to stress test the Group's financial forecasts:

- zero revenue growth from volumes, with revenue growing in 2023 just for pricing already agreed with customers;
- higher than forecast raw material and packaging input costs and additional inflationary pressures driven particularly by energy, distribution and labour, ultimately being recovered through pricing actions, but only after a lag;
- worsening trade working capital, caused by deterioration in both customer and supplier payment terms;
- interest rates increasing by a further 100 basis points; and
- Sterling appreciating significantly against the Euro to £1:€1.22.

In the event that such a severe but plausible downside risk scenario occurs, the Group would incur a covenant breach and a liquidity shortfall. In this downside risk scenario, the Group would therefore need to obtain a covenant waiver and increase its funding facilities compared to those that are currently committed, to ensure that the business can meet its obligations for the next 18 months.

To mitigate against these risks, the Group is currently negotiating to further increase liquidity by £25 million by extending invoice discounting facilities to unencumbered receivables ledgers, however there is no certainty that these negotiations will be successful.

After reviewing the current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described above, and based on the currently committed funding facilities, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence and without significant curtailment of operations for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Group financial statements. However, the occurrence of multiple downside trading and liquidity risks represents a material uncertainty at 29 September 2022 that could cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of McBride plc assesses the financial performance and position of the Group and makes strategic decisions. Therefore, the Board of McBride plc has been identified as the chief operating decision maker.

Financial information is presented to the Board by product technology for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. There are five separately managed and accountable business divisions:

- Liquids;
- Unit Dosing;
- Powders;
- Aerosols; and
- Asia Pacific.

Intra-group revenue from the sale of products is agreed between the relevant customer-facing units and eliminated in the segmental presentation that is presented to the Board. Programme Compass is delivering an increased focus on cost optimisation and has meant that most overhead costs are now directly attributed within the respective divisions' income statements. The only costs now allocated out to the divisions are central overheads, with corporate costs being retained at a Group level.

Central overheads are allocated to a reportable segment proportionally using an appropriate cost driver. 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. Exceptional items are detailed in note 4 and are not allocated to the reportable segments as this reflects how they are reported to the Board. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the Group.

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. Adjusted operating profit is not defined under IFRS and is therefore termed a non-GAAP measure. The rationale for using this measure, along with a reconciliation from the nearest measures prepared in accordance with IFRS, is discussed in alternative performance measures on page 160.

Segment information is presented in note 3.

Principal accounting policies

The Group and Company financial statements are presented in Pounds Sterling and all values are rounded to the nearest million Pounds (£m) except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and its subsidiaries. Details of the Group's subsidiaries at 30 June 2022 are set out on pages 207 and 208.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Group's results, cash flows and assets and liabilities include those of each of its subsidiaries from the date on which the Group obtains control until such time as the Group 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

2. Accounting policies continued

Principal accounting policies continued

Foreign currency translation

The Group's presentational currency is Pound Sterling.

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 Pound Sterling at the average exchange rate for the period and their assets and liabilities are translated into Pound 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 contracts with customers from the sale of goods is measured at the invoiced amount, net of sales rebates, discounts, value added tax and other sales taxes.

Revenue is recognised on the transfer of the control of goods upon delivery of the goods to the customer, when the significant risks and rewards of ownership are passed 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 judgement of the amounts payable under the contractual arrangements with the customer. The estimated rebates or discounts payable do not contain significant estimates as they are mostly contractually driven and are 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 2022, the carrying amount of accruals relating to rebates and discounts amounted to £2.1 million (2021: £2.4m). Rebates equate to less than 1.0% (2021: less than 1.0%) of revenue and are not considered to be a critical judgement. There is an element of judgement applied to the level of future achieved sales within volume-related rebates.

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 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 underlying trading performance and trends of the Group's businesses either year-on-year or with other businesses.

Examples of exceptional items include, but are not limited to, the following:

- restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of the Group's activities;
- impairment of current and non-current assets;
- gains/losses on disposals of businesses;
- acquisition-related costs, including adviser fees incurred for significant transactions, and adjustments to the fair values of assets and liabilities that result in non-recurring charges to the income statement; and
- costs arising because of material and non-recurring regulatory and litigation matters.

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 as an intangible asset. Development expenditure is measured at cost and amortised on a straight-line basis over the expected useful life, which is in the range of three to five years.

(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 of 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 freehold buildings are presented as land and buildings. Freehold land and payments on account and assets in the course of 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
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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, less any lease incentives receivable.

In determining the relevant cash flows within a contract for each lease component, the Group has made use of the practical expedient available under IFRS 16 not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

2. Accounting policies continued

Principal accounting policies continued

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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 of disposal. 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 of disposal 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.

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

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. The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a twelve-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL);

- **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.

For trade receivables and contract assets, the Group applies the IFRS 9 simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on shared credit risk characteristics, its historical credit loss experience and days past due, adjusted for forward-looking factors specific to the debtors and the economic environment. 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 or intention to 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 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

Year ended 30 June 2022

2. Accounting policies continued

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, 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.

At 30 June 2022, the Group held provisions amounting to £7.2 million (2021: £6.4m), 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.

Provisions are discounted where the effect of the time value of money is material.

Contingent liabilities

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. 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.

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 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.

Where there is uncertainty as to whether treatments in the tax return will be accepted by a taxation authority, the judgements and estimates made in recognising and measuring the uncertainty are based on information available at the time. The Group reassesses these judgements and estimates if the facts and circumstances change or new information becomes available. This may include, but is not restricted to, examination by a taxation authority, implicit or explicit acceptance by a taxation authority of a particular tax treatment, the expiry of the taxation authority's right to examine or re-examine a tax treatment and changes in legislation.

Payments to shareholders

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2022 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. 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 Employee Share Ownership Plan (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.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

2. Accounting policies continued

New accounting standards and interpretations

The following standards and amendments were effective for periods beginning on or after 1 January 2021 and as such have been applied in these financial statements. The Group has not early adopted any other standard or interpretation that is issued but not yet effective.

The following standards and amendments had no impact on the financial statements of the Group:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 regarding replacement issues in the context of the IBOR reform; and
- Amendments to IFRS 16 to extend the exemption from assessing whether a Covid-19-related rent concession is a lease modification (only effective for periods beginning on or after 1 April 2021).

New accounting standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 1 resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter) – effective for annual periods beginning on or after 1 January 2022.
- Amendments to IFRS 3 updating a reference to the Conceptual Framework – effective for annual periods beginning on or after 1 January 2022.
- Amendments to IFRS 4 regarding the expiry date of the deferral approach – the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.
- Amendments to IFRS 9 resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) – effective for annual periods beginning on or after 1 January 2022.
- The original issue of IFRS 17 and amendments to address concerns and implementation challenges that were identified after IFRS 17 was published – effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 1 regarding the classification of liabilities and the disclosure of accounting policies – effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 8 regarding the definition of accounting estimates – effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 12 regarding the deferred tax on leases and decommissioning obligations – effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 16 prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use – effective for annual reporting periods beginning on or after 1 January 2022.

- Amendments to IAS 37 regarding the costs to include .when assessing whether a contract is onerous – effective for annual reporting periods beginning on or after 1 January 2022.

None of the amendments are expected to have a significant impact on the Group; however, the Group will continue to consider these and any additional amendments, interpretations and new standards to identify potential future impact.

Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies as described in this note, 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

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 Liquids, Unit Dosing, Powders, Aerosols and Asia Pacific, these being based on product technologies and the separate Asia Pacific location. All CGUs are lower than, or equal to, operating segments.

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 of disposal. 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 that reflects current market assessments of the time value of money. The discount rate used in each CGU is 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.

Carrying values of goodwill, other intangible assets and property, plant and equipment are subject to a significant risk of material adjustment due to reasonably possible changes in assumptions in the next twelve months. Sensitivity analysis has been performed in order to assess the extent to which carrying values of such assets are at risk of impairment.

During the year, impairment charges of £0.8 million were recognised (2021: £0.3m). At 30 June 2022, the carrying amount of goodwill, other intangible assets and property, plant and equipment was £149.9 million (2021: £157.7m). Details of the assumptions applied and the sensitivity of the carrying amount of goodwill in relation to the business are presented in note 12.

(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 2022, the present value of defined benefit obligations in relation to the UK scheme was £116.6 million (2021: £161.9m). It was calculated using a number of assumptions, including future Consumer Price Index 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 2022, the fair value of the scheme assets of the UK scheme was £102.2 million (2021: £132.6m). The scheme assets consist largely of securities and managed funds whose values are subject to fluctuation in response to changes in market conditions. A portion of unquoted investments have valuations which precede the reporting date and where the valuations have been adjusted for cash movements between the last valuation date and 30 June 2022, using the valuation approach and inputs as at the last valuation date. 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 2022, the Group recognised a net actuarial gain of £12.4 million (2021: loss of £4.2m).

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

Judgements and estimates are required in order to determine the appropriate amount of tax provided for issues under dispute with taxation authorities and for tax matters which are considered uncertain and on which it is probable that a future tax liability will arise. The amount provided is management's best estimate of the tax liability taking into consideration external advice, known outcomes on similar tax treatments and experience of tax authority custom and practice.

At 30 June 2022, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £16.2 million, of which £2.0 million is provided against in current tax.

The Group operates across a number of jurisdictions and tax risk can arise in relation to the pricing of cross-border transactions, where a taxation authority's interpretation of the arm's length principle can diverge from the approach taken by the Group. Transfer pricing is inherently subjective and in determining the appropriate level of provision, the Group considers the probability of a range of outcomes, using a weighted average methodology to focus risk on the most likely outcomes in the event of an audit. The amount provided also takes account of international dispute resolution mechanisms, where available, to mitigate double taxation. This analysis is reassessed at each period end and the estimates refined as additional information becomes available.

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 however and is dependent upon the outcome of agreements with relevant tax authorities, dispute resolution processes in the relevant jurisdictions or litigation where appropriate.

The Group has tax losses and other deductible temporary differences that have the potential to reduce future tax liabilities. Deferred tax assets are recognised to the extent that recovery is probable against the future reversal of taxable temporary differences and projected taxable income. At 30 June 2022, the Group recognised deferred tax assets of £29.7 million (2021: £22.8m), including £22.0 million (2021: £8.9m) in respect of tax losses. Deferred tax assets amounting to £8.3 million (2021: £7.7m) were not recognised in respect of tax losses and tax credits carried forward. The profit projections used to estimate deferred tax asset recoverability are the same as those used to assess the carrying value of goodwill and the estimate is therefore sensitive to the same factors as those set out in note 12. Management estimates that a reduction in the perpetual growth rate to 0.0% would not result in an impairment of the deferred tax asset.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

2. Accounting policies continued

Alternative performance measures

Introduction

The performance of the Group is assessed using a variety of adjusted measures that are not defined under IFRS and are therefore termed non-GAAP measures. The non-GAAP measures used are: adjusted operating profit, adjusted EBITDA, adjusted finance costs, adjusted profit before tax, adjusted earnings per share, free cash flow and cash conversion %, adjusted return on capital employed and net debt. The rationale for using these measures, along with a reconciliation from the nearest measures prepared in accordance with IFRS, are presented below.

The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Adjusted measures

Adjusted measures 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. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and Executive Committee, and is 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. Directors do not regard these measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

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 EBITDA means adjusted operating profit before depreciation. A reconciliation between adjusted operating profit, adjusted EBITDA and the Group's reported statutory operating profit is shown below.

	2022 £m	2021 £m
Operating (loss)/profit	(27.1)	14.8
Add back: operating loss from discontinued operations	0.4	0.7
Operating (loss)/profit from continuing operations	(26.7)	15.5
Exceptional items in operating profit (note 4)	(0.4)	6.2
Amortisation of intangibles (note 13)	2.6	2.4
Adjusted operating (loss)/profit from continuing operations	(24.5)	24.1
Depreciation of property, plant and equipment (note 14)	16.9	17.6
Depreciation of right-of-use assets (note 15)	4.0	3.8
Adjusted EBITDA	(3.6)	45.5

Adjusted profit before tax is based on adjusted operating profit less adjusted finance costs. The table below reconciles adjusted profit before tax to the Group's reported profit before tax.

	2022 £m	2021 £m
(Loss)/profit before tax	(35.7)	10.6
Add back: loss before tax from discontinued operations	0.4	0.7
(Loss)/profit before tax from continuing operations	(35.3)	11.3
Exceptional items (note 4)	3.1	6.2
Amortisation of intangibles (note 13)	2.6	2.4
Adjusted (loss)/profit before tax from continuing operations	(29.6)	19.9

Adjusted earnings per share is based on the Group's profit for the year adjusted for the items excluded from operating profit in arriving at adjusted operating profit and the tax relating to those items (note 9).

Free cash flow and cash conversion %

Free cash flow is one of the Group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe that free cash flow and cash conversion % are important indicators of our overall operational performance as they reflect the cash we generate from operations. Free cash flow is defined as cash generated from continuing operations before exceptional items. Cash conversion % is defined as free cash flow as a percentage of adjusted EBITDA. A reconciliation from net cash generated from operating activities, the most directly comparable IFRS measure, to free cash flow, is set out as follows.

	2022 £m	2021 £m
Net cash (used in)/generated from operating activities	(30.2)	14.6
Add back:		
Taxation paid	0.1	7.3
Interest paid	3.3	3.2
Cash (inflow)/outflow from exceptional items	4.1	8.0
Free cash flow	(22.7)	33.1
Adjusted EBITDA	(3.6)	45.5
Cash conversion %	n/a	73%

Adjusted return on capital employed (ROCE)

Adjusted ROCE serves as an indicator of how efficiently we generate returns from the capital invested in the business. It is a Group KPI that is directly relatable to the outcome of investment decisions. Adjusted ROCE is defined as total adjusted operating profit from continuing operations divided by the average year-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables. There is no equivalent statutory measure within IFRS. Adjusted return on capital employed is calculated as follows:

	2022 £m	2021 £m	2020 £m
Goodwill (note 12)	19.7	19.7	19.9
Other intangible assets (note 13)	7.3	8.2	8.5
Property, plant and equipment (note 14)	122.9	129.8	134.7
Right-of-use assets (note 15)	11.3	10.0	7.3
Inventories (note 16)	118.9	92.9	97.5
Trade and other receivables (note 17)	145.4	117.9	138.3
Trade and other payables (note 19)	(206.9)	(169.2)	(198.1)
Capital employed	218.6	209.3	208.1
Average year-end capital employed	214.0	208.7	221.1
Adjusted operating (loss)/profit from continuing operations	(24.5)	24.1	28.3
Adjusted return on capital employed %	(11.4)%	11.5%	12.8%

Notes to the consolidated financial statements continued

Year ended 30 June 2022

2. Accounting policies continued

Adjusted measures continued

Net debt

Net debt consists of cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.

