Everyday cleaning products, expertly made

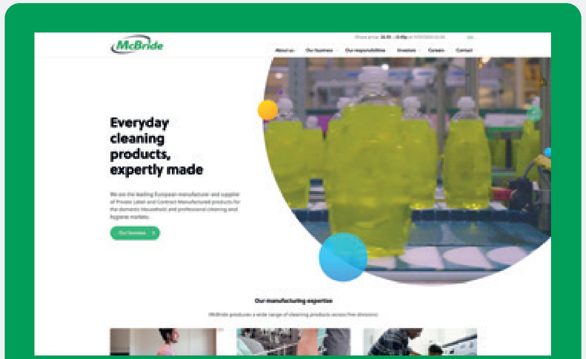
McBride plc

Annual Report and Accounts

2023

What's inside

Strategic report



Everyday cleaning products, expertly made

www.mcbride.co.uk

Directors' report

Financial statements

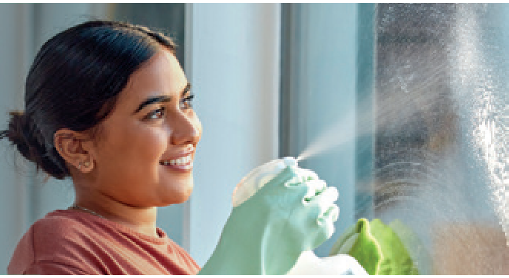
Additional information

Please note, throughout this report McBride plc is referred to variously as 'McBride', the 'Company' or the 'Group'.

This year, as part of our ongoing commitment to sustainability, we have taken a 'digital-first' approach, printing only a small number of copies on 100% recycled paper.

Q&A with our CEO
on pages 6 and 7

Our strategy
on pages 17 to 20



Our divisions
on pages 24 to 33

Environmental, social and governance
on pages 45 to 59

Our highlights

Financial

For the year ended 30 June 2023

Revenue	£889.0m	(2022: £678.3m)
Adjusted EBITDA(1)	£34.1m	(2022: £(3.6)m)
Adjusted operating profit/(loss)(1)	£13.5m	(2022: £(24.5)m)
Operating profit/(loss)	£10.3m	(2022: £(26.7)m)
Adjusted profit/(loss) before tax(1)	£0.3m	(2022: £(29.6)m)
Loss before tax from continuing operations	£(15.1)m	(2022: £(35.3)m)
Adjusted return on capital employed (ROCE)(1)	6.4%	(2022: (11.4)%)
Net debt/adjusted EBITDA(1)	4.9x	(2022: (45.7)x)
Free cash flow(1) from continuing operations	£38.0m	(2022: £(22.7)m)

Non-financial(2)

Health and safety accident frequency	0.88	(2022: 0.48)
Customer service level (CSL)	87.4%	(2022: 85.4%)
Gender split – female(3)	38.2%	(2022: 38.5%)

Alternative performance measures

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

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

The definitions of the APMs used are listed below:

- adjusted operating profit/(loss) is operating profit/(loss) before the amortisation of intangible assets and exceptional items;
- adjusted EBITDA means adjusted operating profit/(loss) before depreciation and amortisation;
- adjusted finance costs excludes exceptional finance costs incurred in respect of the independent business review;
- adjusted profit/(loss) before tax is based on adjusted operating profit/(loss) less adjusted finance costs;
- adjusted EPS is based on the Group's profit/(loss) for the year adjusted for the items excluded from operating profit/(loss) in arriving at adjusted operating profit/(loss), 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 ROCE is defined as total adjusted operating profit/(loss) from continuing operations divided by 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; 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 174.

(2) Please refer to key performance indicators (KPIs) on pages 37 and 38 for further details.

(3) Includes employees, third-party contractors, consultants 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.

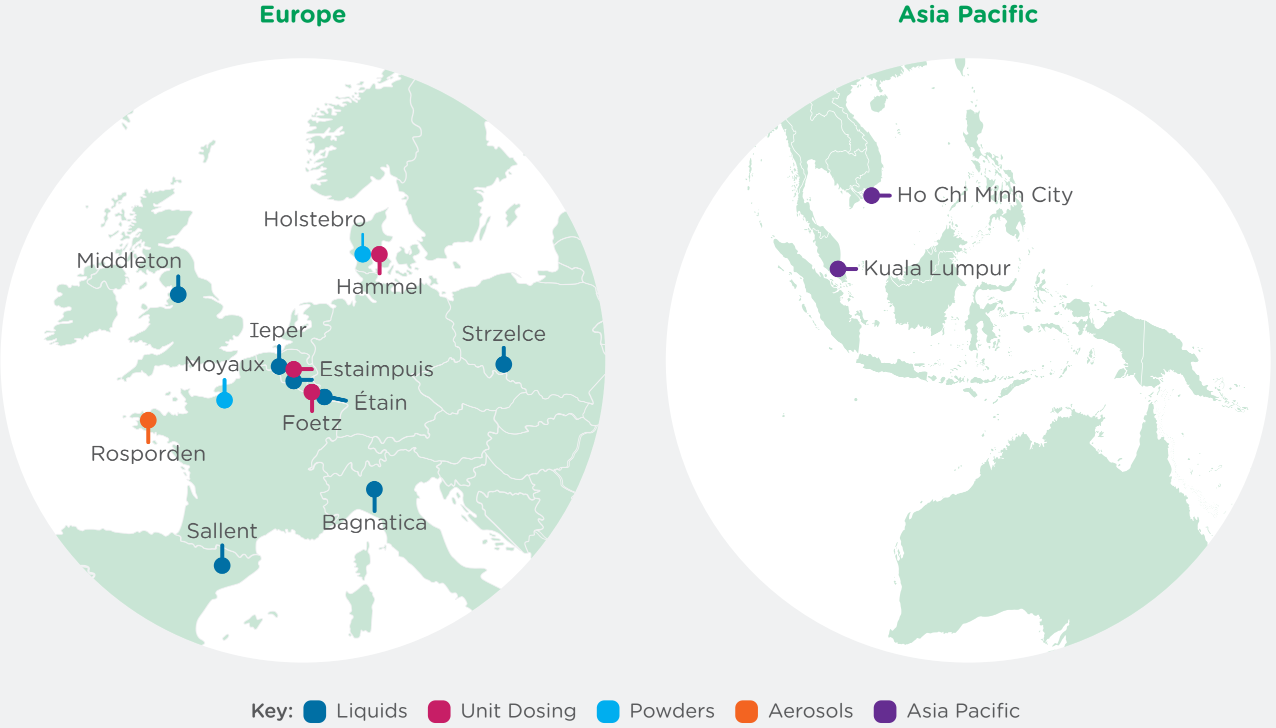
77.7%
of revenue from top five European economies

>90%
top European retailers supplied

956m
units sold

3,406
colleagues globally(1)

Our manufacturing locations



---

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

McBride at a glance continued

McBride Group

Group functions maximising synergy benefits:

- Purchasing
- Logistics
- Central Finance
- IT
- HR

Group sales
£889.0m

McBride Liquids

Products:

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

Group sales
56.0%

McBride Unit Dosing

Products:

- Auto dishwasher tablets
- Laundry capsules
- Water softener tablets

Group sales
26.3%

McBride Powders

Products:

- Laundry
- Auto dishwash
- Stain remover
- Water softener

Group sales
9.7%

McBride Aerosols

Products:

- Household
- Personal care
- Insecticides
- Sanitisers

Group sales
5.2%

McBride Asia Pacific

Products:

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

Group sales
2.8%

Chairman's statement

"While the economic environment remained challenging over the past twelve months, the mitigating actions taken in 2022 positioned McBride for a strong recovery and we have seen continued progress against our strategic objectives."

Jeff Nodland
Chairman

Dear shareholder

Welcome to the McBride plc 2023 Annual Report and Accounts. We entered this financial year following one of the most challenging periods in the Group's history, having to weather unprecedented inflationary pressures, many of which persisted into 2023, as well as a volatile trading environment. However, I am delighted to report that as a result of the management team's actions, combined with the agility and dedication of our talented and focused divisional teams, McBride has delivered a significantly improved financial and operational performance.

Performance recovery

For the year ended 30 June 2023, the Group has generated a step up in reported revenue and improved profitability across all divisions, as a result of strong margin management, proactive operational initiatives supported by new contract wins and an encouraging return to volume growth.

The performance recovery is particularly pleasing given the evolving inflationary environment with which the Group has needed to contend. While supply chain challenges and raw material pricing have largely stabilised, higher interest rates, labour cost rises and general inflation represent continuing headwinds. Importantly, the Group's clear positioning and communication to our customers on three-month pricing has enabled McBride to develop closer engagement with customers and to react with greater agility to the changing environment.

The McBride teams deserve immense credit for their relentless efforts and commitment to delivering for our customers and continuing to drive the business forward.

Strategic progress

Following the essential focus on navigating the challenges experienced in the year to 30 June 2022, McBride has made significant strides in progressing its core Compass strategy to generate sustainable, long-term shareholder value.

Each year, the Board and management team rigorously evaluate the Group and divisional strategies to ensure they will deliver our strategic ambitions. Following these reviews, we remain resolute in our commitment to delivering the Compass strategy, delivering targeted growth that is above market levels and improved effectiveness in everything we do. This latter contribution will be fulfilled through our multi-programme Transformation agenda, focused on delivering an exceptional customer experience, enabled by a more digitally enhanced and enabled business.

3.0bn

dishwasher tablets sold

Chairman’s statement continued

Environmental, social and governance (ESG)

As a responsible business, McBride places significant emphasis on its ESG agenda and this is highlighted by the fact that our CEO continues to lead and drive this workstream. The ESG group provides a high level of expertise and oversight for sustainability initiatives and requirements. Over the past year the ESG team have completed an ambitious project to review all McBride Scope 1, 2 and 3 emissions, creating an understanding of how our emissions are split within the business. This has allowed McBride to develop our first Science-Based Target covering all of our Scope 1 and 2 emissions. This is an important first step as we continue on our journey to Net Zero with focus on how to resource and prioritise our targets.

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 risk and ESG programmes. Over the next twelve months, the business will continue to prioritise and commit to the initiatives that will have the biggest impact, in the most effective and cost-conscious manner. On pages 45 to 59 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 88 and 89 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 2023.

Board

On 31 May 2023, we announced that Igor Kuzniar would step down as a Non-Executive Director of the Company with effect from 31 May 2023. The Board extends its thanks and appreciation to Igor for the commitment and contribution he has provided to McBride and its committees throughout his four years’ service as a Director.

Our people

The Board would like to thank all colleagues across McBride for their continued dedication to ensuring outstanding customer service and demonstrating an unwavering ability to adapt and overcome the challenges the business has faced. The scale of the performance recovery and the continued business momentum is a testament to the strength of our teams and their embodiment of the values within our business.

I look forward to our future as we continue to drive forward the Compass strategy and its growth and Transformation agenda, which will further strengthen our market-leading position and ensure the delivery of long-term, sustainable shareholder value.

Jeff Nodland
Chairman

The Board would like to thank all McBride colleagues for their continued dedication and unwavering ability to adapt and overcome the challenges the business has faced.

Find out more about our people in the ESG section on pages 45 to 59.

Q&A with our CEO

> “Our teams have shown how agile and flexible they can be in the face of extreme volatility, going the extra mile to execute our strategy and deliver for customers.”

Chris Smith
Chief Executive Officer

Q What have you learnt from the experiences of the past two years?

A We have learned a lot from the experiences of the past two years, despite them being incredibly challenging for the business. First and foremost, our teams have shown how agile and flexible they can be in the face of extreme volatility by going the extra mile to execute our strategy and deliver for customers. The support from our customers in taking price rises in the last few years was essential and welcome and with challenging availability for materials at the same time, we learned more about the relative importance of quality and reliability across both our and our customers' supply chains.

Additionally, a very significant move for us has been the progress we have made with customers on moving our basis of trading to three-monthly pricing. This has allowed us to respond quickly and more effectively to what remains a very volatile trading environment, and to work more closely with our customers to ensure pricing is sustainable, well communicated and data-led.

Q Tell us about some of the ways McBride has progressed its ESG strategy this year, and what are your priorities for 2024?

A Acting responsibly and putting in place initiatives that will safeguard the environment for generations to come has long been an essential part of everyday business, and McBride is committed to playing its part in the path to Net Zero.

Along with setting ambitious Scope 1 and 2 emissions targets in 2023, we also introduced a range of new innovations, both to advance our own Net Zero strategy, but also to help our customers and the end consumer act in a more environmentally-conscious manner. Initiatives include the launch of Elopak cartons for liquids, child-safe cardboard cartons for laundry capsules, concentrated laundry powder and liquids, and the introduction of an aerosol cardboard cap.

At the date of writing, a significant amount of data capture and analysis, alongside our adviser, Climate Partner, has now been completed on our Scope 3 reduction options. By December 2023, we expect to have set our ten-year Scope 1, 2 and 3 targets and our overall Net Zero timeline as part of our commitment to the Science-Based Targets protocol.

728.6m
units sold in Liquids division

Q&A with our CEO continued

Q Given the significant macroeconomic changes since 2021, is Compass still the right strategy for the business in today's world?

A I firmly believe that the Compass strategy and divisional organisation that was introduced in 2021 has ensured that the Group successfully weathered the extraordinary inflation levels we experienced in recent times. The focus, accountability and specialisms of the new divisions have meant that as well as dealing with the margin crisis, our high-quality new teams retained bandwidth to work on refining and driving forward their strategic priorities. This is evident in our current trading, especially in terms of the growth, which is being delivered both from market dynamics but more importantly contract wins and share gain. We have a clear focus on agility and providing expertise to respond to macro challenges and opportunities.

Q Looking at your debt profile, how are you planning to improve that over the next few years?

A We have taken decisive action over the past couple of years to manage our debt levels more carefully. However, we recognise that they remain too high, and that we need to reduce the interest burden. That will remain an important priority for the whole business over the next few years, and we have a clear plan in place to bring our debt levels gradually back to our target levels. Importantly, that work will not stop us delivering the Compass strategy and setting this business up for the long term.

Q Of the seven Transformation plan programmes you've mentioned, which would be the most impactful?

A The first thing I'd say is that as a strategy, Compass remains as relevant and compelling today as it did when we first announced it in 2021. All seven of the Transformation programmes we've discussed will play their part in transforming McBride and putting us firmly on the path to long-term, sustainable growth, so that we can deliver value for all our stakeholders.

Within that though, if I had to choose three it would be the SAP roll out and the Customer and Service Excellence programmes. These initiatives will differentiate McBride in the marketplace, set us apart from our peer group and deliver the platform for sustained business excellence.

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

A Great progress has been made with regards the environment element of our ESG agenda. Now that the baseline for McBride's carbon footprint has been established, we have embedded a process for the reporting of our Scope 1, 2 and 3 emissions. 2023 has seen McBride set its first Science-Based Target with respect to Scope 1 and 2 emissions and define our strategy for engaging with our suppliers on target setting for our Scope 3 emissions. We continue to offer improved product sustainability options for our customers. This year we have increased the use of post-consumer recyclable (PCR) materials in all divisions and we continue to disrupt the market with launches in the refill cleaning category.


Asia Pacific manufacturing
Malaysia

Our Transformation programme

See more on page 18

Our ESG agenda

See more on pages 45 to 59

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

While Global supply chains have shown signs of improvement in recent months, fragility remains. The high inflationary environment has led to pricing disconnects, as producers reduce output to manage supply and demand balances. Although many feedstocks have softened from the all-time highs of 2022 they remain well above historic levels, seemingly reflecting a 'new normal'. Suppliers are also raising prices to offset significant labour inflation.

Response

McBride has shown great supply chain resilience, with robust procurement strategies ensuring that our plants have continued to produce without any major material outages. The Group continues to drive a cost-conscious approach to all activities, helping to mitigate high inflationary pressures and limit price increases to customers. The Group is making good progress on initiatives to reduce future input cost volatility.

Sustainability

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

Response

Improving sustainability is a fundamental part of our corporate strategy, targets are built into all of our product development and operations. Our expert teams source the most appropriate raw materials and develop new products that can facilitate re-use and greater concentration, offering not only excellent performance but also proven sustainability benefits. As we work towards setting Science-Based Targets for our business, we are collaborating with our customers, suppliers and employees to drive meaningful actions that further reduce our impact on the environment.

Regulation

The regulatory framework in which McBride plc operates is in a state of evolution, with an unprecedented number of new and amended regulations. These changes result from the EU and UK moving to Net Zero and have a direct impact on various aspects of our operations, including the production, utilisation and disposal of our products. As a result, we can expect increased costs in these areas; however, alongside this is the opportunity to develop product offerings that meet these legal requirements and suit customer and consumer demands.

Response

We consider compliance with legislative requirements as an integral aspect of the services we provide to our customers. We wholeheartedly embrace initiatives that aim to enhance safety and sustainability for both consumers and the environment. To achieve this, we allocate substantial investments towards our factories and continuously improve our product portfolio. These measures enable us to uphold full compliance with all pertinent product legislation, ensuring the highest standards are met and surpassed.

Market context continued

Sales channels

Consumers continue to take action to manage their household spend as the cost-of-living crisis persists. Retailers are actively adapting their assortments and pricing strategies to respond, and remain competitive. Post Covid-19, the discounter channel has recovered and the growth of online and convenience channels has eased.

Response

We continue to support retailers, delivering market-appropriate and channel-relevant recommendations. We provide product solutions to meet price and range needs of shoppers, whilst continuing to satisfy the evolving cleaning requirements of consumers, doing so economically and environmentally.

Consumers

Discretionary spend remains low, with a continued financial squeeze for consumers driven by inflation. At shelf, shoppers are reflecting this: trading down to less expensive products and formats and cutting back on non-essential items. At home, consumer behaviour also evolves: reducing usage, decreasing machine energy settings, putting on bigger wash loads and we are seeing an increased level of dishwashing by hand.

Response

Our manufacture of high-quality, great-value products, so that every home can be clean and hygienic, is particularly important to consumers at a time when they face cost-of-living challenges driven by high inflation. Many of our ranges have been reformulated to reduce cost. For example, we have reduced the weight of our Liquids bottles and Aerosols cans, which has also improved product sustainability.

Brand owners

Owners of household cleaning and personal care brands use private label suppliers to contract manufacture their products. This may be because they lack specific technologies in their own factories, want to bring new innovations to market quicker, or to reduce their operational footprint.

Response

McBride's scale, know-how, professionalism and reputation for manufacturing high-quality products, assures major brand owners that McBride is the right partner to support their innovation or strategic outsourcing objectives. Such contracts offer significant worldwide growth opportunities, de-risked margins and help drive operational efficiencies by increasing asset utilisation. The Group is seeing more longer-term structural supply arrangements.

Case study

McBride UK Regional team support the implementation of sustainable packaging innovation

In 2023 we proudly started to fill homecare liquids into cardboard cartons, in a drive to reduce plastic packaging within our portfolio. This investment in innovation offers great benefits when compared to an equivalent PET plastic bottle: facilitating a reduction in plastic by 80%, reducing packaging weight by 35%, enabling improved palletisation and reducing our packaging carbon footprint by 50%.

The McBride UK Regional team played a pivotal role implementing this innovation, working closely with key UK customers to bring to market improved super-concentrated own-brand laundry detergents in our fully recyclable and FSC® certified cardboard cartons.

The laundry liquid was reformulated and, as a result, a smaller amount of detergent is now required per wash, allowing for more washes per carton. By coupling sustainably-led formulations and packaging innovation, we continue our quest and support our customers to reduce the carbon footprint and environmental impact of household products.

Key statistics:

80% plastic reduction

50% reduced carbon footprint

Business model

Driven by our purpose, our business model builds on the key attributes that set us apart, 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 care products 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 to ensure all homes are clean and hygienic.

How we do it

Customers first

↓

R&D expertise

↓

Production process

↓

Distribution efficiency

See more on page 11

How we make our money

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

84.9%
Retailers' private label

9.6%
International and regional branders (contract manufacturing)

2.2%
Professional and cleaning suppliers

3.3%
McBride brands

How we allocate capital

1. Debt management (including deleveraging)
2. Reinvest for growth
3. Strategic investments
4. Distributions to shareholders

What sets us apart

Four pillars underpinning our strategy:

Market standing

- Wide market coverage/knowledge from pan-European operations
- Reduced risk from customer diversification
- Scale advantages: largest volume player
- Blue-chip reputation

Operational excellence

- Manufacturing excellence
- Supply chain co-ordination and capabilities

Sustainability

- Innovation – specialisation and focus
- Sustainable product expertise – formulation and packaging

Talent

- Experienced management and dedicated employees

Business model continued

We seek to provide our customers a compelling overall offer, balancing their priorities for price, service and quality.

How we do it explained

Customers first:

The Group has well-established market positions in all of Europe's major economies and supplies its products to a very wide range of customers, including virtually all of Europe's leading retailers

R&D expertise:

Best-in-class expertise and know-how in:

- Formulation
- Prototyping
- Manufacturing
- Packaging options
- Sourcing

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

Distribution efficiency:

Consolidating the customer requirements via:

McBride warehouse network

↓

Into

↓

Customer distribution hubs

Underpinned by our strong commitment to sustainability: Ethical trading – Sustainability-orientated innovation – Waste reduction

Business model in action

Customer partnerships

McBride works in close partnership with its customers to fully meet their needs.

A key priority for McBride is to ensure that we serve our customers professionally and meet their expectations. We partner effectively with our private label customers to progress their product range, creating more sustainable and cost-effective products. We support each customer's strategy by providing products that meet the needs of their consumers and are accretive for their categories. McBride's technical teams have wide expertise regarding ever evolving regulatory requirements allowing our customers to anticipate upcoming changes.

We are also a flexible and professional partner for our contract manufacturing customers. In addition to producing their existing ranges, we increasingly co-develop new product offerings.

An increasing number of customers have visited our manufacturing sites in the past year. This has helped our teams to gain a greater understanding of our customers' key priorities and needs.

>2,000

new SKUs launched

31.1%

revenue growth

Business model in action continued

Manufacturing excellence

McBride's Lean Conversion Programme is improving the operational productivity in our business, developing our people, processes and plant.

Our key 'Lean' processes, targeting operational strategy and delivery, focused improvement projects and capability building, are a key element of our manufacturing excellence strategy.

The programme, impacting seven Liquids manufacturing locations, has delivered significant improvements in capacity, material efficiency and service through various 'Kaizen' activities in our manufacturing environments.

We are excited to roll out the programme across all geographies and functional areas of the business in 2024.

+8%

overall equipment effectiveness (OEE)

32.1m

units of capacity unlocked

Liquids manufacturing
Ieper

Business model in action continued

Customer service focus

2023 has been a year of huge challenge but also great achievement in customer service and logistics at McBride.

Our teams addressed challenges caused by dramatic cost inflation, transport capacity shortages and increasing demand to deliver the very best customer service. This resulted in a significant improvement in on-time delivery and a major reduction in shortages, evidenced by an improvement in our key CSL metric.

Some key areas of focus helped us to 'deliver our promise' to customers:

- Organisational structure – reorganising our customer service and logistics teams to ensure better 'end-to-end' focus on delivering great service to our customers
- Technology – implementation of a Transport Management System (TMS), automating our delivery planning and execution process, allowing our team to spend more time on continuous customer service improvements
- Partnerships – moved to formal partnership agreements with our third-party warehouse and transport providers to facilitate better on-time deliveries to our customers

12.7%
improvement in CSL

42.3%
reduction in shortages

Team warehouse visit
Gera

Our culture

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

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.

Our guiding principles

- **Focused growth**
- **Effective execution**
- **Proud of our identity**

Asia Pacific
Malaysia

Our vision

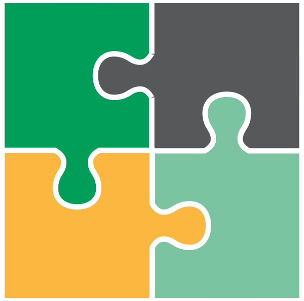
McBride will extend its position as the **leading value producer of everyday consumer hygiene products**, taking **revenue to €1 billion** through **focused and sustainable divisional strategies.**

Our purpose

Everyday value cleaning products,
so every home can be **clean** and **hygienic**

Find out more about our purpose on pages 10 and 11

Our values



- Always committed
- Giving and taking accountability
- Working together
- Aspire to be the best

Find out more about our values on page 16

Living our values

Always committed

- The HR team, supported by colleagues from GIS, successfully implemented the first phase of our HR Digital Transformation programme that will simplify and rationalise our technology landscape. The team managed significant additional workload associated with this project while continuing to effectively perform their day jobs.
- We now have one standard HR system supporting the European business, allowing us to effectively and efficiently manage the Hire to Retire process. The new system enhances both the manager and colleague experience through self-service functionality and shifts the power from HR to the end user, aligning with our aspirational value of giving and taking accountability.

Group HR team

Shifting HR to the next level

Giving and taking accountability

- The Powders division faced huge, unexpected input cost increases at the end of the first half, driven by global tightness in the supply of salts.
- The Powders team took less than two weeks to build a comprehensive plan to mitigate the exceptional cost impact and three months to fully implement the plan, demonstrating outstanding accountability in this crisis management situation. New compacted product offerings were developed in a very short timescale, mitigating the inflationary impacts for both customers and consumers.
- The specialism, focus and agility of the division now brings huge benefits to value chain stakeholders subjected to volatile environments.

Powders team

McBride Powders

Working together

- Our new 'click to lock' box skillet packaging was developed by bringing together diverse skills and perspectives to achieve a common goal: creating innovative sustainable packaging for laundry capsules.
- Our design partners created an eye-catching and eco-friendly design; our engineers ensured functionality, consumer safety and durability; our supply chain experts created and optimised the manufacturing processes, initially manually and on a small scale before scaling up the process to fully automated; and our marketing colleagues presented the sustainability benefits to customers.
- Through open communication, shared goals and collaborative entrepreneurship, we navigated tough challenges and, together, we proved that innovation thrives when our expert teams work together.