Net debt is a measure of the Group's net indebtedness that provides an indicator of overall balance sheet strength. It is a key indicator used by management to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. A reconciliation from loans and other borrowings, lease liabilities and cash and cash equivalents, the most directly comparable IFRS measures to net debt, is set out below:

	2022 £m	2021 £m
Current assets		
Cash and cash equivalents	4.5	24.9
Current liabilities		
Borrowings (note 20)	(60.5)	(53.7)
Lease liabilities (note 15)	(3.9)	(3.4)
	(64.4)	(57.1)
Non-current liabilities		
Borrowings (note 20)	(96.4)	(78.3)
Lease liabilities (note 15)	(8.1)	(7.9)
	(104.5)	(86.2)
Net debt	(164.4)	(118.4)

3. Segment information

Background

Segmental reporting

Financial information is presented to the Board by product technology for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. There are five separately managed and accountable business divisions:

- Liquids;
- Unit Dosing;
- Powders;
- Aerosols; and
- Asia Pacific.

Intra-group revenue from the sale of products is agreed between the relevant customer-facing units and eliminated in the segmental presentation that is presented to the Board, and therefore excluded from the below figures. Programme Compass is delivering an increased focus on cost optimisation and has meant that most overhead costs are now directly attributed within the respective divisions' income statements. The only costs now allocated out to the divisions are central overheads, with corporate costs being retained at a Group level. Central overheads are allocated to a reportable segment proportionally using an appropriate cost driver. 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. Exceptional items are detailed in note 4 and are not allocated to the reportable segments as this reflects how they are reported to the Board. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the Group.

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 period-on-period 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.

Year ended 30 June 2022	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Segment revenue	383.9	171.5	68.6	31.9	22.4	—	678.3
Adjusted operating (loss)/profit	(15.9)	(0.8)	(2.5)	(1.5)	0.7	(4.5)	(24.5)
Amortisation of intangible assets							(2.6)
Exceptional items (note 4)							0.4
Operating loss							(26.7)
Finance costs							(8.6)
Loss before taxation							(35.3)
Inventories	57.5	35.5	13.7	9.1	3.1	—	118.9
Capital expenditure	5.7	6.5	1.0	0.6	0.3	—	14.1
Amortisation and depreciation	13.7	6.5	1.4	0.5	1.4	—	23.5
Year ended 30 June 2021							
Continuing operations							
Segment revenue	376.1	181.5	66.3	34.0	24.4	—	682.3
Adjusted operating profit/(loss)	11.7	16.7	(2.3)	0.8	1.9	(4.7)	24.1
Amortisation of intangible assets							(2.4)
Exceptional items (note 4)							(6.2)
Operating profit							15.5
Finance costs							(4.2)
Profit before taxation							11.3
Inventories	45.0	24.6	12.4	8.4	2.5	—	92.9
Capital expenditure	12.4	5.7	0.7	0.5	2.3	3.0	24.6
Amortisation and depreciation	13.0	6.3	1.5	0.5	1.0	1.5	23.8

Geographical information

	Revenue from external customers		Non-current assets	
	2022 £m	2021 £m	2022 £m	2021 £m
United Kingdom	150.6	143.6	37.7	41.7
Germany	143.3	141.5	—	—
France	140.3	137.7	9.2	9.1
Other Europe	217.8	227.9	108.0	109.9
Australia	8.5	12.0	—	—
Other Asia Pacific	14.7	16.0	6.3	7.0
Rest of the World	3.1	3.6	—	—
Total	678.3	682.3	161.2	167.7

The geographical revenue information above is based on the location of the customer.

Non-current assets for this purpose consist of goodwill, other intangible assets, property, plant and equipment and right-of-use assets.

Revenue by major customer

In 2022 and 2021, no individual customer provided more than 10% of the Group's revenue.

During 2022, the top ten customers accounted for 50% of total Group revenue (2021: 47%).

Notes to the consolidated financial statements continued

Year ended 30 June 2022

4. Exceptional items

Analysis of exceptional items

	2022 £m	2021 £m
Continuing operations		
Reorganisation and restructuring costs/(gains):		
UK Aerosols closure	0.1	0.4
Factory footprint review	(1.4)	0.3
Review of strategy, organisation and operations	(0.4)	4.4
Logistics transformation programme	0.7	1.1
	(1.0)	6.2
Environmental remediation	0.6	—
Total (credited)/charged to operating (loss)/profit	(0.4)	6.2
Group refinancing:		
Independent business review	3.5	—
Total charged to finance costs	3.5	—
Total continuing operations	3.1	6.2
Discontinued operations		
Sale of PC Liquids business	0.5	0.7
Other	(0.1)	—
Discontinued operations before tax	0.4	0.7
Tax on discontinued operations	(0.1)	—
Total discontinued operations	0.3	0.7
Total exceptional items before tax	3.5	6.9

Total exceptional items of £3.5 million were recorded during the year (2021: £6.9m). The charge primarily comprises the following:

Items relating to continuing operations

Total exceptional items incurred in relation to the continuing business of £3.1 million were recorded during the year (2021: £6.2m). The charge comprises the following:

- £0.1 million in respect of one-off legacy costs in relation to the former UK Aerosols site in Hull;
- £1.8 million profit on the sale of the Barrow site, which ceased operations in October 2020, offset by £0.4 million clearance and site closure costs;
- £0.4 million credit relating to Programme Compass, including £1.6 million profit on the sale of a factory in Malaysia, offset by £0.9 million impairment of fixed assets and £0.3 million in consulting support and other project expenses;
- £0.7 million relating to the Group's logistics transformation programme, including £0.8 million of consultancy costs and £0.2 million of redundancy costs, offset by £0.3 million profit on sale of a warehouse in France;
- £0.6 million additional costs relating to the revaluation of the environmental remediation provision; and
- £3.5 million charged to finance costs in respect of the independent business review programme.

Items relating to discontinued operations

An exceptional charge of £0.5 million was incurred in respect of a provision for property repairs and onerous lease obligations relating to the closed St Helens site.

5. Employee information

The number of full-time equivalent persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2022 Year end Number	2022 Average Number	2021 Year end Number (restated)	2021 Average Number (restated)
Manufacturing	2,327	2,365	2,451	2,507
Sales, general and administration	594	592	597	583
Total	2,921	2,957	3,048	3,090

The number of persons employed during the financial year ended 30 June 2021, as previously disclosed, included third-party contractors and agency workers used by the Group. Such workers are not employees of the Group, as defined by section 411 of the Companies Act 2006, and have therefore been excluded from the numbers disclosed above.

Aggregate payroll costs were as follows:

	2022 £m	2021 £m
Wages and salaries	105.0	105.5
Social security costs	17.8	19.9
Share awards granted to Directors and employees	—	0.3
Other pension costs	3.4	3.2
Total	126.2	128.9

Pension costs comprise the payments made by the Group to defined contribution schemes and the service and administration costs on defined benefit schemes (net of employee contributions). See note 23.

Aggregate emoluments of the Directors of the Company were as follows:

	2022 £'000	2021 £'000
Wages and salaries	1,166	1,031
Share awards granted to Directors	28	85
Other pension costs ⁽¹⁾	56	45
Total	1,250	1,161

The remuneration for the highest paid Director was as follows:

	2022 £'000	2021 £'000
Wages and salaries	453	451
Share awards granted	15	65
Other pension costs ⁽¹⁾	35	35
Total	503	551

(1) 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.

The number of share awards granted during the year for the highest paid Director under the LTIP was 716,955 (2021: 877,016) and under the Restricted Share Unit (RSU) plan was 216,073 (2021: 173,246). The number of share awards exercised by the highest paid Director during the year was nil (2021: 1,064) in relation to the Deferred Annual Bonus Plan. Further information on Directors' emoluments included above is in the Directors' Remuneration report on pages 105 to 131. Aggregate compensation for key management, being the Directors and members of the Executive Committee, is shown in note 29.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

6. Auditor's remuneration

Fees payable by the Group to the Company's independent auditor, Pricewaterhouse Coopers LLP (PwC), and its associates, were as follows:

	2022 £m	2021 £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	1.0	0.8
Total fees	1.1	0.9

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 £2,000 (2021: £23,000).

7. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2022 £m	2021 £m
Cost of inventories (included in cost of sales)	441.8	397.4
Employee costs (note 5)	126.2	128.9
Amortisation of intangible assets (note 13)	2.6	2.4
Depreciation of property, plant and equipment (note 14)	16.9	17.6
Depreciation of right-of-use assets (note 15)	4.0	3.8
Impairment:		
Property, plant and equipment (note 14)	0.8	0.3
Right-of-use assets (note 15)	—	0.7
Inventories (note 16)	2.9	2.9
Trade receivables (note 17)	2.0	1.3
Expense relating to short-term leases (note 15)	0.3	1.0
Expense relating to low-value leases (note 15)	0.2	0.3
Research and development costs not capitalised	6.8	7.6
Net foreign exchange loss/(gain)	0.3	(0.4)

8. Finance costs

	2022 £m	2021 £m
Finance costs		
Interest on bank loans and overdrafts	2.7	2.7
Interest on lease liabilities (note 15)	0.4	0.3
Net foreign exchange loss/(gain)	0.4	(0.2)
Amortisation of facility fees	0.5	0.4
Non-utilisation and other fees	0.6	0.6
	4.6	3.8
Post-employment benefits:		
Net interest cost on defined benefit obligation (note 23)	0.5	0.4
Adjusted finance costs	5.1	4.2
Costs associated with independent business review (note 4)	3.5	—
Total finance costs	8.6	4.2

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.

9. Taxation

Income tax expense/(credit)

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
From continuing operations						
Current tax expense/(credit)						
Current year	—	3.2	3.2	—	4.1	4.1
Adjustment for prior years	(1.0)	(0.9)	(1.9)	—	(2.6)	(2.6)
	(1.0)	2.3	1.3	—	1.5	1.5
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(7.9)	(2.7)	(10.6)	(5.0)	0.6	(4.4)
Adjustment for prior years	(6.4)	5.4	(1.0)	0.1	0.1	0.2
Impact of change in tax rate	(1.0)	—	(1.0)	—	—	—
	(15.3)	2.7	(12.6)	(4.9)	0.7	(4.2)
Income tax (credit)/expense	(16.3)	5.0	(11.3)	(4.9)	2.2	(2.7)

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
From discontinued operations						
Deferred tax credit						
Origination and reversal of temporary differences	(0.1)	—	(0.1)	(0.1)	—	(0.1)
	(0.1)	—	(0.1)	(0.1)	—	(0.1)
Income tax credit	(0.1)	—	(0.1)	(0.1)	—	(0.1)

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Total attributable to ordinary shareholders						
Current tax expense/(credit)						
Current year	—	3.2	3.2	—	4.1	4.1
Adjustment for prior years	(1.0)	(0.9)	(1.9)	—	(2.6)	(2.6)
	(1.0)	2.3	1.3	—	1.5	1.5
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(8.0)	(2.7)	(10.7)	(5.1)	0.6	(4.5)
Adjustment for prior years	(6.4)	5.4	(1.0)	0.1	0.1	0.2
Impact of change in tax rate	(1.0)	—	(1.0)	—	—	—
	(15.4)	2.7	(12.7)	(5.0)	0.7	(4.3)
Income tax (credit)/expense	(16.4)	5.0	(11.4)	(5.0)	2.2	(2.8)

The current tax adjustment for the prior year includes £0.5 million (2021: £2.2m) credit for the release of a provision following settlement of a tax enquiry and £0.4 million (2021: £0.3m) credit relating to the release of provisions for uncertain tax treatments due to the expiry of statutes of limitation.

Transfer pricing is inherently subjective and in determining the appropriate level of provision, the Group considers the probability of a range of outcomes, using a weighted average methodology to focus risk on the most likely outcomes in the event of an audit. The amount provided also takes account of international dispute resolution mechanisms, where available, to mitigate double taxation. This analysis is re-assessed at each period end and the estimates refined as additional information becomes available.

At 30 June 2022, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £16.2 million, against which a provision of £2.0 million has been made, in line with IFRIC 23 requirements.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

9. Taxation continued

Reconciliation to UK statutory tax rate

The total tax charge on the Group's (loss)/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:

	2022 £m	2021 £m
From continuing operations		
(Loss)/profit before tax	(35.3)	11.3
(Loss)/profit before tax multiplied by the UK corporation tax rate of 19.0% (2021: 19.0%)	(6.7)	2.1
Effect of tax rates in foreign jurisdictions	(1.7)	1.0
Non-deductible expenses	0.6	1.4
Tax incentives/non-taxable income	(0.4)	(0.1)
Tax losses and other temporary differences for which no deferred tax recognised	0.6	(3.8)
Change in tax rate	(1.0)	(1.4)
Other differences	0.2	0.5
Adjustment for prior years	(2.9)	(2.4)
Total tax credit in profit or loss	(11.3)	(2.7)
Exclude adjusting items (note 2)	2.0	1.6
Total tax credit in profit or loss before adjusting items	(9.3)	(1.1)

Taxation is provided at current rates on the profits earned for the year.

	2022 £m	2021 £m
From discontinued operations		
Loss before tax	(0.4)	(0.7)
Loss before tax multiplied by the UK corporation tax rate of 19.0% (2021: 19.0%)	(0.1)	(0.1)
Total tax credit in profit or loss	(0.1)	(0.1)
Exclude adjusting items (note 2)	0.1	0.1
Total tax credit in profit or loss before adjusting items	—	—

Taxation is provided at current rates on the profits earned for the year.

	2022 £m	2021 £m
Total attributable to ordinary shareholders		
(Loss)/profit before tax	(35.7)	10.6
(Loss)/profit before tax multiplied by the UK corporation tax rate of 19.0% (2021: 19.0%)	(6.8)	2.0
Effect of tax rates in foreign jurisdictions	(1.7)	1.0
Non-deductible expenses	0.6	1.4
Tax incentives/non-taxable income	(0.4)	(0.1)
Tax losses and other temporary differences for which no deferred tax recognised	0.6	(3.8)
Change in tax rate	(1.0)	(1.4)
Other differences	0.2	0.5
Adjustment for prior years	(2.9)	(2.4)
Total tax credit in profit or loss	(11.4)	(2.8)
Exclude adjusting items (note 2)	2.1	1.7
Total tax credit in profit or loss before adjusting items	(9.3)	(1.1)

The taxation is provided at current rates on the profits earned for the year.