Unit Dosing team

Aspire to be the best

- Our Global Information Systems team has commenced the journey of modernising our technology platforms to ensure our colleagues and assets have access to value-add capabilities and make it easier to engage with colleagues, customers and processes.
- The introduction of a new productivity suite of software allows our colleagues to collaborate and communicate with each other through any device, anywhere and anytime, delivering information quicker.
- The rollout was slick and the new tools and functionality are adding value every day to end users and the business. The modernisation of our core business process systems and providing modern productivity tools to our employees positively positions us for the future.

Global Information Systems team

Our strategy

Our Compass strategy was implemented in 2021 to generate sustained revenue growth and improved margins from efficiency and effectiveness of our key activities, delivered through accountable business divisions and core central functions.

The divisional teams have been in place for nearly two years now and their maturity, accountability and strategic development is increasingly visible, with encouraging progress in support of the growth agenda. As the inflationary environment stabilises, our attention now turns to the efficiency and effectiveness element of Compass.

Our Compass operating model

Separate divisional strategies	→	Ensures focus
Decentralised model	→	Rekindles specialisms, agility, speed
Accountable divisional teams	→	Improves execution
Central core	→	Maintains scale advantage

Our ambition

- **Deliver sustained top-line growth**
- **Double-digit EBITDA margins**
- **Consolidate position as industry #1**
- **Partner of choice**

Growth

- Win/loss ratio positive
- Favourable environment for private label
- Contract manufacturing gains to deliver from 2024
- Innovation launches, especially packaging
- Private label share recovered, McBride market share growing

Transformation

- Leadership appointed
- Team fully appointed with a good mix of internal and external talent
- Programme now underway
- Targeting £50 million over five years

Our strategy continued

Our Transformation plan consists of seven programmes that are balanced between sales and margin growth, cost reduction and cash generation.

Transformation programme is underway

Programme management office discipline

1 Environmental transformation
Setting out the plan to deliver our decarbonisation ambition

Sales and margin growth

2 Commercial excellence
Skills/tools/process investment

3 Operations transformation
Targeted investments to support growth and innovation

4 Service excellence
Overhauling our supply chain to keep our 'customers first' focus

Cost reduction and cash generation

5 Operating model excellence
A new Enterprise Resource Planning (ERP) system

6 HR digital transformation
Digital replatforming of our core HR processes

7 Cost excellence
Designing out waste, duplication and non-value adding activity

The Group's Transformation programme is now underway, led by a new Chief Transformation Officer, a role that sits on the Executive Committee.

The plan has been consciously constructed to contain seven overall programmes overseen by a newly appointed programme management office. Our carbon reduction programme will be a common thread through all the other programmes, as we look to decarbonise the business over the coming years. We expect that the benefits of these programmes will fall into two groups, one supporting sales and margin growth, the other delivering cost reduction and cash management improvements.

Supporting our sales and margin growth ambition will be programmes delivering commercial excellence from our customer-facing teams and service excellence from our supply chain activities.

Key to cost benefit realisation will be the migration to a new ERP system over the coming three to four years, permitting a more modern, standard operating model with improved data analytics.

Capital Markets Day

More detail about our Transformation programme will be shared at our upcoming Capital Markets Day.

Our strategy continued

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.

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

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.

McBride Liquids

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**

Read more on pages 24 and 25

McBride Unit Dosing

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**

Read more on pages 26 and 27

Our strategy continued

McBride Powders

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

Cost leadership → **Cash generation**

Read more on pages 28 and 29

McBride Aerosols

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

Product leadership → **Value optimisation**

Read more on pages 30 and 31

McBride Asia Pacific

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
- Fully exploit Malaysia facility
- Expand Vietnam output
- Expand into household
- Capture and develop contract manufacturing opportunities

Cost and value leadership → **Strategic upside**

Read more on pages 32 and 33

Liquids manufacturing
Ieper

CEO's report

> "Strong performance recovery through 2023, with increasing momentum, positions McBride for long-term, sustainable growth."

Chris Smith
Chief Executive Officer

Overall business performance

McBride entered the financial year to 30 June 2023 in a significantly stronger position than the previous year, when a volatile macroeconomic backdrop led the Group and the industry to experience unprecedented margin pressures. The decisive actions we implemented through the second half of calendar year 2021 and into 2022, to enable the business to weather these challenges, have provided the foundations for a much-improved performance and, encouragingly, a return to strong volume growth. Whilst the extreme input cost inflationary period is behind us, many of the themes highlighted in last year's Annual Report remained significant and continued to be factors that our teams have had to contend with throughout the year. As a result, McBride has had to be agile and innovative in its approach; skills that stand us in good stead for the future.

The first six months of the year were characterised by a focus on margin and service recovery as the dual effects of pricing and input materials inflation from the preceding twelve months cycled through the business, with sales volumes relatively flat and the business break-even at the trading profit level. However, the second half saw a pleasing return to volume growth and stronger profitability levels, driven by the stabilisation of raw materials prices, combined with McBride delivering new contract wins and a strong volume pull, there was a growing consumer shift towards private label products across all markets.

At a Group level, revenue was up 31.1% to £889.0 million (2022: £678.3m) with £159.6 million a result of the wrap-around effect of selling prices increases and £32.1 million from higher volumes. Operating profit from continuing operations improved significantly on the prior year, increasing to £10.3 million (2022: loss of £26.7m). Adjusted operating profit⁽¹⁾ increased to £13.5 million (2022: adjusted operating loss of £24.5m), with adjusted operating profit in the second half of £14.8 million compared to a first half adjusted loss of £1.3 million.

Heading into the financial year ending 30 June 2023, one of our top priorities was keeping a tight hold on costs and working capital and maintaining strong capital expenditure control. The focus across all teams on debt management has resulted in no significant deterioration in our debt levels. Liquidity remains strong despite higher activity levels at the end of the year. Debt reduction will remain an important area of focus into the new financial year.

In the face of such clear and profound pressures, this set of results represents an excellent performance and is testament to the hard work of our teams, our commitment to customer service and the steps we have taken to strengthen the business and position it for long-term growth.

Inflationary environment

As expected, inflation remained a major challenge throughout the year, with the impact increasingly being from labour and energy costs, with chemicals and packaging costs more benign. Energy cost inflation remains an unpredictable factor; however, McBride's own energy costs are fully hedged, with the principal risk to McBride being the indirect impact of energy in its core raw material supplies.

While inflation presented significant challenges, it led to an important opportunity to consider how our pricing approach to customers is best managed. The Group has persisted this past year with the principle of not committing pricing to customers beyond three months. With the ongoing potential for significant volatility in input costs, this principle has enabled divisions to respond more effectively and quickly to shifts in the macroeconomic environment. Through our data-led approach, our teams can now clearly demonstrate the dynamics behind the decision-making, allowing teams to engage with customers and move pricing in a collaborative, flexible manner.

Volume growth

Alongside margin recovery through price increases and value engineering, the volume growth across the Group in the second half of the year helped to deliver our return to profit. Importantly, while the total market for private label and branded products is estimated to have fallen by 5.5% in volume terms, McBride delivered a 5.6% increase in total volumes, with private label volumes 7.0% higher. A further acceleration in the latter part of the second half of the financial year saw final quarter volume growth of 12.7%.

The overall market in Europe saw further gains for private label with volume share up 2.5% to 33.1%, fuelled by clear switching by consumers and retailers in light of cost-of-living challenges. At a category level, dishwash saw the biggest growth in volumes, up 5.0%, with laundry up 2.0% and cleaners flat.

---

(1) Please refer to APM in note 2.

CEO's report continued

Volume growth continued

McBride saw volume growth significantly ahead of the market across the three categories, with dishwash volumes standing out at 13.0% higher in the year. This performance ahead of market is a result of a combination of factors: the increasing focus and specialism embedded in the divisional teams together with the Group wide focus on customer service excellence and product quality leading to more contract wins from customer confidence in McBride as their trusted and preferred supplier.

Divisional portfolio performance

All divisions reported bottom line improvement with Liquids, Unit Dosing and Aerosols returning to profitability. While Powders reported an overall loss for the year due to cost increases in key raw materials in the first half, the division recovered well and returned to profitability in the final quarter. This represents an excellent performance for the Group and highlights both the underlying strength of the business, its teams and the significant opportunity for growth.

Liquids, our largest division, increased revenue by 27.3% on a constant currency basis, from £391.2 million to £497.9 million, with volumes rising by 5.0%. Within this, private label sales volumes increased by 6.0%, which compared favourably with the overall volume growth of 2.8% seen in the five key private label markets in Europe. A number of new contract wins and a strong performance in France and Germany were the key contributors to the growth in Liquids. Strong cost control, especially in the factories, efficiencies in logistics and improving margin levels through the year enabled the division to deliver a step up in adjusted operating profit to £10.5 million (2022: adjusted operating loss of £15.9m).

Unit Dosing delivered revenue growth of 33.9% on a constant currency basis at £234.2 million, with adjusted operating profit of £10.0 million, up from a loss of £0.8 million last year. All of the division's product lines saw positive volume growth in the year, totalling a 7.2% increase overall, with private label up 13.2% across the year. Both laundry and dishwash categories performed well with particularly strong growth in Germany.

Powders delivered a highly creditable performance given the unexpected materials cost spike it experienced relating to various chemicals used mostly in powdered products in the first half of the year. The team reacted quickly to adjust pricing and as a result recovered margins well in the second half. The team has continued to win new business both in contract manufacturing and private label and are well set for good volumes into the new financial year. Revenue was 22.7% higher on a constant currency basis at £85.9 million, while the adjusted operating loss improved by £1.8 million to £(0.7) million. The team reacted quickly to adjust pricing and as a result recovered margins well in the second half. Another strong performer in the year was Aerosols, which delivered a 40.8% increase in revenue on a constant currency basis, half of which was from volume growth and half from revised pricing levels.

Adjusted operating profit(1) of £0.3 million represented an increase of £1.8 million year-on-year and resulted in an adjusted operating profit margin(1) of 0.6% versus the prior year adjusted operating loss margin of 4.6%. This growth was driven by higher private label sales and some impressive new contract wins. The division continues to pursue its core strategy of supplying niche products to a limited range of markets, while identifying opportunities for targeted geographical expansion.

Revenue in our Asia Pacific region rose by 6.9% on a constant currency basis to £24.8 million and the division delivered adjusted operating profit of £1.1 million, a 57.1% increase on the prior year. The trends seen elsewhere in terms of increased demand for private label products is also strengthening in Asia Pacific and the division remains focused on building its presence in household products alongside its strong position in personal care.

Corporate costs were £7.7 million (2022: £4.5m), driven by inflationary impacts and higher bonus provisions.

Revenue	**2023 £m**	2022 £m	Reported change %	Constant currency change %(2)
Liquids	**497.9**	383.9	29.7%	27.3%
Unit Dosing	**234.2**	171.5	36.6%	33.9%
Powders	**85.9**	68.6	25.2%	22.7%
Aerosols	**46.2**	31.9	44.8%	40.8%
Asia Pacific	**24.8**	22.4	10.7%	6.9%
Group	**889.0**	678.3	31.1%	28.4%

Adjusted operating profit/(loss)(1)	**2023 £m**	2022 £m	Reported change £m	Constant currency change £m(2)
Liquids	**10.5**	(15.9)	26.4	26.8
Unit Dosing	**10.0**	(0.8)	10.8	10.9
Powders	**(0.7)**	(2.5)	1.8	1.4
Aerosols	**0.3**	(1.5)	1.8	1.9
Asia Pacific	**1.1**	0.7	0.4	0.4
Corporate	**(7.7)**	(4.5)	(3.2)	(3.0)
Group	**13.5**	(24.5)	38.0	38.4

(1) Please refer to APM in note 2.

(2) Comparatives translated at financial year 2023 exchange rates.

CEO's report continued

Strategic progress

While the volatile macroeconomic environment forced the business to focus on the short term in the years following the 2021 strategy reset, the Board is confident that our Compass strategy remains as relevant and compelling as it did when it was first announced. The business has made significant progress in the year to 30 June 2023, putting in place many of the processes and plans that will set us on the path to long-term, sustainable growth.

The Board and senior leadership teams have continued to undertake a thorough review of Group and divisional strategies each year, and we maintain our commitment to delivering on our plans. To that effect, we have continued to see strong growth in two key areas of strategic focus with private label volumes in our key German market up 9.8%, and in our key laundry category volumes grew 6.5%, significantly ahead of the total market growth level.

Importantly, we are committed to delivering all programmes set out in our Transformation agenda. We have made a substantial investment, including creating a standalone team to ensure each programme is adequately resourced and we continue to target £50 million of benefits over five years. In particular, the progression of our SAP programme, in combination with the Commercial Excellence and Service Excellence programmes, will be key factors in differentiating McBride in the market, improving business momentum and generating shareholder value.

Sustainability

McBride remains committed to playing its part in the path to Net Zero and acting in a responsible manner across its operations. In 2023, we established our targets for our Scope 1 and 2 emissions, whereby we will reduce these emissions by 55% by 2033. We expect to finalise our Scope 3 targets by the end of December 2023.

We also launched a range of ESG innovations, both in pursuit of our Net Zero agenda and to help our customers and consumers with their environmental ambitions. Initiatives include the launch of Elopak (liquids in cardboard cartons), laundry capsules in child-safe cardboard cartons, concentrated formats for laundry powder and certain liquid cleaners and the introduction of a cardboard cap for our aerosol products.

Current trading and outlook

The first two months of the new financial year have seen the momentum of last year's second half continue. However, our teams remain vigilant to safeguard the business from short-term challenges arising from a still volatile macro environment and we will continue to focus on reducing debt and maintaining tight control of costs.

We enter the 2024 financial year with improving confidence about the future. Our performance improvement momentum, the work done to pursue our Compass strategies, the gathering pace of our Transformation agenda and our leadership positions across many of our markets and categories mean McBride is well placed to deliver sustainable, profitable growth over the longer term.

Chris Smith
Chief Executive Officer

18 September 2023

Liquids products
Bagnatica

Our divisions

McBride
Liquids

> “Liquids delivered double-digit revenue growth, with a significant increase in profitability driven by volumes, pricing, improved service levels and cost reduction actions.”

Peter Ingelse
Managing Director Liquids

Revenue	Adjusted operating profit/(loss)[1]	Adjusted ROCE[1]
£497.9m	£10.5m	9.1%
2022: £383.9m	2022: £(15.9)m	2022: (13.0)%

Performance review

Liquids revenue grew by 27.3% on a constant currency basis[2], £391.2 million to £497.9 million, driven by volume growth of 5.0% and selling price increases in response to continued inflationary pressures.

Private label sales volumes increased by 6.0%. This private label performance compared favourably with the overall volumes seen in the five key private label markets in Europe, which grew by 2.8%. Market outperformance was driven by new contract wins and improving customer service.

In the fourth quarter, there was increased demand for private label products, particularly in France, in response to pressures on disposable incomes. This resulted in consumers switching from branded products to private label items. Until the fourth quarter, this had been more than offset by the overall decline in consumer demand.

Conversely, volumes sold to contract manufacturing customers were down 16.6% as branded product lines were hit by the market shift to private label.

Volumes of private label dishwash products grew by 12.9%, driven by a contract win in the UK and the division outperforming the five largest private label markets in Europe, which grew by 7.6%.

Volumes of private label laundry products grew by 6.2%, with key contract wins in Spain and Germany, again significantly outperforming the key markets in Europe. Volumes of private label cleaner products increased by 1.8%, which represented a positive performance compared to growth in the market as a whole, which was flat year-on-year.

The division delivered an adjusted operating profit of £10.5 million, which was £26.8 million higher than the prior year on a constant currency basis.

666.5m

litres sold

---

(1) Please refer to APM in note 2.

(2) Comparatives translated at financial year 2023 exchange rates.

Our divisions

McBride Liquids

Liquids site
Ieper

Performance review continued

Service levels improved throughout the year, with improvements made in the division's factories and across the broader supply chain. These improvements in service resulted in lower customer penalties and helped deliver year-on-year growth.

Good progress was made with committed Compass cost reduction actions, while factory efficiencies were also improved through the rollout of Lean manufacturing methodology across the division.

For the second year, the division achieved net contract wins, particularly in the German market, which is expected to impact volumes positively over the next financial year.

Q&A with Peter Ingelse

Q How is the push towards Net Zero and the increasing importance of sustainability influencing your business?

A Offering customers innovative and sustainable products is one of the cornerstones of our business strategy.

During the year we launched a range of products in carton packaging, enabling the use of millions of plastic bottles to be avoided; this represents a much more sustainable solution for environmentally conscious customers.

We also created a range of cleaner products in concentrated pack sizes, thereby enabling consumers to refill primary packaging, further saving plastic and avoiding the need to ship unnecessary water around the network.

Being sustainable in cleaning is critical for McBride and our customers to grow together.

Q How did you manage the ongoing inflation pressure during the year?

A Our first objective was to focus on reducing our own cost base and optimising our efficiencies, in order to compensate as much as possible for the rising input costs of energy, labour, logistics and raw materials. However the level of inflation seen in the first half, which continued from the prior year, was so high that we had to increase prices to our customers. On the whole, customers were receptive and understood the need to implement these changes.

Whilst some raw material prices have stabilised, inflation remains a challenge, in particular for labour and logistics, and we are also contending with the impacts of higher interest rates.

Our divisions

McBride
Unit Dosing

> “Unit Dosing returned to profitability on the back of strong revenue growth, with increased volumes across Europe, strategic price increases and tight cost control underpinning the division’s positive performance.”

Lennard Markestein
Managing Director Unit Dosing

Revenue	Adjusted operating profit/(loss)(1)	Adjusted ROCE(1)
£234.2m	£10.0m	16.0%
2022: £171.5m	2022: £(0.8)m	2022: (1.2)%

526.9m
laundry pods sold

Performance review

Revenue was up by 33.9% to £234.2 million on a constant currency basis(2), with the division recording adjusted operating profit of £10.0 million (2022: operating loss of £0.8m), resulting in an adjusted operating profit margin of 4.3% (2022: adjusted operating loss margin of 0.5%).

After delivering a revenue increase of 35.1% in the first half of the financial year, the division grew 32.7% in the second half, driven by selling price increases, new contract wins and improved rates of sale of private label products. Volumes in contract manufacturing declined by 18.5%.

All of the division’s product lines saw positive volume growth in 2023, which represents a significant achievement. The division grew in four of the five largest economies in Europe (UK, Germany, France and Spain), with a marginal volume decline in Italy. New product offerings – such as the new ‘click to lock’ box and capsule shapes – have been selected by multiple customers and are growing rapidly, illustrating how McBride is innovating to improve delivery and create value.

Adjusted operating profit improved by £10.8 million, driven by multiple factors. Continued price increases to recover inflation played a key role in the first half, while efforts to develop next generation lower cost products across all our categories had an increasing impact as the year progressed. Volume growth allowed the division to leverage its factories, which resulted in an increase in its direct labour productivity of over 7%. Strategic staffing policies and tight cost controls helped to offset labour and service cost increases, ensuring overheads only increased by 13%, despite significant increases in labour and energy inflation. Overall, the division has taken a major step forward in improving its competitiveness and positioning itself for long-term growth.

(1) Please refer to APM in note 2.

(2) Comparatives translated at financial year 2023 exchange rates.

Our divisions

McBride
Unit Dosing

Unit Dosing manufacturing
Foetz

Performance review continued

After two and a half years of the divisional structure, the team is now fully embedded in the industry and has developed industry-leading insights in terms of anticipating market developments, customer needs and competitive activity. The team is resilient and increasingly entrepreneurial, while the Group-wide Transformation initiatives will help the division accelerate its progress further.

Q&A with Lennard Markestein

Q **Contract manufacturing volumes have declined in the past two years. How do you see the path forward?**

A Contract manufacturing is very important for the Unit Dosing division. Our relations with our contract manufacturing customers are strategic and together we innovate and co-invest. Our volumes have indeed declined; in 2022 due to changing consumer habits and the consequent reduction in temporary Covid-19 overflow volumes. On top of that, in the year some of our customers experienced slower sales rates for their products. Looking ahead to the next twelve months, we will launch multiple new products spread over dishwash and laundry and we expect sales run-rate on existing contracts to bounce back as well.

Q **Your Compass strategy called for product leadership. How is the cost of living crisis affecting this strategy?**

A The priorities and targets of our Compass strategy remain the right ones, although it is fair to say that the areas of emphasis have changed. For example, we have allocated more innovation resource to the development of lower cost product options on the back of increased demand from consumers. Our financial performance deteriorated in 2022 and the first half of the past year, and as a result we prioritised our investments in new capacity and capabilities. That said, I feel very positive about the progress we have made in the last twelve months and we can look to the next year with confidence. Our offerings for compacted products, sustainable packaging and emerging categories have greatly expanded and we have clear plans to strengthen our range. For us it really boils down to smartly allocating our resources and focusing relentlessly on execution.

Our divisions

McBride
Powders

> “Proactive and decisive action enabled Powders to largely offset volatile and often immediate price increases in materials, leading to the division achieving break-even in the fourth quarter of the fiscal year.”

Marielle Claudon
Managing Director Powders

Revenue	Adjusted operating loss(1)	Adjusted ROCE(1)
£85.9m	£(0.7)m	2.4%
2022: £68.6m	2022: £(2.5)m	2022: (11.5)%

64,150
tonnes produced

Performance review

Revenue in Powders at £85.9 million was 22.7% higher on a constant currency basis(2) while the adjusted operating loss reduced by £1.8 million to £(0.7) million. Ongoing cost mitigation actions and volume growth in the final quarter provided the foundations to returning the business to break-even in the near term.

The division has seen volatile and, at times, immediate price increases for various key raw materials throughout the year.

Despite the strong selling price increases, given the magnitude of the inflationary pressures experienced in the year, it was not possible to offset cost increases fully.

Additionally, the higher selling prices of the category damaged its competitiveness versus other types of formats, such as Liquids and Unit Dosing products. This caused a reduction in powder product demand in most markets, both across private label and contract manufacturing.

The total laundry powder market declined in volume by 3.7%, although private label grew by 1.5%. The same dynamics were seen in auto dishwash powder with a total market volume decline of 4.6% but with private label gaining market share in certain geographic areas. However, the tabs format fell off significantly, seeing a 31.4% decline in private label volume.

For the laundry powder category, McBride generally benefited from the switch from brands to private label in most of the key European markets and gained significant new volumes in contract manufacturing. However, auto dishwash category sales suffered due to some contract losses and a lack of growth in France and Italy.

(1) Please refer to APM in note 2.

(2) Comparatives translated at financial year 2023 exchange rates.

Our divisions

McBride Powders


Powders manufacturing
Holstebro

Performance review continued

As a result of the implementation of cost-saving initiatives throughout the year and the benefits of increased selling prices, profit recovered in the last quarter. However, this did not offset the losses incurred during the first three quarters and prevented the division from achieving its break-even target.

During the year, the division worked relentlessly to deliver award-winning products in its five key markets, building on its strong R&D strategy and establishing the Powders division as the 'go-to' manufacturer in the market.

Q&A with Marielle Claudon

Q What trends do you see for the Powders division?

A Maintaining volumes remains a key challenge for the division in a declining market with shifting usage. We nevertheless stay very confident in our ability to further grow the business while capturing branders' share as they are not investing in the category anymore, either through private label gains or contract manufacturing. We strongly believe there is a future for powder detergent as it remains the most sustainable offer in the detergent portfolio. We are aware that new trends for Powder-based products are appearing on the market so we are constantly assessing how we can transform and expand our offering to deliver greater value.

Q What are the priorities for the Powders division going forward?

A As with last year, the focus of the business is to recover and/or offset the inflationary pressures we currently face. The commercial teams continue to actively engage with our customers to mitigate the issues through price management and revised product offerings.

We are starting a study to 'Reignite Powders' by gathering insights from our end consumers in order to better understand their opinions of Powders products and why they currently buy (or do not buy) them. We intend to use the findings to review and update our Powders strategy and will also share the information with our direct customers.

Lastly, we want to transform our manufacturing sites into operational centres of excellence able to offer the best solutions to our private label and contract manufacturing customer bases, and we want to make the most of our manufacturing capabilities and technologies (fluid bed and spray tower).

Our divisions

McBride Aerosols

> “Significant increases in demand for all three product categories led to exceptionally strong revenue growth, with the implementation of targeted price increases enabling the division to return to profitability.”

Marc Marot
Business Unit Director Aerosols

Revenue	Adjusted operating profit/(loss)(1)	Adjusted ROCE(1)
£46.2m	£0.3m	2.7%
2022: £31.9m	2022: £(1.5)m	2022: (13.1)%

68.2m
units produced

Performance review

Aerosols revenue of £46.2 million was 40.8% higher in the year on a constant currency basis(2), while adjusted operating profit of £0.3 million was up £1.9 million at constant currency(2). This resulted in an adjusted operating profit margin(1) of 0.6% (2022: adjusted operating loss margin of 4.6%).

Following strong revenue growth of 33.4% in the first half, when the division delivered an adjusted operating profit at break-even, the second half saw sales increase by 48.1% across all core categories. The implementation of price increases partially offset exceptional increases in raw material, packaging and logistics cost increases. Material prices appear to be plateauing at the high level seen since the fourth quarter.

Of the division’s three main product categories, both household and personal care saw a significant increase in demand in the year, while insecticides grew slightly.

This growth was driven by higher private label sales, largely due to increasing underlying demand and new contract wins, in addition to increased selling prices.

Supply chain agility and strong cost controls reinforced Aerosols’ strong reputation with customers and were key factors in capturing new business in both private label and contract manufacturing.

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 contract wins that launched in the third quarter, with others planned for the next financial year, continuing the positive growth momentum experienced through 2023.

---

(1) Please refer to APM in note 2.

(2) Comparatives translated at financial year 2023 exchange rates.

Our divisions

McBride Aerosols

Aerosols site
Rosporden

Q&A with Marc Marot

Q What will drive sales growth in the next financial year?

A The implementation of our strategy is delivering tangible results, even in the difficult economic conditions we have experienced over the past twelve months. As a result, the Aerosols division is building on category growth opportunities within household, personal care and insecticides products, in addition to pursuing regional sales growth opportunities in Germany.