The main rate of UK corporation tax applicable for the financial year is 19.0% (2021: 19.0%).

Factors affecting future tax charges

On 24 May 2021, the increase in the UK corporation tax rate from 19.0% to 25.0% with effect from 1 April 2023 was substantially enacted. Deferred tax has been calculated for the UK based on the expected reversal dates of the temporary differences. However, in the September 2022 UK Mini Budget it was announced that the increase to 25% would now not occur and the UK Corporation Tax Rate would instead be held at 19%. This rate had not been substantively enacted at the balance sheet date, and as the result the UK deferred tax balances as at 30 June 2022 continue to be measured at the 25% rate noted above. The estimated impact of the reversal of the UK corporation tax rate increase would be to reduce the deferred tax assets by £6.8 million.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15.0%, applicable to large multinational groups. On 20 July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect from 31 December 2023. The Group is reviewing these draft rules to understand any potential impacts.

Tax on items recognised in other comprehensive income

	2022 £m	2021 £m
Items that may be reclassified to profit or loss:		
Cash flow hedges in the year	0.5	—
	0.5	—
Items that will not be transferred to profit or loss:		
Net actuarial gain/(loss) on post-employment benefits:		
Deferred tax	3.1	(4.1)
Total tax charged/(credited) in other comprehensive income	3.6	(4.1)

Deferred tax

The movement in the net deferred tax balances during the year was:

	Accelerated capital allowance £m	Intangible assets £m	Share- based payments £m	Tax losses £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 July 2020	0.2	(2.9)	0.2	0.3	6.1	3.3	7.2
(Charge)/credit to profit or loss	(4.1)	0.2	0.2	7.8	(0.9)	1.1	4.3
Credit to other comprehensive income	—	—	—	—	4.1	—	4.1
Charge to equity	—	—	(0.1)	—	—	—	(0.1)
Effect of the change in tax rate	1.3	(0.7)	—	0.8	(1.4)	—	—
Exchange/other movements	0.5	—	—	—	—	0.1	0.6
At 30 June 2021	(2.1)	(3.4)	0.3	8.9	7.9	4.5	16.1
(Charge)/credit to profit or loss	(2.9)	0.2	0.1	12.8	(0.9)	2.4	11.7
Charge to other comprehensive income	—	—	—	—	(3.1)	(0.5)	(3.6)
Charge to equity	—	—	(0.3)	—	—	—	(0.3)
Effect of the change in tax rate	0.4	—	—	0.3	—	0.2	0.9
Exchange/other movements	—	—	—	—	—	0.2	0.2
At 30 June 2022	(4.6)	(3.2)	0.1	22.0	3.9	6.8	25.0

Deferred tax assets and liabilities are presented in the Group's balance sheet as follows:

	2022 £m	2021 £m
Deferred tax assets	29.7	22.8
Deferred tax liabilities	(4.7)	(6.7)
Total	25.0	16.1

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The deferred tax asset represents mainly UK deductible temporary differences which are not subject to time expiry. While further tax losses have arisen in the UK in the current financial year, due to the exceptionally difficult trading conditions detailed in the Strategic report, the Group's three-year financial forecast indicates that these temporary differences will start to reverse in the following financial year, moving to 2024 after applying an 18% sensitivity, and are considered to be fully recoverable. There is no significant risk of material adjustment to the carrying amount of the deferred tax asset within the next twelve months.

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 is 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 £0.8 million at 30 June 2022 (2021: £1.0m).

Notes to the consolidated financial statements continued

Year ended 30 June 2022

9. Taxation continued

Unrecognised deferred tax assets

At 30 June 2022, the Group had unused tax losses of £93.9 million (2021: £39.0m) available for offset against future profits. No deferred tax asset has been recognised in respect of £5.5 million (2021: £2.3m) of these losses due to restrictions over accessing these losses in the future. 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 (2021: £7.0m) due to uncertainty as to future ACT capacity and taxable profits.

10. (Loss)/earnings per ordinary share

Basic (loss)/earnings per ordinary share is calculated by dividing the (loss)/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 629,200 shares (2021: 372,864 shares), being the weighted average number of own shares held during the year in relation to employee share schemes (note 24).

	Reference	2022	2021
Weighted average number of ordinary shares in issue (million)	a	173.5	179.1
Effect of dilutive LTIP and RSU awards (million)		1.0	0.3
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	174.5	179.4

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. Where potentially dilutive ordinary shares would cause an increase in earnings per share, or a decrease in loss per share, the diluted (loss)/earnings per share is considered equal to the basic (loss)/earnings per share.

During the year, the Company had equity-settled LTIP and RSU awards with a nil exercise price that are potentially dilutive ordinary shares.

Adjusted (loss)/earnings per share measures are calculated based on (loss)/profit for the year attributable to owners of the Company before adjusting items as follows:

From continuing operations	Reference	2022 £m	2021 £m
(Loss)/earnings for calculating basic and diluted (loss)/earnings per share	c	(24.0)	14.0
Adjusted for:			
Amortisation of intangible assets (note 13)		2.6	2.4
Exceptional items (note 4)		3.1	6.2
Taxation relating to the above items		(2.0)	(1.6)
(Loss)/earnings for calculating adjusted (loss)/earnings per share	d	(20.3)	21.0

	Reference	2022 pence	2021 pence
Basic (loss)/earnings per share	c/a	(13.8)	7.8
Diluted (loss)/earnings per share	c/b ⁽¹⁾	(13.8)	7.8
Adjusted basic (loss)/earnings per share	d/a	(11.7)	11.7
Adjusted diluted (loss)/earnings per share	d/b ⁽¹⁾	(11.7)	11.7

(1) Diluted loss per share for 2022 is considered equal to the basic loss per share as potentially dilutive ordinary shares cause a decrease in the loss per share.

From discontinued operations	Reference	2022 £m	2021 £m
Loss for calculating basic and diluted loss per share	e	(0.3)	(0.6)
Adjusted for:			
Exceptional items (note 4)		0.4	0.7
Taxation relating to the above items		(0.1)	(0.1)
Loss for calculating adjusted loss per share	f	—	—

	Reference	2022 pence	2021 pence
Basic loss per share	e/a	(0.2)	(0.3)
Diluted loss per share	e/b ⁽¹⁾	(0.2)	(0.3)
Adjusted basic loss per share	f/a	—	—
Adjusted diluted loss per share	f/b ⁽¹⁾	—	—

(1) Diluted loss per share for 2022 is considered equal to the basic loss per share as potentially dilutive ordinary shares cause a decrease in the loss per share.

	Reference	2022 £m	2021 £m
Total attributable to ordinary shareholders			
(Loss)/earnings for calculating basic and diluted (loss)/earnings per share	g	(24.3)	13.4
Adjusted for:			
Amortisation of intangible assets (note 13)		2.6	2.4
Exceptional items (note 4)		3.5	6.9
Taxation relating to the above items		(2.1)	(1.7)
(Loss)/earnings for calculating adjusted (loss)/earnings per share	h	(20.3)	21.0
	Reference	2022 pence	2021 pence
Basic (loss)/earnings per share	g/a	(14.0)	7.5
Diluted (loss)/earnings per share	g/b ⁽¹⁾	(14.0)	7.5
Adjusted basic (loss)/earnings per share	h/a	(11.7)	11.7
Adjusted diluted (loss)/earnings per share	h/b ⁽¹⁾	(11.7)	11.7

(1) Diluted loss per share for 2022 is considered equal to the basic loss per share as potentially dilutive ordinary shares cause a decrease in the loss per share.

11. Payments to shareholders

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2022 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. B Shares issued but not redeemed are classified as current liabilities.

No payments to ordinary shareholders were made or proposed in respect of this year or the prior year.

As set out in the Half-Year Report, the Group is targeting an accounting basis of net debt/adjusted EBITDA of 2.0x or less. As the ratio at 31 December 2021 was over 2.0x, an interim payment to shareholders was not made. At 30 June 2022, the ratio was also over 2.0x and in line with its revised Distribution Policy set out on pages 32 and 33, the Board is not recommending a final dividend in 2022.

Movements in the number of B Shares outstanding were as follows:

	2022		2021	
	Number 000	Nominal value £'000	Number 000	Nominal value £'000
Issued and fully paid				
At 1 July	747,399	747	713,130	713
Issued	—	—	2,010,780	2,011
Redeemed	(81,511)	(81)	(1,976,511)	(1,977)
At 30 June	665,888	666	747,399	747

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.

12. Goodwill

	£m
Cost	
At 1 July 2020, 30 June 2021 and 30 June 2022	36.0
Accumulated impairment	
At 1 July 2020	(16.1)
Currency translation differences	(0.2)
30 June 2021	(16.3)
Currency translation differences	—
At 30 June 2022	(16.3)
Net book value	
At 30 June 2022	19.7
At 30 June 2021	19.7

Notes to the consolidated financial statements continued

Year ended 30 June 2022

12. Goodwill continued

From 1 January 2021, the European Household business was restructured into three product technology-led and separately managed and accountable business divisions:

- Liquids: anything sold in a bottle or pouch, such as washing up liquid, bleach, disinfecting sprays;
- Unit Dosing: single-use products, typically auto dishwasher tablets and laundry capsules; and
- Powders: mostly laundry powders, but with some auto dishwasher powder products.

The Liquids, Unit Dosing and Powders divisions, plus our Aerosols and Asia Pacific businesses that already had separate management teams and leadership, represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Carrying amount of goodwill allocated to cash-generating units (CGUs):

	2022 £m	2021 £m
Liquids	15.9	15.9
Unit Dosing	3.3	3.3
Powders	0.3	0.3
Asia Pacific	0.2	0.2
At 30 June	19.7	19.7

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 the current financial year, 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 2023 financial year. Cash flows in the following two years were forecast by applying assumptions to budgeted sales, production costs and overheads. Aggregate cash flows beyond the third 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 Liquids and Unit Dosing markets in Europe.

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.

In order to forecast growth beyond the detailed cash flows into perpetuity, long-term average growth rates of 1.5% (2021: 1.5%) in Liquids, 2.0% (2021: 2.0%) in Unit Dosing, 1.6% (2021: 1.4%) in Powders, 1.4% (2021: 1.2%) in Aerosols and 3.9% (2021: 5.0%) in Asia Pacific 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.

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: Liquids 10.8% (2021: 10.5%), Unit Dosing 8.8% (2021: 8.7%), Powders 8.6% (2021: 9.0%), Aerosols 9.3% (2021: 9.7%) and Asia Pacific 13.5% (2021: 15.9%).

Sensitivity analysis

A sensitivity analysis has been performed, focusing on the change required in long-term average growth rates, discount rates and forecast revenue and margin assumptions that would give rise to an impairment.

In the case of the Liquids CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a decrease in long-term average growth rates to (3.5)%;
- an increase in pre-tax discount rates of 4.0ppts;
- a reduction in forecast revenue of 5.4%; and
- a reduction in forecast margins of 1.2ppts.

In the case of the Unit Dosing CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a decrease in long-term average growth rates to (8.1)%;
- an increase in pre-tax discount rates of 9.4ppts;
- a reduction in forecast revenue of 9.9%; and
- a reduction in forecast margins of 2.1ppts.

In the case of the Powders CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a decrease in long-term average growth rates to (3.1)%;
- an increase in pre-tax discount rates of 3.9ppts;
- a reduction in forecast revenue of 4.9%; and
- a reduction in forecast margins of 1.0ppts.

In the case of the Aerosols CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a decrease in long-term average growth rates to (17.0)%;
- an increase in pre-tax discount rates of 13.5ppts;
- a reduction in forecast revenue of 6.5%; and
- a reduction in forecast margins of 1.4ppts.

In the case of the Asia Pacific CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a decrease in long-term average growth rates to (6.8)%;
- an increase in pre-tax discount rates of 6.3ppts;
- a reduction in forecast revenue of 12.6%; and
- a reduction in forecast margins of 3.1ppts.

If forecast margins used in the value-in-use calculation for Liquids, Powders and Aerosols (being the CGUs most sensitive to reasonably possible changes in margin assumptions) had been 2ppts lower than management's estimates as at 30 June 2022, the Group would have had to recognise impairments as follows:

- £15.9 million and £0.3 million against the carrying value of goodwill for Liquids and Powders respectively;
- £0.2 million and £0.5 million against the carrying value of other intangible assets for Liquids and Powders respectively; and
- £23.0 million, £11.6 million and £2.5 million against the carrying value of property, plant and equipment for Liquids, Powders and Aerosols respectively.

Based on the impairment reviews performed, no impairment has been identified.