Q What are the challenges?

A There are a variety of challenges coming our way as an industry; for the year ahead supply chain disruptions will continue to have repercussions, and supply times, raw material costs and the impact of inflation on purchasing power will also define the coming year's activity.

Our division is focused on implementing reliable raw materials and components sourcing to secure our supply chain and stock the shelves of our customers. Our market position and close relationships with our customers have proven to be an important differentiator for the division, and we have successfully developed solutions to minimise products shortages.

Consumer demand for products in the aerosol format does not appear to be diminishing, which the division will seek to capitalise on by developing innovative and sustainable solutions, while also supporting the Group.

Our divisions

McBride
Asia Pacific

> "Strong first half revenue performance offset a challenging second half, with a disciplined approach to cost control ensuring the division could tackle inflationary pressures and increase operating profit."

Teong Dee Ong
Business Unit Director Asia Pacific

Revenue	Adjusted operating profit⁽¹⁾	Adjusted ROCE⁽¹⁾
£24.8m	£1.1m	11.6%
2022: £22.4m	2022: £0.7m	2022: 5.7%

16.1m

litres produced

Performance review

Revenue grew 6.9% on a constant currency basis⁽²⁾ to £24.8 million, with adjusted operating profit growing to £1.1 million, representing a 57.1% increase. This resulted in an adjusted operating profit margin⁽¹⁾ of 4.4%, which was achieved via a disciplined approach to overhead cost control across the division as a means to combat the general inflationary pressures seen across the region.

Revenue in the first six months of the year grew by 18.9% but decreased by 4.2% in the second half of the year. This reduction was primarily due to the partial loss of a contract with a major customer that operates across multiple countries in the South East Asia region. Nevertheless, new contracts secured and launched in the fourth quarter will more than mitigate this loss going forward, and are expected to generate positive sales growth momentum going into the next financial year.

Demand for private label products is strong as consumers increasingly turn towards better value products without compromising on performance. In Australia, private label contracts with a major customer were successfully extended. In Malaysia, key customers have been strongly promoting their private label personal care offering, resulting in significant sales growth.

(1) Please refer to APM in note 2.

(2) Comparatives translated at financial year 2023 exchange rates.

Our divisions

McBride Asia Pacific

Asia Pacific manufacturing
Malaysia

Q&A with Teong Dee Ong

Q What are the key commercial priorities in the division's growth agenda for the next financial year?

A Over the past year, we have been reinforcing and building stronger sales and account management capabilities. There are three priorities that the commercial team will be focusing on as we head into the 2024 financial year. Firstly, we will protect and expand our existing customer base with a focus on securing closer relationships with our valued customers to ensure best-in-class service levels and to help them grow their business through innovative product offerings. Secondly, the team will be focusing on aggressive business development activities to attract and secure new customers, especially in contract manufacturing. Thirdly, as we scale up our technical and manufacturing capabilities in the household category, we will be in a stronger position to compete more effectively for household business in private label as well as seeking contract manufacturing opportunities.

Q With respect to the current manufacturing facilities in Malaysia and Vietnam, what actions have been taken so far to achieve the division's cost and value leadership strategy?

A Both of our sites are now co-ordinated by the Operations Director based in Malaysia. As a result, our operations teams at both sites now work with a continuous improvement mindset and culture. One of the clear benefits has been the generation of efficiency gains on existing lines while undergoing stringent overhead cost controls – a consequence of this has been more competitive manufacturing costs. We are now looking at further leveraging our Group purchasing power to improve our procurement of raw materials.

Since moving into the new facility in Malaysia in 2021, volumes have grown and we have leveraged better economies of scale to offset the inflationary pressures encountered in the year. Good progress is being made in getting new cost-efficient household production lines running, which will be complemented by investments into in-house performance testing capabilities.

Meanwhile, we have also put in a place a new structure which focuses on innovation and technical capability improvements, which are strongly supported by our Group R&D sector specialists. This will enable us to focus on meeting customers' needs by offering new products in the most cost-effective way possible. In addition, we continue to strengthen our quality assurance systems; we received the ISO 22716 accreditation in Malaysia at the end of last year, and efforts are in place to achieve ISO 9001 and ISO 14001 accreditations by end of this year.

CFO's report

> "It is pleasing to report a successful turnaround in profitability, driven by the margin recovery actions agreed with our customers and volume growth driven by improved customer service levels, new contract wins and increased consumer demand for great value, high quality private label products."

Mark Strickland
Chief Financial Officer

Group operating results

Operating profit from continuing operations of £10.3 million was a significant improvement on the prior year (2022: loss of £26.7m). Adjusted operating profit⁽¹⁾ of £13.5 million was also significantly better than the prior year (2022: loss of £24.5m) whilst the adjusted operating profit margin⁽¹⁾ increased from (3.6)% to 1.5%.

The Group returned to profitability as the time lag between the exceptional levels of input cost inflation hitting the business and the mitigating actions being agreed with our customers unwound. In particular, in the second half of the year, we saw encouraging sales momentum across the Group, underpinned by improved customer service levels, new contract wins and increased consumer demand for great-value, high-quality private label products.

Group EBITDA

Adjusted EBITDA⁽¹⁾ of £34.1 million (2022: £(3.6)m) reflected the strong trading performance.

	2023 £m	2022 £m
Operating profit/(loss)	**10.3**	(27.1)
Add back: operating loss from discontinued operations	**–**	0.4
Operating profit/(loss) from continuing operations	**10.3**	(26.7)
Exceptional items in operating profit/(loss)	**0.8**	(0.4)
Amortisation of intangibles	**2.4**	2.6
Adjusted operating profit/(loss) from continuing operations⁽¹⁾	**13.5**	(24.5)
Depreciation of property, plant and equipment	**16.8**	16.9
Depreciation of right-of-use assets	**3.8**	4.0
Adjusted EBITDA⁽¹⁾	**34.1**	(3.6)

Exceptional items

Total exceptional items of £13.0 million were recorded during the year in relation to continuing operations (2022: £3.1m). The charges primarily comprised the following:

- £12.2 million in respect of the independent business review and refinancing costs recognised in finance costs, including a £1.5 million charge in respect of the valuation of the upside sharing fee payable to members of the lender group upon exiting the existing revolving credit facility (RCF) agreement; and
- £0.8 million costs relating to the re-evaluation of an environmental remediation provision.

Finance costs

At £13.2 million, adjusted finance costs were £8.1 million higher than the prior year (2022: £5.1m), driven by revised terms under the lending agreement announced on 29 September 2022 and increases to the underlying market interest rates.

Loss before tax and taxation

Reported loss before taxation from continuing operations was £15.1 million (2022: loss of £35.3m). Adjusted profit before taxation⁽¹⁾ from continuing operations was £0.3 million (2022: loss of £29.6m). The tax charge on continuing adjusted profit before tax⁽¹⁾ for the year is £0.3 million (2022: £9.3m credit) and the effective tax rate is 100% (2022: 31%).

The statutory effective tax rate on continuing operations for the year is 24% (2022: 32%).

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.

---

(1) Please refer to APM in note 2.

CFO's report continued

Loss per share

On an adjusted basis, diluted loss per share(1) from continuing operations was 0.0 pence (2022: loss of 11.7p). Total adjusted diluted loss per share(1) was 0.0 pence (2022: loss of 11.7p), with basic loss per share at 6.6 pence (2022: loss of 14.0p).

Payments to shareholders

Under the terms of the amended RCF announced on 29 September 2022, the Company may not, except with the consent of its lender group, declare, make or pay any dividend or distribution to its shareholders prior to 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. Hence the Board is not recommending a final dividend for the financial year ended 30 June 2023.

Cash flow and balance sheet

Free cash flow(1)	**2023 £m**	2022 £m
Adjusted EBITDA(1)	**34.1**	(3.6)
Working capital excluding provisions and pensions	**7.1**	(15.3)
Share-based payments	**0.5**	–
Loss on disposal of fixed assets	**0.3**	0.3
Non-exceptional reversal of impairment of property, plant and equipment	**–**	(0.1)
Pension deficit reduction contributions	**(4.0)**	(4.0)
Free cash flow(1)	**38.0**	(22.7)
Exceptional items	**(1.4)**	(4.1)
Interest on borrowings and lease liabilities less interest receivable	**(11.4)**	(3.3)
Refinancing costs paid	**(12.3)**	(1.8)
Tax paid	**(1.8)**	(0.1)
Net cash generated from/ (used in) operating activities	**11.1**	(32.0)
Net capital expenditure(2)	**(16.3)**	(13.2)
Debt financing activities	**2.6**	24.7
Settlement of derivatives	**0.4**	0.4
Free cash flow to equity(3)	**(2.2)**	(20.1)
Dividends paid/redemption of B Shares	**–**	(0.1)
Share buy-back	**–**	(0.1)
Net decrease in cash and cash equivalents	**(2.2)**	(20.3)

Free cash flow(1) was £38.0 million (2022: (£22.7)m) in the year to 30 June 2023.

Working capital inflows increased compared to the prior year primarily due to a reduction in customer payment terms, partially offset by an increase in the value of inventories due to higher input costs.

During the year, net capital expenditure(2) was £16.3 million (2022: £13.2m) in cash terms. The ongoing reduction in gross capital expenditure levels resulted from careful management of cash flows to mitigate increases in net debt. The Group continues to prioritise capital expenditure to underpin our strategy of focused investment in our growth categories.

The Group's net assets decreased to £37.1 million (2022: £57.0m). Gearing(4) decreased slightly to 78% (30 June 2022: 80%) as net debt levels remained broadly in line with the prior year end. Adjusted ROCE(1) of 6.4% was higher than the prior year (2022: (11.4)%) driven by a return to operating profitability.

Bank facilities and net debt(1)

Net debt(1) at 30 June 2023 increased marginally to £166.5 million (30 June 2022: £164.4m).

Throughout the year the Group had a €175 million multi-currency, sustainability-linked RCF. The facility was agreed for a five-year tenor to May 2026 and is provided by a syndicate of supportive international bank lenders. On 29 September 2022, the Group announced that it had agreed an amended RCF with its lender group, maintaining the commitment date to May 2026 and ensuring the Group has sufficient levels of liquidity headroom and can comply with revised covenant requirements. Key provisions of the agreement are detailed in note 20 to the financial statements.

The Group considers that the amended RCF 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 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.

(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 represents net debt divided by the average of current and prior year year-end capital.

CFO's report continued

Bank facilities and net debt[1] continued

At 30 June 2023, liquidity[1] as defined by the RCF agreement was £59.3 million (2022: £70.6m). Liquidity throughout the year was comfortably above the minimum liquidity covenant of £15 million.

At 30 June 2023, the net debt cover ratio as defined under the RCF funding arrangements was 2.9x (2022: (93.3)x) and the interest cover was 2.7x (2022: (0.2)x). The amount undrawn on the facility was €46.7 million (2022: €64.5m). Under the current agreement, net debt cover and interest cover covenants are to be tested quarterly from 30 September 2024.

The RCF, 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, 58.6% of the Group's energy came from renewable sources, beating the target of 30.0% by 30 June 2023.
2. Recycled content: Plastics are a significant element in many of the final products of McBride. The Company targets to increase significantly the post-consumer recycled (PCR) 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, 98.2% of PET bought had PCR content, exceeding the target of 79.0%.
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 55.6%, below the target of 65.0% by 30 June 2023. The decrease in the use of FSC® sourced board is due to product mix and transition impacts. McBride continues to focus on improving our recyclability via product design and working closely with our customers.

Successful achievement of all three annual targets will result in a reduction of 0.05% of the margin of the facility.

At 30 June 2023, 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, committed until September 2024. In France and Belgium, the Group had an aggregate €30 million facility, which had a rolling notice period of six months for the French part and three months for the Belgian part, both committed until September 2024. In Germany, the Group had a €40 million facility, committed until September 2024. In Spain, the Group had an €8 million facility, committed until May 2026. Since the year end, the Group has agreed extension of all invoice discounting facilities to May 2026. 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's confirmed financing, improved trading performance and more positive three-year financial forecast has meant that there is no longer a material uncertainty that would cast significant doubt on the Group's ability to continue as a going concern, even when modelling severe but plausible downside risks. The Board anticipates that the financial turnaround will allow the Group to improve liquidity and cash flows further. In particular, it is expected that having a clean auditors' report will facilitate the agreement of an invoice discounting line on our unencumbered Italian debtor ledger and allow credit insurers to increase levels of insurance cover to our suppliers back to more normal levels.

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 delivered a stable, more certain expected return and reduced volatility. The strategy previously targeted a c.100% hedge of interest rates and inflation.

As a result of the government bond crisis in 2022 and the resultant changes in liability driven investing (LDI) managers' collateral requirements, the Trustee amended the strategy in October 2022 and as an interim step moved to an unlevered government bond based hedge with c.40% of interest rate and inflation hedging.

The investment strategy is currently being reviewed and hedging is due to be increased to c.60% of interest rates and inflation. This level of hedging broadly hedges the current funding level of the Fund and strikes a balance between risk and return objectives and the liquidity needs of the Fund.