13. Other intangible assets

	Patents, brands and trademarks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 July 2020	3.8	12.5	12.1	0.7	29.1
Additions	—	2.1	—	0.1	2.2
Disposals	—	(0.6)	—	—	(0.6)
Currency translation differences	(0.1)	—	(0.2)	(0.1)	(0.4)
At 30 June 2021	3.7	14.0	11.9	0.7	30.3
Additions	—	0.8	—	0.9	1.7
Disposals	—	(2.6)	—	(0.2)	(2.8)
At 30 June 2022	3.7	12.2	11.9	1.4	29.2
Accumulated amortisation and impairment					
At 1 July 2020	(3.1)	(6.9)	(9.9)	(0.7)	(20.6)
Disposals	—	0.6	—	—	0.6
Charge for the year	(0.4)	(1.5)	(0.5)	—	(2.4)
Currency translation differences	0.1	—	0.1	0.1	0.3
At 30 June 2021	(3.4)	(7.8)	(10.3)	(0.6)	(22.1)
Disposals	—	2.6	—	0.2	2.8
Charge for the year	(0.3)	(1.7)	(0.5)	(0.1)	(2.6)
At 30 June 2022	(3.7)	(6.9)	(10.8)	(0.5)	(21.9)
Net book value					
At 30 June 2022	—	5.3	1.1	0.9	7.3
At 30 June 2021	0.3	6.2	1.6	0.1	8.2

Customer relationships acquired upon the acquisition of McBride Denmark A/S have a carrying value of £1.5 million and a remaining amortisation period of 3.25 years. In addition, a brand name was also acquired on acquisition of McBride Denmark A/S that has a carrying value of £0.1 million and a remaining amortisation period of 0.25 years.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

14. 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 2020	76.6	416.0	6.8	499.4
Additions	1.4	17.9	3.1	22.4
Disposal of assets	(0.6)	(60.6)	—	(61.2)
Transfers to non-current assets held for sale (note 18)	(2.4)	—	—	(2.4)
Transfers	—	2.2	(2.2)	—
Currency translation differences	(5.1)	(17.6)	(0.3)	(23.0)
At 30 June 2021	69.9	357.9	7.4	435.2
Additions	1.0	10.7	0.7	12.4
Disposal of assets	(3.4)	(102.8)	(0.1)	(106.3)
Transfers	—	2.0	(2.0)	—
Currency translation differences	(0.2)	(0.5)	—	(0.7)
At 30 June 2022	67.3	267.3	6.0	340.6
Accumulated depreciation and impairment				
At 1 July 2020	(33.1)	(331.6)	—	(364.7)
Charge for the year	(2.1)	(15.5)	—	(17.6)
Disposals	0.6	60.0	—	60.6
Impairment	—	(0.3)	—	(0.3)
Transfers to non-current assets held for sale (note 18)	0.8	—	—	0.8
Currency translation differences	2.6	13.2	—	15.8
At 30 June 2021	(31.2)	(274.2)	—	(305.4)
Charge for the year	(2.0)	(14.9)	—	(16.9)
Disposals	2.8	102.1	—	104.9
Impairment	—	(0.8)	—	(0.8)
Currency translation differences	—	0.5	—	0.5
At 30 June 2022	(30.4)	(187.3)	—	(217.7)
Net book value				
At 30 June 2022	36.9	80.0	6.0	122.9
At 30 June 2021	38.7	83.7	7.4	129.8

15. Leases

Most of the Group's leases are associated with leased properties. The Group also leases a small proportion of its plant and machinery, for example forklift trucks, and vehicles.

The movements in the right-of-use assets were as follows:

	Land and buildings £m	Plant and machinery £m	Vehicles £m	Other £m	Total £m
Right-of-use assets					
Net book value at 1 July 2020	2.9	1.7	2.2	0.5	7.3
New leases recognised	4.3	2.0	0.8	1.0	8.1
Lease disposals	(0.3)	—	(0.1)	—	(0.4)
Impairment	(0.7)	—	—	—	(0.7)
Currency translation differences	(0.3)	(0.1)	—	(0.1)	(0.5)
Depreciation	(1.6)	(0.9)	(1.0)	(0.3)	(3.8)
Net book value at 30 June 2021	4.3	2.7	1.9	1.1	10.0
New leases recognised	0.2	4.0	0.9	—	5.1
Currency translation differences	(0.3)	0.5	—	—	0.2
Depreciation	(1.3)	(1.3)	(1.2)	(0.2)	(4.0)
Net book value at 30 June 2022	2.9	5.9	1.6	0.9	11.3

The movements in the lease liabilities were as follows:

	Total £m
Lease liabilities	
Net book value at 1 July 2020	8.7
New leases recognised	7.9
Lease disposals	(0.3)
Lease payments	(4.9)
Currency translation differences	(0.4)
Finance costs (note 8)	0.3
Net book value at 30 June 2021	11.3
New leases recognised	5.1
Lease payments	(5.0)
Currency translation differences	0.2
Finance costs (note 8)	0.4
Net book value at 30 June 2022	12.0
	2022 £m
Analysed as:	
Amounts falling due within twelve months	3.9
Amounts falling due after one year	8.1
	12.0
	2021 £m
	3.4
	7.9
	11.3

Notes to the consolidated financial statements continued

Year ended 30 June 2022

15. Leases continued

Note 21 presents a maturity analysis of the payments due over the remaining lease term for those liabilities currently recognised on the balance sheet. This analysis only includes payments to be made over the reasonably certain lease term. Cash outflows may exceed these amounts as payments may be made in optional periods that are not currently considered to be reasonably certain, and in respect of leases entered into in future periods.

For the year ended 30 June 2022, expenses for short-term and low-value leases were incurred as follows:

	2022 £m	2021 £m
Expenses relating to short-term leases	(0.3)	(1.0)
Expenses relating to leases of low-value assets not shown as short-term leases above	(0.2)	(0.3)
Total	(0.5)	(1.3)

At 30 June 2022 the Group was committed to future minimum lease payments of £1.5 million (2021: £3.0m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

16. Inventories

	2022 £m	2021 £m
Raw materials, packaging and consumables	61.7	45.8
Finished goods and goods for resale	57.2	47.1
Total	118.9	92.9

Inventories are stated net of an allowance of £5.6 million (2021: £4.1m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2022 £m	2021 £m
At 1 July	(4.1)	(2.8)
Utilisation	1.4	1.5
Charged to profit or loss	(2.9)	(2.9)
Currency translation differences	—	0.1
At 30 June	(5.6)	(4.1)

The cost of inventories recognised in cost of sales as an expense amounted to £441.8 million (2021: £397.4m).

17. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	130.3	106.8
Less: provision for impairment of trade receivables	(2.2)	(0.9)
Trade receivables – net	128.1	105.9
Other receivables	14.4	8.9
Prepayments and accrued income	2.9	3.1
Total	145.4	117.9

Trade receivables amounting to £53.7 million (2021: £47.8 m) are secured under the invoice discounting facilities described in note 21.

Other receivables primarily consist of supplier rebates and recoverable VAT.

Trade terms are a maximum of 135 days of 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 £2.0 million (2021: £1.3m). There are no impairments 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 expected credit loss model. The expected loss rates are based on payment profiles of sales over a period of three years before 30 June 2022 or 30 June 2021, respectively, and the corresponding historical credit losses experienced within this period adjusted for forward-looking factors specific to the debtors and the economic environment.

On that basis, the credit loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows:

	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
30 June 2022						
Expected loss rate	—	0.1%	1.0%	0.8%	10.6%	
Gross carrying amount (£m)	119.8	6.7	0.8	1.3	1.7	130.3
Credit loss allowance (£m)	—	—	—	—	0.2	0.2
30 June 2021						
Expected loss rate	—	0.1%	0.7%	0.9%	20.4%	
Gross carrying amount (£m)	104.0	0.7	0.8	0.4	0.9	106.8
Credit loss allowance (£m)	—	—	—	—	0.2	0.2

In addition to the credit loss allowance, the provision for impairment of trade receivables includes £2.0 million (2021: £0.7m) of credit note provisions.

Movements in the allowance for doubtful debts were as follows:

	2022 £m	2021 £m
At 1 July	(0.9)	(0.9)
Utilisation	0.7	1.3
Charged	(2.0)	(1.3)
At 30 June	(2.2)	(0.9)

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, or 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 amounts of trade receivables are denominated in the following currencies:

	2022 £m	2021 £m
Sterling	25.5	15.0
Euro	86.4	86.3
Polish Zloty	1.8	0.7
Danish Krone	10.4	1.7
Malaysian Ringgit	4.1	1.5
Other	2.1	1.6
	130.3	106.8

Trade receivables are generally not interest bearing.

18. Non-current assets classified as held for sale

There were no non-current assets held for sale at 30 June 2022 (2021: £1.6m).

During 2021, the Group reached a preliminary agreement with a prospective purchaser for the sale of land and buildings at a former manufacturing site in Malaysia. The sale of this site completed during the year ended 30 June 2022. The land and buildings were part of the Asia Pacific segment.

During 2021, as part of the logistics transformation programme, a decision was made to exit and actively market for sale land and buildings at a former warehousing facility in Guesnain, France. The sale of the site completed during the year ended 30 June 2022. The land and buildings are central assets.

During 2021, on classification as held for sale, the assets were tested for impairment by reference to whether the carrying value of the assets was supported by the fair value less costs to sell. For the Malaysian assets, the indicated selling price agreed with the prospective purchaser was used as the fair value for the impairment test, which was classified as Level 2 on the fair value hierarchy. For the French assets, an independent third-party valuation was used as the fair value for the impairment test, which was classified as Level 2 on the fair value hierarchy. As a result, no impairment charges were recognised.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

19. Trade and other payables

	2022 £m	2021 £m
Current liabilities		
Trade payables	160.4	130.8
Taxation and social security	3.5	3.5
Other payables	26.7	23.9
Accrued expenses	14.6	7.9
Deferred income	1.0	2.4
B Shares (note 11)	0.7	0.7
Total	206.9	169.2

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:

	2022			2021		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	6.8	—	6.8	5.9	—	5.9
Bank and other loans:						
Unsecured loans	—	96.4	96.4	—	78.3	78.3
Invoice discounting facilities (note 21)	53.7	—	53.7	47.8	—	47.8
	53.7	96.4	150.1	47.8	78.3	126.1
Lease liabilities	3.9	8.1	12.0	3.4	7.9	11.3
Total	64.4	104.5	168.9	57.1	86.2	143.3

Bank and other loans are repayable as follows:

	2022 £m	2021 £m
Within one year	53.7	47.8
Between one and two years	—	—
Between two and five years	96.4	78.3
More than five years	—	—
Total	150.1	126.1

Details of the Group's bank facilities are presented in note 21. Amounts payable under leases are presented in notes 15 and 21.

21. Financial risk management

Risk management policies

The Group's 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 2022				
Financial assets				
Trade receivables	128.1	—	128.1	128.1
Other receivables	14.4	—	14.4	14.4
Cash and cash equivalents	4.5	—	4.5	4.5
	147.0	—	147.0	147.0
Financial assets held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	—	0.4	0.4	0.4
Interest rate swaps	—	2.1	2.1	2.1
	—	2.5	2.5	2.5
Total financial assets	147.0	2.5	149.5	149.5
Financial liabilities				
Trade and other payables	(202.4)	—	(202.4)	(202.4)
Bank overdrafts	(6.8)	—	(6.8)	(6.8)
Lease liabilities	(12.0)	—	(12.0)	(12.0)
Bank and other loans	(150.1)	—	(150.1)	(150.1)
Total financial liabilities	(371.3)	—	(371.3)	(371.3)
Total	(224.3)	2.5	(221.8)	(221.8)

(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.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

21. Financial risk management continued

Financial assets and financial liabilities continued

	Amortised cost £m	Fair value through profit or loss ⁽¹⁾ £m	Total carrying amount £m	Fair value £m
At 30 June 2021				
Financial assets				
Trade receivables	105.9	—	105.9	105.9
Other receivables	8.9	—	8.9	8.9
Cash and cash equivalents	24.9	—	24.9	24.9
	139.7	—	139.7	139.7
Financial assets held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	—	0.1	0.1	0.1
Interest rate swaps	—	0.1	0.1	0.1
Contracts for Difference (High-density polyethylene (HDPE))	—	0.1	0.1	0.1
	—	0.3	0.3	0.3
Total financial assets	139.7	0.3	140.0	140.0
Financial liabilities				
Trade and other payables (restated ⁽²⁾)	(163.3)	—	(163.3)	(163.3)
Bank overdrafts	(5.9)	—	(5.9)	(5.9)
Lease liabilities	(11.3)	—	(11.3)	(11.3)
Bank and other loans	(126.1)	—	(126.1)	(126.1)
	(306.6)	—	(306.6)	(306.6)
Financial liabilities held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	—	(0.2)	(0.2)	(0.2)
Interest rate swaps	—	(0.1)	(0.1)	(0.1)
	—	(0.3)	(0.3)	(0.3)
Total financial liabilities	(306.6)	(0.3)	(306.9)	(306.9)
Total	(166.9)	—	(166.9)	(166.9)

(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.

(2) Prior year trade and other payables restated to exclude deferred income and corporation tax payable balances.

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.

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.

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.

Information regarding expected credit losses on trade receivables is disclosed 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 minimal. 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 regularly 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.

The Group uses judgement to determine that the credit risk of financial assets has not significantly changed since initial recognition and regularly monitors the value of the instruments. As such, credit risk is not considered to be a significant factor in changes to the values of financial assets. All of the financial derivatives are deemed to have low credit risk on initial recognition as they are predominantly hedges of foreign exchange risk and executed with a diverse and strong portfolio of counterparties.

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 2022, the majority of trade receivables were due from major retailers in the UK and Europe.

At 30 June 2022, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2022 £m	2021 £m
Trade and other receivables:		
Trade receivables	128.1	105.9
Other receivables	14.4	8.9
	142.5	114.8
Derivative financial instruments	2.5	10.3
Cash and cash equivalents	4.5	24.9
Total	149.5	140.0

Notes to the consolidated financial statements continued

Year ended 30 June 2022

21. Financial risk management continued

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.

Throughout the year the Group had an unsecured €175 million multi-currency sustainability-linked revolving credit facility (RCF). The facility was agreed initially for a five-year tenor to May 2026, with the option to be extended to 30 September 2027 and is provided by a syndicate of supportive international bank lenders. The facility also includes a €75 million uncommitted accordion feature which could provide additional commitments for potential acquisitions in support of our Programme Compass strategy.

Position prior to 29 September 2022

The Group's revolving credit facility (RCF) funding arrangements are subject to banking covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants; debt cover⁽¹⁾ may not exceed 3.0x and interest cover⁽²⁾ may not be less than 4.0x. For the purpose of these calculations, net debt excludes IFRS 16 leases and amounts drawn under the Group's invoice discounting facilities.

On 22 December 2021, the Group announced that its lender group waived the December 2021 covenant tests, following the significant deterioration of EBITDA due to unprecedented levels of input cost inflation. In reaching the agreement of the waiver, the Group agreed to maintain liquidity (cash plus facility headroom) of at least £40 million and not to pay dividends until the Group evidences compliance with its existing covenants. On 29 June, the Group announced that its lender group waived the June 2022 covenant tests until 30 September 2022, with the same conditions.

As at 30 June 2022, the debt cover ratio under the RCF funding arrangements was (93.3)x (2021: 1.5x) and the interest cover was (0.2)x (2020: 11.0x). The amount undrawn on the facility was €64.5 million (2021: €87.0m).

At 30 June 2022, the Group had a number of facilities whereby it could borrow against certain of its trade receivables. In the UK, the Group had a £20 million facility that was committed until October 2022. In France and Belgium, the Group had an aggregate €30 million facility, on which a maximum of €25 million can be borrowed, with a rolling notice period of six months for the French part and three months for the Belgian part. In Germany, the Group had a €35 million facility committed until December 2023. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the value of the respective receivables.