A significant increase in corporate bond yields has decreased the value of the liabilities and the assets over the year to 30 June 2023. At 30 June 2023, the Group recognised a deficit in the scheme of £24.7 million (30 June 2022: £14.4m). The increase in deficit is due to recent high inflation impacting pension liabilities at 30 June 2023 by more than had been assumed within long-term inflation assumptions.

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 is payable until 31 March 2028. The Company has separately agreed that, from 1 October 2024, conditional profit-related contributions of £1.7 million per annum will be paid over the period to 31 March 2028. If adjusted operating profit exceeds £35 million, additional annual deficit contributions of £1.7 million will be due over the following year. If adjusted operating profit is below £30 million then no profit-related contributions will be due the following year. If reported adjusted operating profit is between £31 million and £35 million, a proportion of the £1.7 million contribution will be due over the following year, with incremental increases of £0.34 million of additional contributions for each whole £1 million of adjusted operating profit in excess of £30 million. 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. 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 £1.9 million (30 June 2022: £1.7m).

Mark Strickland
Chief Financial Officer

---

(1) Please refer to APM in note 2.

Key performance indicators Financial

Revenue from continuing operations (£m)

Definition and why we measure

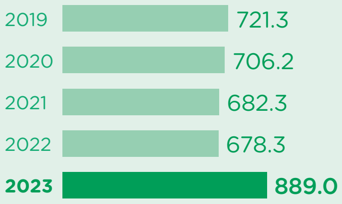
Revenue from the sale of our products is measured at the invoiced amount, net of sales rebates, discounts, value added tax and other sales taxes.

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

Group revenue increased by £210.7 million (31.1%), driven by both volume increases and pricing actions.

How it links to our strategy



Cost savings (£m)

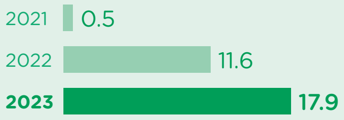
Definition and why we measure

Cost savings achieved from the implementation of strategy. Cost optimisation was the backbone of the first two years of our five-year Compass plan. As such, we committed to deliver annualised cost savings of £20 million by the end of 2023.

How we've performed

In 2023, £17.9 million cost savings have been achieved. Cost savings resulted from cost of product initiatives, warehouse optimisation and reductions in overheads.

How it links to our strategy



Adjusted EBITDA(1) margin advances (%)

Definition and why we measure

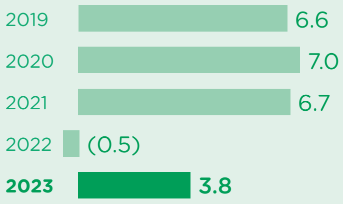
The calculation of adjusted EBITDA(1), which when divided by revenue gives this EBITDA margin, is defined in the adjusted measures section of note 2 to the consolidated financial statements.

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 Group returned to profitability as the time lag between the exceptional levels of input cost inflation hitting the business and the mitigating actions being agreed with our customers unwound.

How it links to our strategy



Free cash flow(1) increase (£m)

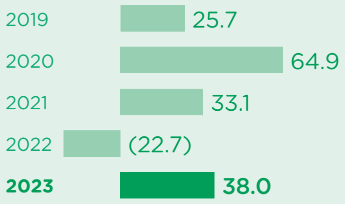
Definition and why we measure

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) increased by £60.5 million, driven predominantly by increased adjusted EBITDA (£37.7 million) and increased working capital inflows (£22.4 million).

How it links to our strategy



Adjusted ROCE(1) improvement (%)

Definition and why we measure

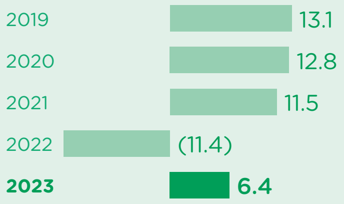
Adjusted ROCE(1) is defined as total adjusted operating profit(1) from continuing operations divided by the average year-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables (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 increased from (11.4)% to 6.4%. Capital employed has decreased to £200.1 million (2022: £218.6m). The key driver of the increase in ROCE is the growth in adjusted operating profit(1) to £13.5 million (2022: loss of £24.5m).

How it links to our strategy



(1) Please refer to APM in note 2.

(2) Comparatives translated at financial year 2023 exchange rates.

Key: Market standing Operational excellence Sustainability Talent

Key performance indicators Non-financial

Health and safety

Definition and why we measure

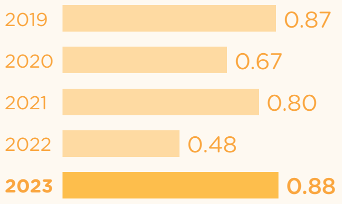
We define our lost time frequency rate as number of lost time injuries x 100,000 divided by total number of person-hours worked.

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

How we've performed

Our lost time frequency rate increased in 2023; however, is envisaged to improve next financial year with key objectives focused on Group standards, risk assessment, zero loss journey maps and leading indicators.

How it links to our strategy



Customer service level (CSL) (%)

Definition and why we measure

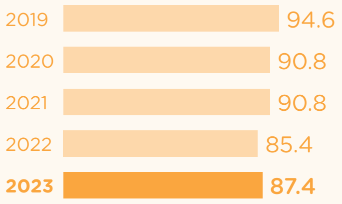
We define CSL as the volume of products delivered in the correct volumes and within requested timescales, as a percentage of total volumes ordered by customers.

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

How we've performed

Our CSLs increased in 2023, following actions taken to address logistical issues in Germany. While improving, CSLs are not yet back to historic levels as changes in customer and consumer behaviours have resulted in a more unstable demand signal. We continue to work closely with our customers to further improve CSLs.

How it links to our strategy



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 recent years(2).

How it links to our strategy

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

The fall in the customer satisfaction index in 2023 resulted from the negative impact of some microbiology issues and a higher-than-expected level of returns. Improving quality is a strategic focus, with specific action plans in place to drive improvement in microbiology and customer returns.

How it links to our strategy

R&D expenditure (£m)

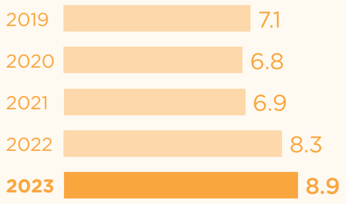
Definition and why we measure

Total R&D expenditure for the Group is measured 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 R&D expenditure has increased in 2023 as a result of ongoing work to develop new product offerings and packaging options for customers.

How it links to our strategy



(1) Please refer to APM in note 2.

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

Key: Market standing Operational excellence Sustainability Talent

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 2006 Act'). 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 below.

Liquids warehouse
Middleton

Our key stakeholders

Workforce
Read more on page 40

Customers
Read more on page 41

Suppliers
Read more on page 42

Shareholders
Read more on page 43

Communities
Read more on page 44

Our stakeholders Section 172(1) statement continued

Workforce

Why significant

We are committed to providing a strong and positive culture for our 3,406 colleagues(1) in 12 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.

2023 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 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.

Liquids
Bagnatica

---

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

Our stakeholders Section 172(1) statement 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 our customers, ultimately providing a compelling range of value products. Reacting quickly and effectively to changing requirements is increasingly a core competence in our customer proposition.

2023 highlights

Again, this year has seen frequent interactions with customers, in respect of continued inflationary pressure on the supply side where, in addition to volatile costs in respect of raw materials and packaging, global inflationary pressures have been an increasing feature of our discussions. Our interactions with clients have reached varying levels within both our organisation and that of our customers.

In all of these difficult conversations McBride has shown transparency and has had constructive dialogue with customers in gaining their support for price increases. A key part of our strength is that, through our flexible product portfolio, we have been able to work with customers to ensure that their offer to consumers gives them the value that they seek in these inflationary times and, where possible mitigate the effects of price increases on the end consumer.

Outcomes and impact of key decisions

Our position on requested selling 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 selling price increases achieved.

Our stakeholders Section 172(1) statement continued

Suppliers

Why significant

Raw materials make up a large portion 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.

2023 highlights

'Supply and demand imbalances' was probably one of the most commonly used phrases in the first half of the year as producers reduced output of key commodities, initially to reduce energy consumption, but subsequently to manage availability and provide a pricing floor in the backdrop of a slowdown in global demand. The high inflationary environment and the subsequent responses of central banks created an environment not seen for a generation. Despite these challenges, the Group Purchasing team have worked well to ensure continued availability across our sites, demonstrating the strength of the supplier relationships the buyers have developed.

Outcomes and impact of key decisions

The benefits of a centralised Group Purchasing function have been repeatedly demonstrated throughout the year with supply continuity being a key measure of success. The team have continued to leverage the Group's scale, and utilise our wide range of sourcing options, in order to exert pricing control. The Group is not overly reliant on any single supplier.

Asia Pacific manufacturing
Malaysia

Our stakeholders Section 172(1) statement continued

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.

2023 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;
- the Chair of the Remuneration Committee engaged with McBride's major shareholders on the proposed new Directors' Remuneration Policy to be put forward to shareholders at the 2023 AGM for approval by way of a binding vote. Further details of the Policy are contained on pages 119 to 130;
- the Board engaged with two major overseas shareholders in respect of a significant vote received against the resolution put forward at the 2022 AGM in respect of shareholders' authority to allot shares. Further details are set out opposite;
- 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;
- shareholder feedback was provided by the Chairman or Chief Executive Officer to the Board following all meetings or conversations with shareholders; and
- shareholder feedback was provided by the Chair of the Remuneration Committee in respect of the proposed new Directors' Remuneration Policy.

Outcomes and impact of key decisions

Shareholder views consistently inform McBride plc's strategic activities and the views of the Company's major shareholders continue to inform the actions of the Board as it implements its Compass strategy and Transformation programmes. These will play a key role in supporting the long-term, sustainable growth that will enable the Board to deliver value for all the Company's stakeholders.

Case study

At the Company's 2022 AGM, all resolutions were passed with the requisite majority of votes. However, a vote of 49.63% was received against Resolution 13 (authority to allot shares). The voting outcome was primarily the result of two overseas shareholders with a significant holding voting against the Resolution. The Company undertook further dialogue with these shareholders to better understand their concerns in respect of this Resolution and the reason behind the result. Further details can be found in our Voting Results Update Statement which is available on the Company's website **www.mcbride.co.uk**. As a result of the engagement, the Board will be presenting this Resolution at the 2023 AGM with a reduced authority to allot on both a non-pre-emptive and pre-emptive basis of 5%. The Board will continue to engage with overseas shareholders on this topic and will maintain dialogue with shareholders for whom this authority continues to present concerns and will keep best practice in this area under review.

The Company is required to seek shareholder approval of its Directors' Remuneration Policy at least every three years from the date of its approval. The current Directors' Remuneration Policy was last approved by shareholders at the Company's AGM held in 2020. Shareholders are this year being invited to approve a new Directors' Remuneration Policy. The proposed new Policy is set out on pages 119 to 130.

As part of the process for agreeing the revised Directors' Remuneration Policy, the Chair of the Remuneration Committee consulted with the Company's major shareholders on key aspects of the Policy. Further details regarding the rationale for the proposed changes are contained in the statement of the Remuneration Committee Chair on pages 115 to 118.

Our stakeholders Section 172(1) statement continued

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 56 to 58.

2023 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 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 56 to 58, 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

Our impact on the world

Operations | Products | Transport | Waste | Water

See more on pages 47 to 53

Social

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

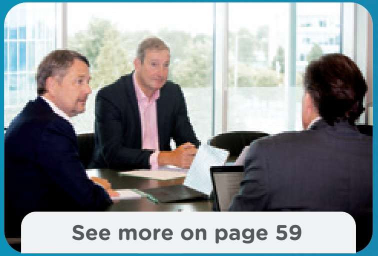
Dignity and equality | Health and wellbeing | Skills for the future
Employment/wealth generation | Community and social vitality

See more on pages 54 to 58

Governance

How we conduct ourselves

Governance body quality | Stakeholder engagement
Ethical behaviour | Cyber security and data protection | Risk and opportunity oversight



See more on page 59

Environmental, social and governance continued

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 ESG issues that are most relevant and important in the context of McBride plc's business activities. The Company recognises it must tackle climate change to remain viable; it also places ESG 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 reporting 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 ESG objectives which sit alongside our obligations under the Code. Progress is regularly monitored by the ESG Committee and reported on to our Board for review.

Liquids site
Bagnatica

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 and we are progressing well across a range of targets.

In 2021 we committed to measure our corporate carbon footprint with an external partner to gain an understanding of our Scope 1, 2 and 3 emissions. The hotspots identified included energy, packaging, chemicals and logistics, the largest part of our footprint coming from our chemical consumption.

Our full carbon footprint was first measured in 2021 and is the baseline that we measure progress against, with a total of 935,259 tonnes of CO_2e, which reduced by 4.9% to 889,428 tonnes in 2022 due to an increase in Scope 2 renewable electricity purchased and a reduction in volume which impacted Scope 1 and 3 emissions.

In 2023 we saw an increased footprint to 913,021 tonnes of CO_2e, an increase of 2.6% versus prior year, due to an increase in the volume of product sold by 4.9%; this has impacted our Scope 1 and Scope 3 emissions, offset by continuing decline in our Scope 2 emissions due to our investment in renewable electricity, which in 2023 reduced by a further 23.9% versus 2022. From 2021 to 2023 we have reduced our Scope 2 emissions by 44%. Note that Scope 2 also includes our vehicle fleet. The investments we have made in renewable electricity and the keen focus by our operations teams on energy efficiency have led to a step change in our Scope 2 emissions.