The Group also has access to uncommitted working capital facilities amounting to £22.7 million (2021: £44.3m). At 30 June 2022, £6.8 million (2021: £5.9m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

(1) Debt cover is the ratio of net debt (excluding lease liabilities and amounts borrowed under invoice discounting facilities) to adjusted EBITDA, adding back cash rental payments in respect of leased.

(2) Interest cover is the ratio of adjusted EBITDA to net interest, excluding pension interest.

Position post 29 September 2022

At 29 September 2022, the Group announced that it had agreed an amended RCF with its lender group, ensuring the Group has sufficient levels of liquidity headroom and can comply with revised covenant requirements. Key provisions of the revised agreement are:

- €175 million sustainability-linked RCF confirmed to May 2026;
- the option to extend to 30 September 2027 and the €75 million accordion feature previously agreed have been removed;
- RCF shall be secured against material asset, share and inter-company balances;
- RCF commitments to reduce, and be cancelled, in the amount of the Euro equivalent of £2.5 million every three months from September 2024 up until the termination date;
- existing bilateral overdraft facilities shall become ancillary facilities committed until 30 September 2024;
- invoice discounting facilities shall be committed to 30 September 2024;
- liquidity shall not be less than £15 million when tested on or prior to 30 September 2024;
- liquidity shall not be less than £25 million when tested post-30 September 2024;
- net debt cover and interest cover covenants to be tested quarterly from 30 September 2024;
- no dividends will be paid to shareholders until there is an exit event, being a change of control, refinancing of the RCF in full, prepayment and cancellation of the RCF in full or upon the termination date of the RCF, being May 2026; and
- the arrangement includes an 'upside sharing' mechanism whereby a fee will become payable by the Group to members of the lender group upon the occurrence of an exit event. Such fee to be determined as a percentage of any increase from the current market capitalisation of the Group to the market capitalisation of the Group at the date of such exit event.

The Group considers that the arrangement achieves an appropriate balance between the interests of all stakeholders of the Group. In particular, we have been in regular discussion and consultation with the Trustee of the Group's defined benefit pension scheme in the UK. In order to preserve and support the position of the scheme, with the support of the lender group, we have agreed to provide in favour of the scheme a package of additional credit support in the UK, as well as a new information sharing protocol to ensure ongoing communication between the Group and the Trustee remains comprehensive.

The Group is currently negotiating to further increase liquidity by £25 million through extension of invoice discounting facilities to unencumbered receivables ledgers. However there is no certainty that these negotiations will be successful.

We are fully appreciative of the support that the lender group have given the Group through this period of uncertainty caused by macroeconomic factors, which have resulted in rapid and unprecedented rises in input costs, and ongoing global supply chain challenges.

At 30 June 2022, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2022 £m	2021 £m
Trade receivables available	53.7	47.8
Amount borrowed	(53.7)	(47.8)
Amount undrawn	—	—

The Group also has access to uncommitted working capital facilities amounting to £22.7 million (2021: £44.3m).

At 30 June 2022, £6.8 million (2021: £5.9m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

21. Financial risk management continued

Liquidity risk continued

In the following tables, estimated future contractual undiscounted 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 2022							
Bank overdrafts	(6.8)	—	—	—	—	—	(6.8)
Bank and other loans:							
Principal	(53.7)	—	—	(96.4)	—	—	(150.1)
Interest payments	(0.5)	—	—	—	—	—	(0.5)
Lease liabilities	(4.4)	(3.5)	(2.6)	(2.2)	(0.7)	(0.3)	(13.7)
Other liabilities	(202.4)	—	—	—	—	—	(202.4)
Cash flows on non-derivative liabilities	(267.8)	(3.5)	(2.6)	(98.6)	(0.7)	(0.3)	(373.5)
Cash flows on derivative liabilities							
Payments	(34.1)	(0.3)	—	—	—	—	(34.4)
Cash flows on financial liabilities	(301.9)	(3.8)	(2.6)	(98.6)	(0.7)	(0.3)	(407.9)
Cash flows on derivative assets							
Receipts	33.1	0.3	—	—	—	—	33.4
	(268.8)	(3.5)	(2.6)	(98.6)	(0.7)	(0.3)	(374.5)
	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 2021							
Bank overdrafts	(5.9)	—	—	—	—	—	(5.9)
Bank and other loans:							
Principal	(47.8)	(2.1)	—	—	(76.8)	—	(126.7)
Interest payments	(0.3)	—	—	—	—	—	(0.3)
Lease liabilities	(3.9)	(3.1)	(2.3)	(1.5)	(1.2)	(0.4)	(12.4)
Other liabilities	(169.2)	—	—	—	—	—	(169.2)
Cash flows on non-derivative liabilities	(227.1)	(5.2)	(2.3)	(1.5)	(78.0)	(0.4)	(314.5)
Cash flows on derivative liabilities							
Payments	(66.2)	(0.9)	—	—	—	—	(67.1)
Cash flows on financial liabilities	(293.3)	(6.1)	(2.3)	(1.5)	(78.0)	(0.4)	(381.6)
Cash flows on derivative assets							
Receipts	66.1	0.9	—	—	—	—	67.0
	(227.2)	(5.2)	(2.3)	(1.5)	(78.0)	(0.4)	(314.6)

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 due to 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 2026.

Under the Group's policy the critical terms of the derivatives must align with the hedged items. The interest rate instruments executed are matched against the term, currency and entity where the borrowing exists, fixing the value of interest paid in line with the Group policy. They are monitored to ensure that critical terms of the instrument continue to match the transaction.

The hedge ratio is determined by the Group's treasury policy, which states that the Group aims to be circa 50% hedged against the potential adverse effects of interest exposure on its consolidated net debt. The instruments are matched on a 1:1 ratio with the transaction. Hedge ineffectiveness could be caused through fluctuating forecasts. Forecasts are monitored regularly and the Group intends to repay debt in line with the timeframe of the hedges entered into. If this changes additional hedges are executed in order to maintain the policy level.

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:

	2022						2021					
	Euro £m	Sterling £m	Danish Krone £m	Polish Zloty £m	Other currencies £m	Total £m	Euro £m	Sterling £m	Danish Krone £m	Polish Zloty £m	Other currencies £m	Total £m
Floating rate												
Bank overdrafts (6.6)	—	—	—	—	(0.2)	(6.8)	(5.9)	—	—	—	—	(5.9)
Bank and other loans	(28.1)	(35.6)	(8.7)	(3.6)	—	(76.0)	(6.2)	(19.6)	(8.7)	(3.8)	(2.1)	(40.4)
Cash and cash equivalents	5.9	(4.8)	0.6	0.6	2.2	4.5	13.6	2.2	2.6	2.1	4.4	24.9
	(28.8)	(40.4)	(8.1)	(3.0)	2.0	(78.3)	1.5	(17.4)	(6.1)	(1.7)	2.3	(21.4)
Fixed rate												
Bank and other loans	(53.2)	(10.0)	(6.3)	(4.6)	—	(74.1)	(74.7)	—	(6.3)	(4.7)	—	(85.7)
	(53.2)	(10.0)	(6.3)	(4.6)	—	(74.1)	(74.7)	—	(6.3)	(4.7)	—	(85.7)
Total	(82.0)	(50.4)	(14.4)	(7.6)	2.0	(152.4)	(73.2)	(17.4)	(12.4)	(6.4)	2.3	(107.1)

Interest payable on bank overdrafts and floating rate loans is based on base rates and short-term interbank rates (predominantly, EURIBOR and SONIA). At 30 June 2022, the weighted average interest rate payable on bank and other loans was 1.9% (2021: 1.8%). At 30 June 2022, the weighted average interest rate receivable on cash and cash equivalents was 0.0% (2021: 0.0%).

Notes to the consolidated financial statements continued

Year ended 30 June 2022

21. Financial risk management continued

Interest rate risk continued

At 30 June 2022, the Group held interest rate caps, which cap the maximum rate payable but allow the rate to float below this maximum.

	Interest rate swaps £m	Interest rate caps £m
2022		
Carrying amount	—	2.2
Notional amount	—	65.4
Maturity date	—	June 2022-June 2026
Hedging ratio	—	1:1
Change in value of outstanding hedge instruments since 1 July	—	—
Change in value of hedged item used to determine hedge effectiveness	—	—
Weighted average hedged rate for the year	—	0.00% – 0.75%
2021		
Carrying amount	(0.1)	0.1
Notional amount	27.8	57.9
Maturity date	June 2021-June 2022	June 2021-June 2024
Hedging ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 July	0.1	—
Change in value of hedged item used to determine hedge effectiveness	(0.1)	—
Weighted average hedged rate for the year	0.40%-0.53%	0.00%-0.50%

All interest rate derivatives held by the Group are indexed to three-month EURIBOR, SONIA, WIBOR 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 £0.7 million (2021: £0.2m).

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 allows for these exposures to be hedged using forward currency contracts.

The Group determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness. The cost of the transaction increases as the exchange rate weakens, as the hedge instruments in place are foreign currency liabilities. This same movement in exchange rates would result in an increase in the value of the liability. The value of the invoices paid is regularly monitored to ensure the hedges in place continue to meet the monthly exposures and that critical terms of the instrument continue to match the transaction. On maturity of the hedge the gain or loss recorded against the spot rate is recorded in the same income statement line as the invoiced transaction.

The hedge ratio is determined by the Group's treasury policy, which provides a maximum and minimum hedge level for a number of time brackets. The compliance with this policy is monitored monthly and new hedges are also added monthly if required. The level of hedges required is reviewed monthly during the Treasury Management Committee meeting.

The instruments are matched on a 1:1 ratio with the transaction. Hedge ineffectiveness could be caused through the different timing of the payment runs so that the hedges mature at a different point to the invoices being paid, fluctuating forecasts or changes to the nature of the business. These risks are mitigated through the following measures:

- phasing hedges to cover the change of the timing of payments runs;
- monitoring forecasts monthly and adding hedges to reflect any changes;
- the percentage of hedges permitted allowing for the potential uncertainty towards the end of the forecast period; and
- building significant changes into the forecast, with any changes being allowed for the purchases made.

At 30 June 2022, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £13.6 million (2021: £14.8m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2022, the fair value of the contracts was £0.2 million (2021: £(0.2)m). During 2022, a loss of £0.1 million (2021: loss of £0.7m) was recognised in other comprehensive income and a loss of £0.4 million (2021: £0.7m) 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 2022, the fair value of the average rate options was £nil (2021: loss of £nil).

The Group determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness. The value of Group assets increases as the exchange rate weakens, as the hedge instrument in place is a foreign currency liability. This same movement in exchange rates would result in an increase in the value of the liability. When hedges mature, any settlements offset the gain or loss on translation of the hedged item and are monitored to ensure critical terms of the instrument continue to match the transaction.

The hedge ratio is determined by the Group's treasury policy, which states the Group will hedge up to 100% of the budgeted exposure. The instruments are matched on a 1:1 ratio with the transaction. Hedge ineffectiveness could be caused through fluctuations in the forecasted numbers. This is mitigated by hedging a relatively low proportion of the hedged item.

At 30 June 2022, the Group had designated as net investment hedges £42.6 million (2021: £25.7m) of its Euro-denominated borrowings and three-month rolling foreign currency forward contracts with a notional principal amount of £24.9 million (2021: £52.3m). During 2022, a gain of £0.5 million (2021: £3.7m) was recognised in other comprehensive income in relation to the net investment hedges. At 30 June 2022, the fair value of the net investment hedges was a gain of £0.2 million (2021: £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:

	2022			2021		
	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	13.6	29.4	43.0	9.5	52.2	61.7
Euro	18.3	(17.2)	1.1	39.2	(38.6)	0.6
Polish Zloty	1.9	(1.8)	0.1	5.1	(4.8)	0.3
Danish Krone	12.8	(10.4)	2.4	7.5	(5.8)	1.7
Malaysian Ringgit	4.9	—	4.9	3.7	(3.0)	0.7
Other	5.5	—	5.5	4.8	—	4.8
Total	57.0	—	57.0	69.8	—	69.8

The Group's exposure to a +/- 10% change in EUR/GBP exchange rate is as follows:

	2022		2021	
	EUR +10% £m	EUR -10% £m	EUR +10% £m	EUR -10% £m
Impact on equity	(1.3)	1.4	(1.3)	1.5

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.

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 a cost of hedging.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

21. Financial risk management continued

Foreign currency risk continued

Translation risk continued

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:

2022	Foreign currency forwards	
	Transactional	Translational
Carrying amount (£m)	0.2	0.2
Notional amount (£m)	16.3	20.9
Maturity date	July 2022-July 2023	September 2022
Hedging ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 July (£m)	—	(0.1)
Change in value of hedged item used to determine hedge effectiveness (£m)	—	0.1
Weighted average hedged rate for the year	€1.1537:£1	Various ⁽¹⁾

(1) The weighted average hedged rate for the year, by currency denomination, was €1.1757:£1, Zloty 5.4411:£1, Krone 8.7312:£1, Ringgit 5.5457:£1.

2021	Foreign currency forwards	
	Transactional	Translational
Carrying amount (£m)	(0.2)	0.1
Notional amount (£m)	17.0	52.3
Maturity date	July 2021-Sept 2022	September 2021
Hedging ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 July (£m)	0.9	(3.5)
Change in value of hedged item used to determine hedge effectiveness (£m)	(0.9)	3.5
Weighted average hedged rate for the year	€1.1510:£1	Various ⁽¹⁾

(1) The weighted average hedged rate for the year, by currency denomination, was €1.1037:£1, Zloty 5.0945:£1, Krone 8.3358:£1, Ringgit 5.4767:£1.

22. Capital and net debt

The Group's capital comprises total equity and net debt.

Capital management

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. This is to ensure continued access to a broad range of financing sources in order to provide sufficient flexibility to pursue commercial opportunities as they arise.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to borrowings. Breaches in meeting the financial covenants would permit the bank to call in loans and borrowings immediately. There have been no breaches in the financial covenants of any borrowings in the current year.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Group may maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the Group, and in order to meet the financial covenants described in note 21. The Board regularly reviews the capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2022 and 30 June 2021.