The overall corporate carbon footprint for 2023 remains lower than the baseline 2021 by 1.6% and our intensity, which is a measure of CO_2e per tonne of product sold, has continued to decline.

As of 2023

(1.6)%
overall corporate carbon footprint versus 2021 baseline

59%
of electricity sourced from renewables in 2023

60%
by weight sourced from PCR for PET plastic packaging

10%
reduction of Scope 1 and 2 emissions in 2023 vs 2022

Environmental, social and governance continued

Environmental continued

Our impact on the world

	Emissions 2023 (tonnes CO_2e)	Emissions 2022 (tonnes CO_2e)	Emissions 2021 baseline (tonnes CO_2e)	% emission change 2023 from 2022	% emission change 2023 from 2021 baseline
Total (no usage)	**913,021**	889,428	935,259	2.6%	(2.4)%
Scope 1	**8,251**	7,894	8,282	4.3%	(0.4)%
Scope 2	**10,841**	13,432	19,189	(23.9)%	(43.5)%
Scope 3 (no usage)	**893,929**	868,102	907,788	2.9%	(1.6)%
Output: kg net weight of sold products	**876,027,999**	833,407,133	859,448,949	4.9%	1.9%
Intensity: tCO_2e per tonne net weight of sold product (excluding use phase)	**1.04**	1.07	1.09	(2.4)%	(4.4)%

In 2023, we committed to a Science Based Target on Scope 1 and 2 for the near term with an ambition to reduce our emissions by 54.6% by 2033 from a baseline of 2021.

In the coming year we will continue to look at our Scope 3 footprint. In 2023, 97.9% of our footprint was generated from chemicals, packaging and logistics. For chemicals, this equates to 65.9% of our Scope 3 emissions. We have multifunctional working groups who are advising the ESG council on emission reduction initiatives that we can deploy in the coming years, having a positive impact on our footprint. This workplan will help the ESG council to set Scope 3 targets for our operations.

Liquids manufacturing
Ieper

Environmental, social and governance continued

Environmental continued

Our impact on the world

Impact – Operations

Energy consumption: (Gas, electricity and oil)

Our absolute energy consumption this year has increased as a result of increasing production volume, yet we have shown an improvement in energy efficiency compared to prior year and an overall increase in efficiency of 4.1% since 2019. This has been achieved as a result of a key priority on energy efficiency activities across all our sites, and will be a continued area of focus for 2024.

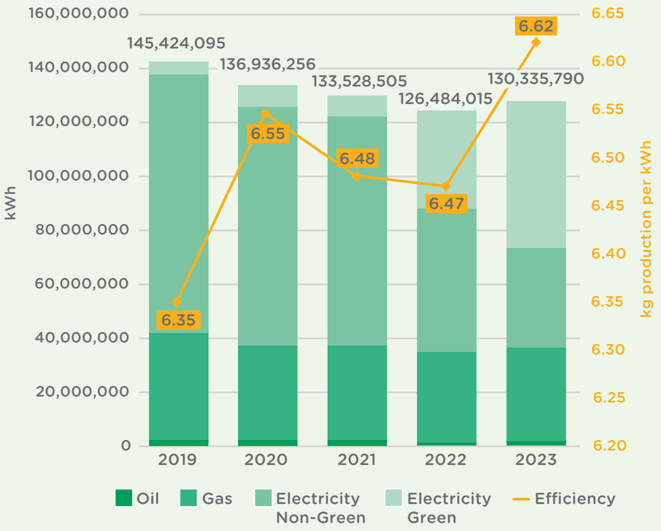
Our investments in green electricity have continued and in 2023 the proportion of green electricity in our total demand has increased to 59%. In our overall energy consumption for 2023, 42% was from renewable energy sources.

Greenhouse gases (GHG)

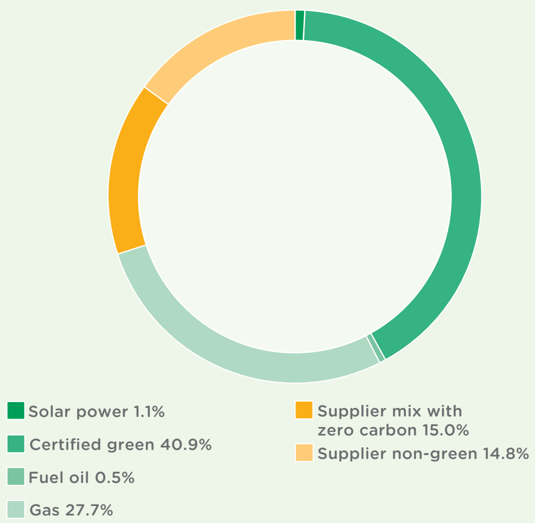
We have been calculating our Scope 1 and 2 GHG emissions for our energy consumption since 2008 in accordance with the relevant GHG Protocol for Corporate Accounting and Reporting Standards and using latest emissions factors from recognised sources, based upon market values.

The overall impact on our operations for Scope 1 and 2 emissions over the last four years is shown below. The substantial decrease of 10% in 2023 is driven by our increase in usage of renewable green energy and energy efficiency improvements.

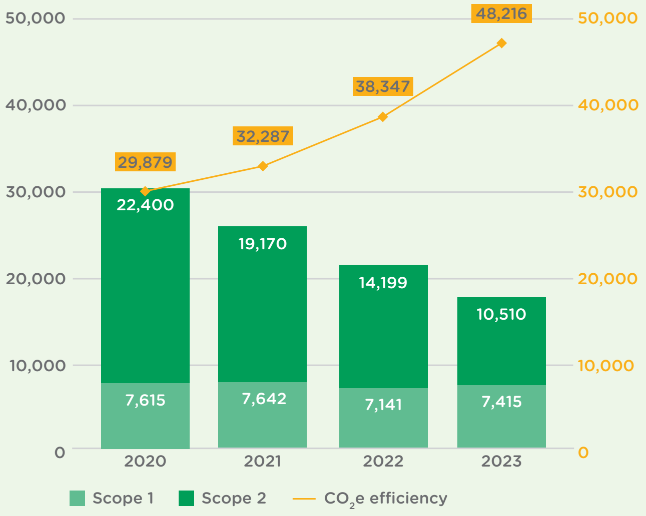
McBride plc total energy consumption[1]



Split of energy source including green element of supplier grid mix 2023



Net Scope 1 and 2 CO_2e emissions (tonnes CO_2e)[2] for energy consumption



---

(1) Total energy consumption for 2023 of 130.5 million kWh relates to 17.7 million kWh for the UK (13.6%) and 112.8 kWh for the Rest of the World (86.4%).

(2) Total emissions for energy in 2023 of 17,925 tonnes relates to 632 tonnes for the UK (3.5%) and 17,293 tonnes for the Rest of the World (96.5%).

Environmental, social and governance continued

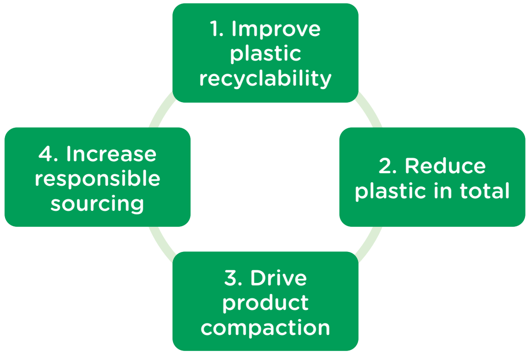
Environmental continued

Our impact on the world

Impact – Products

Our embedded eco-design principles allow our teams to drive sustainable change, whilst also providing everyday cleaning products that are effective and safe to use. We continue to push forward the principle that every new development should be more sustainable than the product it replaces.

Our continued areas of focus are to develop solutions that:



The slight decrease in the use of FSC® sourced board and the transition from flexible multi-plastic to mono-material plastic is due to product mix and transition impacts. In terms of recyclability, we continue to focus on improving our recyclability via product design and working closely with our customers.

The incorporation of recycled plastics into products continues to be a major focus, with progress made throughout the year. Recycled PET has advanced substantially in the last twelve months with an increase of 8% compared to 2022. For High Density Polyethylene (HDPE), we are exploring new options to limit the possibility of impurity contamination in specific product groups to further accelerate our use of recycled material. We are also accelerating the move away from plastic completely for some key product groups, with new launches for our cardboard cartons for liquid and laundry capsules.

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. As we work towards setting Science Based Targets for our business, our previous targets set for 2025 may be adapted to better fit our Net Zero ambitions.

In line with the target in our Sustainability and the Environment Policy we are committed to removing microplastics as defined by Regulation (EC) No 1907/2006 from our formulations. The final Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) restriction is likely to be published later this year and we already have options available for customers who want to proactively remove concerned materials.

Area of focus	2022	2023	2025 target
FSC® sourced	91.4%	88.4%	100%
100% recyclable	98.5%	99.0%	100%
50% PCR in our plastic packaging	17.6%	19.3%	50%
– PET	52.2%	60.2%	
– PE	5.1%	8.4%	
Flexible multi-plastic moved to mono-material plastic	39%	36%	100%

Environmental, social and governance continued

Environmental continued

Our impact on the world

Impact – Products continued

Our commitment to sustainability is also underlined via our membership of the International Association for Soaps, Detergents and Maintenance Products' A.I.S.E Charter 2020+ ('the Charter'). This 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

Our new Transportation Management System (TMS) allows for a high level of data visibility of truckloads and routings. This facilitates the ability to make informed decisions to improve the efficiency of our transport network. Upstream and downstream transport and distribution contributes to 8.6% of our overall footprint and we expect that this new system will have a positive effect on these emissions.

Impact – Waste

We are continuing to reduce our waste to landfill year-on-year and we now have eleven sites with zero waste to landfill within the Group in 2023. In the last financial year, 222 tonnes were sent for landfill, a 41% reduction when compared to 378 tonnes in 2022.

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 our final three sites to get to zero waste to landfill by 2025.

Environmental, social and governance continued

Environmental continued

Our impact on the world

Case study
Innovation in homecare liquid packaging

The Liquids development team is continuing to drive sustainable innovation in homecare liquid packaging. This year we have focused on developing a concentrated refill cleaning system that is used in conjunction with a liquid trigger cleaner. This includes a cleaner for windows, bathrooms and all-purpose cleaning.

The product is easy to use: the consumer takes an empty trigger bottle, adds water at home and then twists on the 70ml concentrated liquid refill; the concentrated liquid is released directly into the trigger bottle and is ready to use. The average trigger bottle and trigger head weighs c.63g and it can be replaced with a 12g refill. This results in an 80% plastic saving as the same trigger bottle can be used at least eight times and the refill is made from 50% recycled plastic. This new development provides a solution for consumers to avoid a 'just keep buying a new one' approach to cleaning with an easy-to-use solution.

Case study
Innovation in homecare formulation development

Within the Liquids division the product development team has been working with our suppliers to source alternative bio-based cleaning ingredients for our washing up liquid and trigger cleaner portfolio. We have developed a new range of products that are powered by plant-based cleaning ingredients, still meeting all the technical requirements of our customers. Formulations from the new plant-based portfolio are now on the market across Europe and are supporting our ambition to reduce our carbon footprint generated from our purchased chemicals.

Within the Powders division the product development team has been driving compaction in the laundry powder portfolio with the development of a new laundry powder portfolio that can be dosed at 50g instead of 65g per wash. This great development has led to a reduction in the skillet size by 25mm for an average 25 wash pack and the improved skillet design has led to the optimisation of logistics. There is no compromise in cleaning performance and the new formulations are already on the market in the UK.

Environmental, social and governance continued

Environmental continued

Our impact on the world

Case study
Innovation in aerosol plant development and the Rosporden Site

The Rosporden plant in France has led three exciting initiatives this year, two of which have contributed to removing virgin plastic from our operations in caps and shrink wrap, and also housing 240,000 bees in the grounds of our site to promote biodiversity.

With our ambition to reduce use of virgin plastic, the Aerosols division has developed a 100% recyclable cardboard cap to replace a traditional plastic aerosol cap. This was launched in May 2023 for furniture polish on the French market. For one customer selling 2.5 million units this was a saving of 13.5 tonnes of plastic per year (based on a plastic cap weight of 5.4g).

In addition, the Aerosols team is also leading the way in moving shrink wrap (tertiary packaging) to 100% PCR; this has replaced all non-PCR shrink wrap in this plant. This initiative has replaced 131 tonnes of virgin flow wrap with flow wrap produced from 100% PCR material.

Since April 2023, the site has housed three beehives containing 240,000 bees. This is to support the ambition to transform green spaces into biodiversity refuges and help to preserve bees, that play a critical role in pollinating plants. This has been very well received by colleagues and has been shared with other McBride locations.