The Group's capital was as follows:

	2022 £m	2021 £m	2020 £m
Total equity	57.0	69.8	66.9
Net debt	164.4	118.4	101.5
Capital	221.4	188.2	168.4
		2022 %	2021 %
Gearing ⁽¹⁾		80.3	66.4

(1) Gearing represents net debt divided by the average of current and prior year year-end capital.

Movements in net debt were as follows:

	At 1 July 2021 £m	IFRS 16 non-cash movements ⁽¹⁾ £m	Cash flows £m	Currency translation differences £m	At 30 June 2022 £m
Cash and cash equivalents	24.9	—	(20.3)	(0.1)	4.5
Overdrafts	(5.9)	—	(0.7)	(0.2)	(6.8)
Bank and other loans	(126.1)	—	(24.0)	—	(150.1)
Lease liabilities	(11.3)	(5.5)	5.0	(0.2)	(12.0)
Net debt	(118.4)	(5.5)	(40.0)	(0.5)	(164.4)

(1) IFRS 16 non-cash movements includes additions (£5.1 million), disposals (£nil) and interest charged (£0.4 million).

	At 1 July 2020 £m	IFRS 16 non-cash movements ⁽¹⁾ £m	Cash flows £m	Currency translation differences £m	At 30 June 2021 £m
Cash and cash equivalents	44.2	—	(18.1)	(1.2)	24.9
Overdrafts	(4.1)	—	(2.8)	1.0	(5.9)
Bank and other loans	(132.9)	—	1.7	5.1	(126.1)
Lease liabilities	(8.7)	(7.9)	4.9	0.4	(11.3)
Net debt	(101.5)	(7.9)	(14.3)	5.3	(118.4)

(1) IFRS 16 non-cash movements includes additions (£7.9 million), disposals (£0.3 million) and interest charged (£0.3 million).

A reconciliation of the net cash flow to the movement in net debt is shown as follows:

	2022 £m	2021 £m
Decrease in net cash and cash equivalents	(20.3)	(18.1)
Net repayment of bank loans and overdrafts	(24.7)	(1.1)
Change in net debt resulting from cash flows	(45.0)	(19.2)
Currency translation differences	(0.3)	4.9
Movement in net debt in the year	(45.3)	(14.3)
Net debt at the beginning of the year excluding lease liabilities	(107.1)	(92.8)
Net debt at the end of the year excluding lease liabilities	(152.4)	(107.1)
Lease liabilities at 1 July	(11.3)	(8.7)
Lease liabilities non-cash movements	(5.5)	(7.9)
Repayment of IFRS 16 lease liabilities	5.0	4.9
Currency translation differences	(0.2)	0.4
Net debt at the end of the year	(164.4)	(118.4)

Notes to the consolidated financial statements continued

Year ended 30 June 2022

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 post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned. From 1 July 2021, the Group also recognised the assets and liabilities for all members of the defined contribution scheme in Belgium, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 'Employee Benefits', as there is a risk the underpin will require the Group to pay further contributions to the scheme. The net impact of this on the balance sheet is £nil.

At 30 June 2022, the Group's post-employment benefit obligations outside the UK amounted to £1.7 million (2021: £2.6m).

Non-governmental collected post-employment benefits had the following effect on the Group's results and financial position:

	2022 £m	2021 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	(2.4)	(2.3)
Defined benefit schemes		
Service cost and administrative expenses (net of employee contributions)	(1.0)	(0.9)
Net charge to operating (loss)/profit	(3.4)	(3.2)
Finance costs		
Net interest cost on defined benefit obligation	(0.5)	(0.4)
Net charge to (loss)/profit before taxation	(3.9)	(3.6)
Other comprehensive income		
Defined benefit schemes		
Net actuarial gain/(loss)	12.4	(4.2)
Balance sheet		
Defined benefit obligations		
UK - funded	(116.6)	(161.9)
Other - unfunded	(12.0)	(2.6)
	(128.6)	(164.5)
Fair value of scheme assets		
UK - funded	102.2	132.6
Other - unfunded	10.3	—
Deficit on the schemes	(16.1)	(31.9)
Related deferred tax asset	3.9	7.9

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 triennial valuation at 31 March 2021, the Company and Trustee agreed a new deficit reduction plan based on the scheme funding deficit of £48.4 million.

The current level of deficit contributions of £4.0 million per annum, payable until 31 March 2028, will continue and this is expected to eliminate the deficit by 31 March 2028. The Company has separately agreed that (from 1 October 2024) if EBITA exceeds £30 million in any year following the year ending 31 March 2023, additional annual deficit contributions of £0.34 million for each £1 million of EBITA above £30 million, up to a maximum of £1.7 million, will become payable (monthly in arrears). Also, the Company has agreed to make additional contributions such that the total deficit contributions in any year match the value of any dividend paid. These arrangements will provide scope to de-risk and/or accelerate the recovery plan, where affordability of the business allows. The funding arrangements and recovery plan will next be reviewed by the Company and Trustee as part of the 31 March 2024 valuation.

(ii) Assumptions and sensitivities

For accounting purposes, the Fund's benefit obligation has been calculated based on data gathered for the 2021 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:

	2022	2021
Discount rate	3.70%	1.85%
Inflation rate:		
Retail Prices Index	3.10%	3.20%
Consumer Prices Index	2.45%	2.35%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	2.45%	2.35%
Accrued on or after 6 April 2009	2.45%	2.35%
Increase in pensions in payment (in excess of GMP)		
Accrued before 1 April 2011	3.04%	3.12%
Accrued on or after 1 April 2011	2.18%	2.20%

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. This was translated into mortality assumptions for use in calculating the IAS 19 scheme liabilities. Specifically, a rating of 102% (2021: 102%) of the standard Self-Administered Pension Scheme (SAPS) S2 tables has been used for the IAS 19 disclosures as at 30 June 2022.

As at 30 June 2022, the future mortality improvement model has been updated to reflect the most recent Continuous Mortality Investigation (CMI) 2021 projections with an allowance for long-term rates of improvement of 1.0% p.a. for males and females. Previously, in 2021, this assumption had been CMI 2020 with a long-term rate of improvement of 1.0% p.a. for males and females. In line with the 2020 CMI model, the 2021 CMI model has a smoothing parameter for which the default value of 7.0 (2021: 7.0) has been adopted. There is also an initial addition parameter for which the default value of 0.25% (2021: 0.25%) has been adopted. These assumptions are equivalent to a life expectancy at 65 of 21.2 years (2021: 21.6 years) for males and 23.4 years (2021: 23.6 years) for females.

	2022 Years	2021 Years
Life expectancies at age 65 for:		
Member retiring in the next year:		
Male	21.2	21.6
Female	23.4	23.6
Member retiring 20 years from now:		
Male	22.2	22.6
Female	24.6	24.8

At 30 June 2022, 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 £1.6m	Increase by £1.6m
Inflation rate ⁽¹⁾	+/- 0.1%	Increase by £1.4m	Decrease by £1.4m
Life expectancy	+1 year	Increase by £3.4m	—

(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.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

23. Pensions and other post-employment benefits continued

UK defined benefit pension scheme continued

(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 during 2018/19 and as part of the agreement, the Trustee amended the Fund's investment strategy with the aim of de-risking the scheme's assets to align the cash inflows from the Fund's assets with the cash flow requirements of the Fund. This Cash flow Driven Investment (CDI) strategy was implemented during the first half of the financial year 2021. Through the use of credit/bond investments, the CDI strategy delivers a stable, more certain expected return and will reduce volatility in the reported accounting deficit as assets and liabilities are better matched.

The Fund holds no investment in securities issued by, nor any property used by, McBride plc or any of its subsidiaries.

The fair value of the Fund's assets at the end of the year was as follows:

	2022 £m	Asset classification	2021 £m	Asset classification
Private markets	19.3	Unquoted	19.3	Unquoted
Liability-driven investment	19.4	Quoted	25.1	Quoted
Credit default swaps	63.4	Unquoted	86.5	Unquoted
Cash and cash equivalents ⁽¹⁾	0.1	Quoted	1.7	Quoted
Total	102.2		132.6	

(1) Cash equivalents includes the net position of the Credit Default Swap held by the scheme.

Except for the liability-driven investment (LDI) assets and the credit default swaps (CDS), all of the Fund's assets are held in pooled funds. The liability-driven investment, cash and credit 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 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 £2.4 million (2021: £2.1m).

The actual return on the Fund's assets during the year was a loss of £26.8 million (2021: gain of £0.2m), which was more adverse than expected, but was more than offset by the reduction in scheme liabilities, driven by increases in corporate bond yields.

(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:

	2022 £m	2021 £m
At 1 July	132.6	135.5
Expected return on plan assets	2.4	2.1
Loss on assets in excess of interest income on Fund assets	(29.2)	(1.9)
Employer's contributions	4.0	4.0
Benefits paid	(7.6)	(7.1)
At 30 June	102.2	132.6

Movements in the benefit obligation during the year were as follows:

	2022 £m	2021 £m
At 1 July	(161.9)	(163.9)
Interest cost	(2.9)	(2.5)
Remeasurement gain/(loss) arising from changes in financial assumptions	38.2	(1.2)
Remeasurement gain/(loss) arising from changes in demographic assumptions	2.4	(2.0)
Experience gains on liabilities	—	0.6
Benefits paid	7.6	7.1
At 30 June	(116.6)	(161.9)

(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.

At 30 June 2022, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £33.5 million (2021: £45.0m).

Belgium defined contribution pension scheme**(i) Background**

From 1 July 2021, the Group recognised the assets and liabilities for all members of the defined contribution scheme in Belgium, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 'Employee Benefits', as there is a risk the underpin will require the Group to pay further contributions to the scheme.

(ii) Assumptions and sensitivities

The principal assumptions used in calculating the benefit obligation at the end of the year were as follows:

	2022
Discount rate	3.10%
Inflation rate	2.00%
Salary increase rate on top of inflation	2.00%
Mortality tables	MR-5/FR-5
Retirement age	65
Withdrawal rate	0.00%

At 30 June 2022, the sensitivity of the benefit obligation to a 0.5% increase and decrease in the discount rate assumptions resulted in no change to the scheme liabilities.

(iii) 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.

At 30 June 2022, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to Enil (2021: Enil).

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 the related performance conditions. In the current year, 50% of the awards granted vest dependent on the growth in the Group's EPS (a vesting condition) and 50% of the awards granted vest dependent on the growth in the Group's adjusted ROCE (a vesting condition). In previous years, 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) and up to 50% of each award vests dependent on the growth in the Group's EPS (a vesting condition).

During the year Restricted Share Units (RSUs) were granted to Executive Directors and certain other senior executives. Awards made under the RSU vest provided the participant remains in the Group's employment during the three-year vesting period.

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 awards granted result in equity-settled amounts.

Further information on the LTIP and RSU awards is set out in the Remuneration Committee report.

Movements in LTIP and RSU awards outstanding were as follows:

	2022			2021		
	LTIP Equity-settled Number	RSU Equity-settled Number	Cash-settled Number	LTIP Equity-settled Number	RSU Equity-settled Number	Cash-settled Number
Outstanding at 1 July	6,132,039	337,815	175,213	4,224,700	—	175,213
Granted	1,830,414	1,138,645	—	3,514,428	425,783	—
Vested	—	—	—	—	(7,872)	—
Forfeited	(1,314,236)	(211,966)	—	(1,064,215)	(80,096)	—
Lapsed	(890,907)	—	—	(542,874)	—	—
Outstanding at 30 June	5,757,310	1,264,494	175,213	6,132,039	337,815	175,213
Unvested at 30 June	5,757,310	1,264,494	—	6,132,039	337,815	—

Awards made under the LTIP and RSU have a Enil exercise price.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

24. Employee share schemes continued

Share awards continued

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 2022 is 1.2 years (2021: 1.6 years). The weighted average remaining life of cash-settled awards at 30 June 2022 is 1.7 years (2021: 2.7 years).

During 2022, no cash LTIP awards vested (2021: £nil), no equity-settled LTIP awards vested (2021: £nil) and no RSU awards vested (2021: £nil). The weighted average share price on the vesting date of equity-settled awards in 2021 was 60.0 pence.

At 30 June 2022, the liability recognised in relation to cash-settled awards was £0.3 million (2021: £0.3m).

At the grant date, the weighted average fair value of LTIP awards granted during the year was 74.2 pence (2021: 78.0p).

Fair value was measured using a variant of the Black-Scholes valuation model based on the following assumptions:

	October 2021 issue	September 2021 issue	February 2021 issue	October 2020 issue	September 2020 issue	November 2019 issue	October 2019 issue
Risk-free interest rate	n/a	n/a	n/a	n/a	n/a	0.3%	0.5%
Share price on grant date	71.0p	80.0p	84.0p	84.0p	84.0p	56.0p	69.0p
Dividend yield on the Company's shares	n/a	n/a	n/a	n/a	n/a	nil	nil
Volatility of the Company's shares	n/a	n/a	n/a	n/a	n/a	40.6%	41.9%
Expected life of LTIP awards	3 years	3 years	3 years	3 years	3 years	3 years	3 years

Risk-free rate and volatility have no impact on nil cost awards which are subject to non-market-based performance conditions. For the 2019 awards, 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.

At the grant date, the weighted average fair value of RSU awards granted during the year was 69.3 pence (2021: 59.0p).

Fair value was based on the share price at the date of grant with the following assumptions:

	Jun 2022 issue	Feb 2022 issue	Oct 2021 issue	22 Sep 2021 issue	13 Sep 2021 issue	Jun 2021 issue	Feb 2021 issue	Oct 2020 issue	Sep 2020 issue	Jun 2020 issue
Risk-free interest rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Share price on grant date	30.8p	46.0p	71.0p	81.0p	80.0p	84.0p	83.0p	59.0p	63.0p	63.0p
Dividend yield on the Company's shares	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Volatility of the Company's shares	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected life of RSU awards	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years

Risk-free rate and volatility have no impact on nil cost awards which are subject to non-market-based performance conditions.

Compensation expense recognised in profit or loss in relation to employee share schemes was as follows:

	2022 £m	2021 £m
Equity-settled awards	—	0.3
Total expense	—	0.3

Deferred Annual Bonus Plan

The Group has in force a Deferred Annual Bonus Plan for the main Executive Directors. There is no exercise price for the shares awarded under the plan, which are subject to a vesting period of three years and will normally vest on the expiry of this period and are normally only payable if the Director remains employed by the Group at the end of that period. Awards granted under the Deferred Annual Bonus Plan are eligible for dividend equivalent payments.

The total amount included in operating profit in relation to the Deferred Annual Bonus Plan was £nil (2021: £nil).

25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Independent business review £m	Other £m	Total £m
At 1 July 2020	5.6	1.1	2.9	—	0.3	9.9
Charged to profit or loss	3.3	0.4	—	—	0.1	3.8
Currency translation difference	(0.1)	—	(0.1)	—	—	(0.2)
Utilisation	(6.7)	—	(0.4)	—	—	(7.1)
At 30 June 2021	2.1	1.5	2.4	—	0.4	6.4
Charged to profit or loss	0.4	—	0.6	1.7	0.6	3.3
Utilisation	(1.7)	—	(0.3)	—	(0.5)	(2.5)
At 30 June 2022	0.8	1.5	2.7	1.7	0.5	7.2

Analysis of provisions:

	2022 £m	2021 £m
Current	3.4	2.7
Non-current	3.8	3.7
Total	7.2	6.4

Reorganisation costs in the year of £0.4 million comprises £0.5 million of costs associated with the Group's logistics transformation programme and £0.1 million reversal of costs relating to Programme Compass. The closing provision for reorganisation and restructuring relates to the Group's logistics transformation programme only. The provision is expected to be fully utilised within twelve months of the balance sheet date.

Leasehold dilapidations provision relates to costs expected to be incurred to restore leased properties to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to undertake restoration works. Amounts will be utilised as the respective leases end and restoration works are carried out, within a period of approximately two years.

Environmental remediation provision relates to historical environmental contamination at a site in Belgium. The additional costs in the year of £0.6 million result from a revaluation of the cost of environmental remediation. The closing provision is expected to be utilised as the land is restored within a period of approximately eight years.

During the year, an independent business review (IBR) was initiated to support discussions with banking partners regarding revisions to financing arrangements and banking covenants. A closing provision of £1.7 million has been recognised in relation to consultancy costs directly associated with the IBR. The provision is expected to be utilised within twelve months of the balance sheet date.

Other provisions of £0.5 million relate to costs concerning the sale of the PC Liquids business, property repairs and onerous lease obligations. The liability is expected to be settled within twelve months of the balance sheet date.

The amount and timing of all cash flows related to the provisions are reasonably certain.

Notes to the consolidated financial statements continued

Year ended 30 June 2022

26. Share capital and reserves

Share capital

	Authorised, allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2020	182,840,301	18.3
Shares bought back on-market and cancelled	(8,597,599)	(0.9)
At 30 June 2021	174,242,702	17.4
Shares bought back on-market and cancelled	(185,374)	—
At 30 June 2022	174,057,328	17.4

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

McBride plc announced on 2 November 2020 that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next AGM. The maximum number of shares that could have been repurchased by the Company under the programme was 18.3 million. The purpose of the share buy-back programme was to reduce the share capital of the Company (cancelling any shares repurchased for this purpose). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride plc's share price at the time did not reflect the value of the underlying business, which has resilient revenue, a strong balance sheet and highly visible cash flows.

In the year to 30 June 2022, the Group purchased and cancelled 185,374 (2021: 8,597,599) ordinary shares, representing 0.1% (2021: 4.7%) of the issued ordinary share capital as at 2 November 2020. The shares were acquired at an average price of 77.0 pence (2021: 79.3p) per share, with prices ranging from 73.3 pence per share to 78.6 pence per share (2021: 61.0p per share to 90.0p per share). The total cost of £0.1 million (2021: £6.8m) was deducted from equity as the purchase of own shares. A transfer of £nil (2021: £0.9m) was made from share capital to the capital redemption reserve. As previously announced, the Board ended the share buy-back programme during the year.

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

	Treasury shares		Employee Benefit Trust		Total	
	Number	£m	Number	£m	Number	£m
At 1 July 2020	42,041	—	247,746	0.2	289,787	0.2
Own shares purchased	—	—	348,574	0.3	348,574	0.3
Shares paid out to employees	—	—	(9,161)	—	(9,161)	—
At 30 June 2021	42,041	—	587,159	0.5	629,200	0.5
Own shares purchased	—	—	—	—	—	—
Shares paid out to employees	—	—	—	—	—	—
At 30 June 2022	42,041	—	587,159	0.5	629,200	0.5

The treasury shares and the shares in trust represent the Company's ordinary shares that are acquired to satisfy the Group's expected obligations under employee share schemes.

The market value of own shares held at 30 June 2022 was £0.1 million (2021: £0.6m).

27. Acquisitions and disposals**Sale of Barrow site, UK**

The Barrow production facilities ceased operations in October 2020. On 1 October 2021, proceeds of £2.6 million were received for the sale of the site. After accounting for costs of disposal of £0.8 million, an exceptional gain of £1.8 million has been recognised in the year.

Sale of factory in Malaysia

On 15 April 2022, the Group completed the sale of the land and buildings at a former manufacturing site in Malaysia. The land and buildings are part of the Asia Pacific segment. Proceeds of £2.8 million were received in respect of this sale. After accounting for costs of disposal of £1.2 million, an exceptional gain of £1.6 million has been recognised in the year.

Sale of warehouse in Guesnain, France

On 24 June 2022, the land and buildings at a former warehousing facility in Guesnain, France were sold as part of the Group's logistics transformation programme. The land and buildings are central assets. Proceeds of £0.7 million were received in respect of this sale. After accounting for costs of disposal of £0.4 million, an exceptional gain of £0.3 million has been recognised in the year.

28. Capital commitments**Capital expenditure on property, plant and equipment**

	2022 £m	2021 £m
Contracted but not provided	4.0	1.8

Notes to the consolidated financial statements continued

Year ended 30 June 2022

29. 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 £6.2 million (2021: £6.3m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2022, £0.5 million (2021: £0.4m) 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:

	2022 £m	2021 £m
Short-term employee benefits	2.2	2.4
Post-employment benefits	0.1	0.1
Share-based payments	—	0.2
Total	2.3	2.7

30. Events after the reporting date

An amended revolving credit facility agreement was agreed with the banking syndicate on 29 September 2022. The new financing arrangements will ensure that the Group has sufficient levels of liquidity headroom and can comply with revised covenant requirements. Key provisions of the revised agreement are detailed in note 21.

31. 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	
	2022	2021	2022	2021
Euro	1.18	1.13	1.17	1.17
US Dollar	1.33	1.35	1.21	1.39
Danish Krone	8.78	8.40	8.67	8.67
Polish Zloty	5.45	5.09	5.47	5.27
Czech Koruna	29.57	29.59	28.83	29.70
Hungarian Forint	433.28	403.41	462.64	409.86
Malaysian Ringgit	5.63	5.55	5.33	5.75
Australian Dollar	1.83	1.80	1.76	1.85

Company balance sheet

At 30 June 2022

	Note	2022 £m	2021 £m
Fixed assets			
Investments	5	158.4	158.4
Current assets			
Trade and other receivables	6	155.8	149.8
Cash and cash equivalents		1.0	1.1
Creditors: amounts falling due within one year	7	(86.1)	(95.8)
Net current assets		70.7	55.1
Total assets less current liabilities		229.1	213.5
Creditors: amounts falling due after more than one year	8	(62.7)	(40.2)
Provision for liabilities	10	(1.7)	—
Net assets		164.7	173.3
Capital and reserves			
Called-up share capital	12	17.4	17.4
Share premium account		68.6	68.6
Capital redemption reserve		77.2	77.1
Cash flow hedge reserve		1.2	0.3
Retained earnings brought forward		9.9	22.4
Loss for the financial year		(8.3)	(4.0)
Other movements		(1.3)	(8.5)
Closing retained earnings		0.3	9.9
Total shareholders' funds		164.7	173.3

The financial statements on pages 199 to 208 were approved by the Board of Directors on 29 September 2022 and were signed on its behalf by:

Chris Smith
Director



McBride plc
Registered number: 02798634

Company statement of changes in equity

Year ended 30 June 2022

	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 30 June 2020	18.3	70.6	74.2	(0.3)	22.4	185.2
Year ended 30 June 2021						
Loss for the year	—	—	—	—	(4.0)	(4.0)
Other comprehensive income						
Items that may be reclassified to profit or loss:						
Net changes in fair value	—	—	—	0.4	—	0.4
Cash flow hedges transferred to profit and loss	—	—	—	0.2	—	0.2
Total other comprehensive income	—	—	—	0.6	—	0.6
Total comprehensive income/(expense)	—	—	—	0.6	(4.0)	(3.4)
Transactions with owners of the Parent						
Issue of B Shares	—	(2.0)	—	—	—	(2.0)
Redemption of B Shares	—	—	2.0	—	(2.0)	—
Share-based payments	—	—	—	—	0.3	0.3
Purchase of own shares	—	—	—	—	(6.6)	(6.6)
Shares bought back on-market and cancelled	(0.9)	—	0.9	—	—	—
Taxation relating to the above	—	—	—	—	(0.2)	(0.2)
At 30 June 2021	17.4	68.6	77.1	0.3	9.9	173.3
Year ended 30 June 2022						
Loss for the year	—	—	—	—	(8.3)	(8.3)
Other comprehensive income						
Items that may be reclassified to profit or loss:						
Net changes in fair value	—	—	—	0.8	—	0.8
Cash flow hedges transferred to profit and loss	—	—	—	0.1	—	0.1
Total other comprehensive income	—	—	—	0.9	—	0.9
Total comprehensive income/(expense)	—	—	—	0.9	(8.3)	(7.4)
Transactions with owners of the Parent						
Redemption of B Shares	—	—	0.1	—	(0.1)	—
Share-based payments	—	—	—	—	0.1	0.1
Purchase of own shares	—	—	—	—	(0.6)	(0.6)
Taxation relating to the above	—	—	—	—	(0.7)	(0.7)
At 30 June 2022	17.4	68.6	77.2	1.2	0.3	164.7

Notes to the Company financial statements

Year ended 30 June 2022

1. Corporate information

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 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.

2. Accounting policies

Accounting period

The Company's annual financial statements are drawn up to 30 June. These financial statements cover the year ended 30 June 2022 ('2022') with comparative amounts for the year ended 30 June 2021 ('2021').

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. For further information on going concern, please see note 2 in the consolidated financial statements on page 150. 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 UK adopted international accounting standards.

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 financial assets and liabilities (derivative financial instruments) at fair value through profit or loss.

FRS 101 sets out amendments to 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, share-based payments, 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 2021.

Principal accounting policies

Investments in subsidiaries

Investments in subsidiaries are held at cost, less provision for impairment. Any potential impairment is determined on a basis of the carrying value of the investment against the higher of net assets or discounted future cash flows.

Financial instruments

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.

Notes to the Company financial statements continued

Year ended 30 June 2022

2. Accounting policies continued

Principal accounting policies continued

Financial instruments continued

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. The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk;
- **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.

(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 or intention to 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.

At 30 June 2022, the outstanding contracts all mature within twelve months (2021: twelve months) of the year end. The Company is committed to sell PLN and EUR and receive a fixed Sterling amount.

The Company also enters into interest rate swap contracts to mitigate against the floating interest rates on revolving credit facility debt. At 30 June 2022, there are six outstanding contracts: three mature within twelve months of the year end with the remaining three maturing more than twelve months after the year end.

All contracts are 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 and GBP:PLN 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.

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.

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

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2022 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. 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.

Critical judgements and key sources of estimation uncertainty

In applying the Company's accounting policies as described in this note, 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 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 critical judgements are made in preparing these financial statements.

The Directors consider the following to be the key sources of estimation uncertainty present in preparing these financial statements.

Notes to the Company financial statements continued

Year ended 30 June 2022

2. Accounting policies continued

Critical judgements and key sources of estimation uncertainty continued

Impairment of investments and amounts owed by subsidiary undertakings

The Directors have performed an impairment assessment of investments under IAS 36. In light of the forecast profitability of subsidiary undertakings, and their ability to distribute dividends to McBride plc, the Directors have judged that no impairment is required (2021: £nil).

An impairment assessment of amounts owed by subsidiary undertakings as at 30 June 2022 was undertaken using the IFRS 9 simplified approach to measuring the expected credit loss. The Directors have judged that no impairment is required (2021: £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.

The auditor's remuneration for audit and other services is disclosed in note 6 of the Group's consolidated financial statements.

The Company's loss for the financial year was £8.3 million (2021: loss of £4.0m).

4. Employee information

The monthly average number of full-time equivalent persons employed by the Company during the year was as follows:

	2022 Number	2021 Number (restated) ⁽¹⁾
Directors	2	2
Non-Executive Directors	1	5
Finance	—	4
Administration	—	1
Total	3	12

Aggregate payroll costs were as follows:

	2022 £m	2021 £m
Wages and salaries	0.9	2.5
Social security costs	0.1	0.2
Other pension costs	0.1	0.1
Total	1.1	2.8

(1) Prior year restatement reflects full-time equivalent.

Executive Directors' emoluments, which are included in the above, are detailed further in the Directors' Remuneration report on pages 105 to 131.

5. Investments

	2022 £m	2021 £m
Carrying amount		
At 1 July	158.4	158.2
Additions	—	0.2
At 30 June	158.4	158.4

Additions to investments represent the value of share options issued to employees employed by subsidiary undertakings of McBride plc. In the current year, £nil (2021: £0.2m) has been recognised in respect of such share options.

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.

A full list of the Company's subsidiaries at 30 June 2022 is set out on pages 207 and 208.

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.

6. Trade and other receivables

	2022 £m	2021 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	154.4	148.6
Derivative financial instruments	0.9	0.1
Deferred tax asset (note 11)	—	0.4
Prepayments and accrued income	0.5	0.7
Total	155.8	149.8

Amounts are unsecured and repayable on demand. Amounts owed by subsidiary undertakings include a loan receivable of £98.8 million (2021: £105.2m) which is non-interest bearing with no fixed repayment date, and a group relief receivable of £11.5 million (2021: £11.5m). All remaining amounts owed by subsidiary undertakings are interest bearing, based on external borrowing interest rates.

7. Creditors: amounts falling due within one year

	2022 £m	2021 £m
Amounts owed to subsidiary undertakings	74.6	87.9
B Shares (note 9)	0.7	0.7
Accruals and deferred income	0.7	1.3
Bank overdrafts	10.1	5.9
Total	86.1	95.8

Amounts are unsecured and repayable on demand. Amounts owed to subsidiary undertakings include loans payable of £37.0 million (2021: £37.0m) which are non-interest bearing with no fixed repayment date. All remaining amounts owed to subsidiary undertakings are interest bearing, based on external borrowing interest rates.

8. Creditors: amounts falling due after more than one year

	2022 £m	2021 £m
Bank and other loans	62.5	40.1
Derivative financial instruments	—	0.1
Deferred tax liability	0.2	—
Total	62.7	40.2

Bank and other loans represent amounts drawn down under a €175 million revolving credit facility which is committed until May 2026.

9. Payments to shareholders

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2022 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. B Shares issued but not redeemed are classified as current liabilities.

No payments to ordinary shareholders were made or proposed in respect of this year or the prior year.

As set out in the Half-Year Report, the Group is targeting an accounting basis of net debt/adjusted EBITDA of 2.0x or less. As the ratio as at 31 December 2021 was over 2.0x, an interim payment to shareholders was not made. At 30 June 2022, the ratio was also over 2.0x and in line with its revised Distribution Policy set out on pages 105 to 131, the Board is not recommending a final dividend in 2022.

Notes to the Company financial statements continued

Year ended 30 June 2022

9. Payments to shareholders continued

Movements in the number of B Shares outstanding were as follows:

	2022		2021	
	Number 000	Nominal value £'000	Number 000	Nominal value £'000
Issued and fully paid				
At 1 July	747,399	747	713,130	713
Issued	—	—	2,010,780	2,011
Redeemed	(81,511)	(81)	(1,976,511)	(1,977)
At 30 June	665,888	666	747,399	747

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. Provisions for liabilities

	£m
At 1 July 2021	—
Charge for the year	1.7
At 30 June 2022	1.7

Provision for consultancy support for the independent business review programme, expected to be utilised within twelve months.

11. 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 2020	0.2	0.2	0.4
Credit to income statement	0.2	—	0.2
Charge to other comprehensive income	—	(0.1)	(0.1)
Charge to equity	(0.1)	—	(0.1)
At 30 June 2021	0.3	0.1	0.4
Credit to income statement	0.1	—	0.1
Charge to other comprehensive income	—	(0.4)	(0.4)
Charge to equity	(0.3)	—	(0.3)
At 30 June 2022	0.1	(0.3)	(0.2)

Deferred tax assets are recognised to the extent that recovery is probable against the future reversal of taxable temporary differences and projected taxable income. Based on the latest profit projections, management considers the deferred tax assets to be recoverable.

12. Called-up share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2021	174,242,702	17.4
Shares bought back on-market and cancelled	(185,374)	—
At 30 June 2022	174,057,328	17.4

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

McBride plc announced on 2 November 2020 that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next AGM. The maximum number of shares that could have been repurchased by the Company under the programme was 18.3 million. The purpose of the share buy-back programme was to reduce the share capital of the Company (cancelling any shares repurchased for this purpose). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride plc's share price at that time did not reflect the value of the underlying business, which has resilient revenue, a strong balance sheet and highly visible cash flows.

In the year to 30 June 2022, the Group purchased and cancelled 185,375 (2021: 8,597,599) ordinary shares, representing 0.1% (2021: 4.7%) of the issued ordinary share capital as at 2 November 2020. The shares were acquired at an average price of 77.0 pence (2021: 79.3p) per share, with prices ranging from 73.3 pence per share to 78.6 pence per share (2021: 61.0p per share to 90.0p per share). The total cost of £0.1 million (2021: £6.8m) was deducted from equity as the purchase of own shares. A transfer of £nil (2021: £0.9m) was made from share capital to the capital redemption reserve. As previously announced the Board ended the share buy-back programme during the year.

At 30 June 2022, awards were outstanding over 7,021,804 ordinary shares (2021: 6,469,854 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.

13. Guarantees

The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £4.8 million (2021: £4.9m).

14. Related party transactions

Other than payments made to Directors, which are set out in the Remuneration Committee report on pages 105 to 131 and note 5 of the consolidated financial statements, there are no other related party transactions to disclose. The Company has taken the exemption available under FRS 101 not to disclose transactions with wholly owned subsidiary companies.

15. Subsidiaries

Details of the Company's subsidiaries at 30 June 2022 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
McBride Denmark A/S ^(c)	100%	Denmark
Robert McBride Ltd ^(d)	100%	England
McBride S.A.S. ^(e)	100%	France
Problanc S.A.S. ^(f)	100%	France
Vitherm France S.A.S. ^(g)	100%	France
Chemolux Germany GmbH ^(h)	100%	Germany
McBride Hong Kong Limited ⁽ⁱ⁾	100%	Hong Kong
McBride S.p.A. ^(j)	100%	Italy
Chemolux S.a.r.l. ^(k)	100%	Luxembourg
McBride Malaysia Sdn. Bhd. ^(l)	100%	Malaysia
Fortune Organics (F.E.) Sdn. Bhd. ^(l)	100%	Malaysia
Intersilesia McBride Polska Sp. z o.o. ^(m)	100%	Poland
McBride S.A.U. ⁽ⁿ⁾	100%	Spain
Newlane Cosmetics Company Limited ^(o)	100%	Vietnam
McBride B.V. ^(p)	100%	Netherlands
Holding companies		
McBride Holdings Limited ^{(q), (d)}	100%	England
McBride Asia Holdings Limited ^(l)	100%	Hong Kong
McBride Hong Kong Holdings Limited ^(l)	100%	Hong Kong
Fortlab Holdings Sdn. Bhd. ^(l)	100%	Malaysia
CNL Holdings Sdn. Bhd. ^(l)	100%	Malaysia

Notes to the Company financial statements continued

Year ended 30 June 2022

15. Subsidiaries continued

Subsidiaries	Equity interest and operation	Country of incorporation
Dormant⁽²⁾		
Breckland Mouldings Limited ^(d)	100%	England
Camille Simon Holdings Limited ^(d)	100%	England
Camille Simon Limited ^(d)	100%	England
Culmstock Limited ^(d)	100%	England
Darcy Bolton Limited ^(d)	100%	England
Darcy Bolton Property Limited ^(d)	100%	England
Darcy Limited ^(d)	100%	England
Detergent Information Limited ^(d)	100%	England
G.Garnett & Sons Limited ^(d)	100%	England
G.Garnett Estates Limited ^(d)	100%	England
Global Properties (UK) Limited ^(d)	100%	England
H.H. Limited ^(d)	100%	England
HomePride Limited ^(d)	100%	England
Hugo Personal Care Limited ^(d)	100%	England
International Consumer Products Limited ^(d)	100%	England
Longthorne Laboratories Limited ^(d)	100%	England
McBride Aircare Limited ^(d)	100%	England
McBride UK Limited ^(d)	100%	England
McBrides Limited ^(d)	100%	England
Milstock Limited ^(d)	100%	England
RMG (Droylsden) Limited ^(d)	100%	England
Robert McBride (Aerosols) Limited ^(d)	100%	England
Robert McBride (Bradford) Limited ^(d)	100%	England
Robert McBride (Properties) Limited ^(d)	100%	England
Robert McBride Household Limited ^(d)	100%	England
Savident Limited ^(d)	100%	England
Other		
Robert McBride Pension Fund Trustees Limited ^(d)	100%	England

(1) McBride plc directly owns 100% of McBride Holdings Limited.

(2) Dormant companies listed here are exempt from filing with the registrar individual accounts by virtue of s448A of the Companies Act 2006.

Registered offices:

(a) Level 4, 147 Collins Street, Melbourne, Victoria 3000, Australia.

(b) 6 Rue Moulin Masure, 7730 Estaimpuis, Belgium.

(c) Lægårdvej 90-94, 7500 Holstebro, Denmark.

(d) Middleton Way, Middleton, Manchester M24 4DP, UK.

(e) 20 rue Gustave Flaubert 14590 Moyaux, France.

(f) ZAC of Saint René 45 boulevard Ambroise Croizat F-59287 Guesnain, France.

(g) Rue des Casernes, 55400 Etain, France.

(h) Heinrichstrasse 73, 40239 Düsseldorf, Germany.

(i) Unit 2001-02, 20th Floor, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

(j) Corso Garibaldi 49, 20121 Milan, Italy.

(k) Rue de l'Industrie, Foetz, Luxembourg 3895.

(l) Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(m) Ul. Matejki 2a, 47100 Strzelce Opolskie, Poland.

(n) Poligon Industrial l'Illa, C/ Ramon Esteve 20-22, 08650 Sallent, Barcelona, Spain.

(o) 22 VSIP II, Street 1, Vietnam Singapore, Industrial Park II, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province, Vietnam.

(p) Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands.

Group five-year summary

	Year ended 30 June				
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Total revenue	678.3	682.3	706.2	743.2	755.0
Continuing revenue	678.3	682.3	706.2	721.3	689.8
Adjusted operating (loss)/profit from continuing operations	(24.5)	24.1	28.3	28.1	36.2
Amortisation of intangible assets	(2.6)	(2.4)	(2.1)	(1.9)	(1.4)
Exceptional items	—	(6.9)	(11.1)	(5.4)	(21.7)
Operating (loss)/profit	(27.1)	14.8	15.1	20.8	13.1
Net finance costs	(8.6)	(4.2)	(4.2)	(4.6)	(5.3)
(Loss)/profit before tax	(35.7)	10.6	10.9	16.2	7.8
Taxation	11.4	2.8	(4.4)	(8.1)	(4.4)
(Loss)/profit after tax	(24.3)	13.4	6.5	8.1	3.4
(Loss)/earnings per share					
Diluted	(14.0p)	7.5p	3.6p	4.4p	1.9p
Adjusted diluted	(11.7p)	11.7p	9.5p	9.4p	12.1p
Payments to shareholders (per ordinary share)	—	—	1.1p	3.3p	4.3p

	At 30 June				
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Non-current assets					
Property, plant and equipment	122.9	129.8	134.7	136.0	135.6
Goodwill and other intangible assets	27.0	27.9	28.4	29.5	29.9
Other assets	42.9	32.9	21.1	11.6	13.6
	192.8	190.6	184.2	177.1	179.1
Current assets	273.3	241.2	287.6	258.0	269.0
Current liabilities	(280.0)	(233.5)	(253.9)	(237.2)	(256.4)
Non-current liabilities	(129.1)	(128.5)	(151.0)	(133.7)	(124.1)
Net assets	57.0	69.8	66.9	64.2	67.6
Net debt ⁽¹⁾	164.4	118.4	101.5	120.9	114.3

(1) Following the adoption of IFRS 16, 'Leases' as at 1 July 2019, leases are recognised as a right-of-use asset and a corresponding lease liability. The Group adopted this new standard with the modified retrospective approach. Comparative information has not been restated and is presented, as previously reported, under IAS 17 and therefore may not be directly comparable.

Useful information for shareholders

Financial calendar

Next key dates for shareholders in 2022 and 2023:

Record date for dividend payable on B Shares previously issued and not redeemed	21 October 2022
Latest date for receipt by registrar of completed election forms and submitting CREST elections	11 November 2022 (by 1pm)
Annual General Meeting	16 November 2022
Despatch of cheques in respect of B Shares which have been redeemed	25 November 2022
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	25 November 2022
Payments on redeemed B Shares issued in CREST	25 November 2022
Dividend payments on B Shares issued and not previously redeemed	25 November 2022
2022/23 Half year end	31 December 2022
2022/23 Half-year trading statement	January 2023
Interim results announced	February 2023
2022/23 Year end	30 June 2023
2022/23 Year end trading statement	July 2023
Full-year preliminary statement	September 2023

These dates are provisional and may be subject to change.

Payments to shareholders

At the Company's 2011 General Meeting, shareholders approved the issue of non-cumulative redeemable preference shares with a nominal value of 0.1 pence each ('the B Shares') as a method of making payments to shareholders. At the Company's 2021 Annual General Meeting, the Company did not put forward a resolution to approve the issue of non-cumulative redeemable preference shares. It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares.

In accordance with the terms of the scheme, any B Shares may be redeemed immediately for cash and such a redemption would result in a payment to the redeeming shareholder. Shareholders are able to redeem any number of their B Shares for cash. B Shares that are retained currently attract a dividend which is currently 75.0% of Bank of England Base Rate on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

As announced in the 2021 Annual Report, B Share redemptions will only take place in November of each year going forward. Details of the scheme can be found in the booklet entitled 'Your Guide to B Shares' and on the Company's website at www.mcbride.co.uk.

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 Group (formerly Capita Asset Services), who can be contacted:

by telephone 0371 664 0300 or on +44 371 644 0300 if calling from overseas. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday (excluding public holidays in England and Wales).

by email shareholderenquiries@linkgroup.co.uk

by post Link Group, Central Square, 10th Floor, 29 Wellington Street, Leeds LS1 4DL

When writing, please indicate that you are a McBride plc 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 plc 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 2022, the reported high, low, average and financial year end (30 June or immediately preceding business day) closing middle market quotations of McBride plc's ordinary shares on the London Stock Exchange.

	Share price (pence)			Financial year end
	High	Low	Average	
2018	232	121	177	132
2019	158	77	119	81
2020	89	49	66	62
2021	94	58	74	91
2022	89	16	58	16

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 020 7291 3310. 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

Electronic communications

Shareholders are able to register to receive communications from McBride plc electronically. McBride plc 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 plc's website at www.mcbride.co.uk.

Online shareholder services

McBride plc 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 plc ordinary share price changes against indices; and
- register to receive email alerts regarding press releases, including regulatory news announcements, Annual Reports and Company presentations.

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 the Strategic report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Report shall constitute a profit forecast.

Both the Strategic report and the Directors' report have been prepared and presented in accordance with the laws of England and Wales 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.

Registered office and advisers

Company's registered office

McBride plc
Middleton Way
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Telephone: +44 (0)161 203 7401
www.mcbride.co.uk
Company number: 02798634

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Chartered Accountants and Statutory
Auditor
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Manchester M3 3EB

Corporate brokers

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London EC2V 7QP
Peel Hunt LLP
7th Floor, 100 Liverpool St
London EC2M 2AT

Principal bankers

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London NW1 6AA

KBC Bank N.V.

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London EC2N 1BR

Bank of China, London Branch

1 Lothbury
London EC2R 7DB

BBVA London Branch

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1 Canada Square
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Registrars

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Leeds LS1 4DL

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200 Aldersgate
London EC1A 4HD



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