Case study
Innovation in unit dose development

We asked ourselves how to provide practical solutions to our consumers and our stakeholders to answer to the most urgent challenges they are facing: the cost of living and the climate change challenges. We are proposing three smart solutions:

1. Compaction: We assessed whether a specific ingredient is actually essential or not. We have simplified our formulation chassis and kept only the most efficient and essential technologies. We adapted our manufacturing equipment to make smaller unit dose capsules, tablets and related smaller packaging. As a result, for example, our new 21ml formulation capsule cleans just as well as our old 24.5ml capsule. It is a more cost-effective proposition and limits the use of unnecessary chemicals.
2. Value proposition: We looked at proposing another quality price value proposition to consumers in our product portfolio. This is about a smart quality of cleaning for everyday washes and everyday stains. Our new mono-compartment capsule format delivers an everyday cleaning performance with only 17ml.
3. Credible ecological offer: We are committed to select the most advanced biodegradable and plant-based cleaning technologies, without compromise on cleaning performances for consumers. Our ecological dishwashing tablets deliver a superb performance and are regularly recognised by consumer organisations across Europe.

Environmental, social and governance continued

Social

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

Our commitment to create a positive social impact for our colleagues, stakeholders and local communities continues to be an area of focus for us.

At all of our locations this year, local teams have developed and delivered a range of wellbeing/safety and engagement initiatives, all with the aim of making McBride a 'Great Place to Work', some of which are outlined within this section.

Diversity, equity and inclusion

We value diversity, equity and inclusion (DEI) in all forms and have this year commenced our DEI journey to encourage a greater sense of belonging and to build a more open, diverse, inclusive and engaging culture.

To pursue our commitments:

- in March 2023, we kick-started our journey with a month-long campaign aimed at raising awareness and understanding across the organisation; and
- in May 2023, all senior HR leaders attended a DEI learning programme, facilitated by our external expert partner.

Our journey will continue this coming year where we will roll out tailored educational workshops to senior leaders from across the Group, with the aim of building accountability and responsibility to become role models for DEI and to promote and manage DEI in their local teams.

Throughout the year we have continued 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 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 2023, female membership of the Board was 33% and of the Executive Committee was 37.5%. Our published ambition for Board diversity can be found on page 105.

As at 30 June 2023

33.3% (2/6)
Female Directors

37.5% (3/8)
Female Executive Committee members

22.2% (8/36)
Female senior managers(1)

38.2% (1,302/3,407)
Female total global workforce(2)

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

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

Environmental, social and governance continued

Social continued

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

Health, safety and wellbeing

Health, safety and wellbeing is a primary focus that is taken very seriously and is endorsed by the Group's 'Rules for Life', which actively encourages all colleagues to stop work if they see conditions or behaviours that are unsafe to themselves or others. This primary focus is further demonstrated by the Group Health and Safety (H&S) Lead reporting 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 delivery of Group standards, and the local implementation of processes and procedures. The local teams lead all communication and information across all levels at site, including for near misses and incident investigations, KPI trends and general performance reporting. They also ensure site teams have clear roles and responsibilities to drive prevention measures and safety programmes.

There have been no work-related fatalities in the business during the 2023 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 38), whilst our leading indicators include near miss reporting, corrective actions completed, risk assessments created/reviewed, and safety observational walks undertaken. The development of additional leading indicator tools to further enhance our proactive approach to health and safety was a key initiative during 2023 e.g. with the introduction of Quick Risk Prediction (QRP) and Dynamic Risk Assessment (DRA). These tools were rolled out to six of our sites during 2023 and the remaining sites are planned to be completed before the second quarter of the next financial year.

A comprehensive health, safety and environment gap analysis was completed at every McBride site in 2023 to provide an overall health check of the Group. Each site has subsequently developed a 'Zero Loss Journey Map', which includes a Five-Year Overview, an Annual Master Plan and a 90-Day Priority Plan, which provides site teams with a defined strategy that includes priority objectives to further improve our performance.

We ran an awareness campaign with our colleagues and their families during 2023 focused on our 'Rules for Life', which are ten basic safety rules that are mandatory for all McBride colleagues and contractors. We organised a poster competition for the children of the families of our colleagues which was aimed to engage colleagues and their families in this most important topic. The 'Rules for Life' are not new, they simply re-enforce our existing procedures. They are in place to protect our wellbeing, and are the rules which we should live by, each and every day, as we perform our daily work and activities. By engaging with our colleagues and their families we built upon these principles to promote a culture of responsibility, accountability and compliance, which will reduce the number of potential injuries and ensure that colleagues and contractors go home every day to their families and friends, free from injury or ill-health.

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.

Our Malaysian team has partnered with SOCSO to provide a free health screening programme for colleagues who attain 40 years of age. The programme aims to promote healthy lifestyles and identify any health concerns as part of the site's drive around wellbeing.

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

McBride Cares

Environmental, social and governance continued

Social continued

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

Skills for the future

Over the last year, as part of our commitment to grow internal capability and invest in our colleagues, we have facilitated five cohorts of Investing in ME and two cohorts of Learning 2 Lead from our Let's Grow development framework covering in total 75 colleagues from across the Group, an investment of 1,624 training hours.

Since we launched our Let's Grow programme in 2020, 337 colleagues from across the Group have taken part in these courses.

This year we have continued to build on the transition to utilising our new digital HR technology to support colleague development, offering:

- a comprehensive self-paced learning library of over 1,000 programmes;
- capturing and facilitating quality performance conversations; and
- extending the Talent Review programme, providing structure and best practice to guide the development of key talent and support succession planning.

Our internal coaching scheme, which allows colleagues to work with a qualified coach in a safe space, has continued over the last year, along with facilitating continuing professional development for McBride accredited coaches.

Additional development opportunities in the year include the utilisation of Myers-Briggs Type Indicator (MBTI) to support individual and team awareness, in a number of key areas specifically promoting team performance excellence.

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

Employment and wealth generation

Our staff turnover figures have been consistent over the year, with high levels of turnover in certain countries.

We have continued to work closely with the European Works Council (EWC) over the last year and have held our first face-to-face meeting since Covid-19. Working in partnership with employee representatives from all the European countries in which we operate is important to us.

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 donating cash, time or products and are predominantly supporting our purpose, that of helping families keep their homes clean and hygienic.

This year we have been working on the development of our McBride Gives volunteering scheme, which aims to encourage colleagues to engage in community volunteering activities as part of our overall strategic ambition to give back to the communities that we operate in. McBride will partner with local charities that support people in poverty. We are excited that this initiative will launch during the next financial year.

McBride Gives

Environmental, social and governance continued

Social continued

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

Supporting McBride children

Supporting future talent is of great importance to us. In the past twelve months we have awarded a total of £12,782 to 69 children of McBride colleagues, contributing towards their learning and further education.

Colleague and community engagement

We have continued to support the UK charity In Kind Direct through monthly product donations from our UK site, providing essential cleaning products to those who are less fortunate. 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:

Belgium: Providing donations

Our teams have supported the wider community through the donation of over 36 pallets of products to a range of local charities.

France: Protecting honey bees to support causes that we care about

Our team in Rosporden has supported the installation of three beehives on the site to play an active part in protecting and ensuring the survival of bees, which are so important to our eco-system because of their main task: pollination.

Colleagues at our Rosporden site organised a walk around the site's facilities, raising money for the fight against breast cancer.

Italy: Family Day

On 20 May 2023, the site organised a family day to allow families of McBride colleagues to come and see what we do. Over 200 visitors attended to be given a guided tour of the entire factory and offices, learning about our production departments and the role they play. At the end of the tour there was access to refreshments as well as an inflatable play area for the little ones.

The team of volunteers who made this happen demonstrated our values of always committed, working together, aspire to be the best, and giving and taking accountability.

Environmental, social and governance continued

Social continued

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

Colleague and community engagement continued

UK: Raising money for local charities

Team UK has raised money for local charities, including:

- Mustard Tree, a charity that combats poverty and prevents homelessness in Manchester and Salford, by a McBride team successfully completing the Yorkshire Three Peaks Challenge. This was a great team effort with everyone making it to the finish line, completing nearly 25 miles of walking, and a total ascent of over 5,000ft, in just 12 hours.
- Contributions made during the Macmillan Coffee Morning in aid of cancer support.

Poland: Supporting community initiatives

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

- Nine colleagues registered with DKMS so that they could become potential bone marrow donors.
- 60 McBride children took part in the children's day at the site.
- Colleagues donated toys, educational materials and hygiene products as part of a Children with Cancer fundraiser.
- Organised a collection for the local homeless community and donated gifts to 70 people.
- Collected money to help Ukrainian families who came to Poland.

Environmental, social and governance continued

Governance

How we conduct ourselves

We believe robust corporate governance fosters sound and responsible decision-making and strengthens accountability, transparency and fairness. As a public company, we consider that our governance processes are already well established. However, we recognise these processes need to be maintained and regularly reviewed to ensure we continue to govern our activities with financial integrity and in accordance with best practice.

Governance body quality

Our guide to how we have complied with each principle in the Code is set out on page 92. Our metrics on tenure, gender, nationality and Board members' relevant experience is set out on page 96. Our metrics on Board activity and attendance at Board and Committee meetings are set out on pages 95, 99, 100, 106 and 115.

Stakeholder engagement

How we engage with our stakeholders is set out in our section 172(1) statement on pages 39 to 44 and in our Corporate governance statement on pages 93 to 99. Both the quality and frequency of our engagement with our key stakeholders are reviewed regularly by the Board. 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.

Ethical behaviour

We are committed to conducting business with integrity and high standards of business ethics. 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 partway through a programme to roll out mandatory ethics and compliance training modules to all colleagues in Europe and Asia Pacific. 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.

While McBride plc aims to reinforce a healthy culture at all levels of the organisation, it knows that sometimes things go wrong. McBride plc has an independent whistleblowing channel, as well as local internal channels, which employees can use to speak up against possible malpractice or wrongdoing by any employee, supplier, customer, competitor or contractor. The independent whistleblowing reporting line is designed to give colleagues and others a way, anonymously and confidentially, without fear of detriment or retribution, to report suspected violations of our standards of conduct, policies, laws or regulations. The reporting line is available in all languages commonly used in our business. Any reports received are evaluated by representatives from Internal Audit and Legal functions to determine the appropriate action to address the allegation. If warranted, an investigation is undertaken to determine the validity of the allegation and to identify appropriate action to address the allegation.

Cyber security and data protection

With the advancement and widespread use of information and communication technologies comes an increased cyber security threat. We regularly assess our corporate readiness against external cyber attacks and insider threats, and we implement corporate-wide measures to protect data and preserve data privacy. In addition to complying with applicable data protection laws and regulations, we also implement cyber security and data protection measures to safeguard our assets and to protect our stakeholders' data.

Our policies and procedures focus on protecting our data from unauthorised disclosures, use or access, and include monitoring mechanisms to prevent unauthorised intrusion into our network and identify vulnerabilities against potential cyber attacks. These risk-based cyber security measures help to ensure the integrity, confidentiality and availability of our data. Regardless of where the data resides, we apply appropriate safeguards to ensure a sustainable and robust corporate environment in the interest of our stakeholders. Compliance with our Information Technology Security Policy and IT Policy is required of anyone who has access to our networks. We raise awareness about the importance of data protection and cyber security with our colleagues through training.

Risk and opportunity oversight

We are focused on continuous improvement to develop and enhance our control mechanisms to manage risks and maximise financial returns for our stakeholders. There is active engagement with management and leadership teams to identify and assess risks related to our strategies and business models. The experience of management and leadership teams helps anticipate emerging and interrelated risks, in addition to facilitating effective risk control and mitigation mechanisms.

The Board is responsible for overseeing and monitoring the management of risks and opportunities. Our governance framework of committees and advisory forums provides updates and information to the Board to ensure it is able to make informed decisions. Details on the responsibilities 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 111 to 114 and in the Principal risks and uncertainties section on pages 75 to 86. This is our second year of reporting our climate-related financial disclosures. Governance around climate-related risks and opportunities can be found on pages 60 to 62.

Climate-related financial disclosures

McBride has structured its climate disclosures according to the recommendations, set out by the Task Force on Climate-Related Financial Disclosures (TCFD), in order to improve reporting of climate-related risks and opportunities (CROs) and support shareholders in making more informed 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.

Whilst we have made significant progress during 2023, we are still in the early stages of our TCFD journey. McBride is consistent with the TCFD recommendations and recommended disclosures, with partial consistency in relation to Strategy 2b and 2c. These areas have been taken into consideration for next steps and we aim to incorporate these into our disclosure from 2024 onwards. We have also considered the TCFD's All Sector Guidance for other disclosure areas in our consistency statement above.

For strategy disclosures 2b and 2c, further work is underway to enhance the identification, impact and reporting of climate-related risks and opportunities across our entire business, and how these map over the short, medium and long term. Our analysis will continue into 2024, assessing key risks in greater detail, including the residual risk impacts across products, operations and potential changes in consumer behaviour and usage. Our longer-term risks (primarily physical risks) will also be assessed and quantified in greater detail starting in 2024, building upon the initial work done in 2022. This will help us to focus activity where we can create the greatest impact, and to capitalise on potential opportunities associated with a low-carbon transition, that support our business resilience and growth in a future low-carbon economy.

Pages 68 and 71 explain the work to be completed to ensure consistency with the TCFD recommendations and set out the activities McBride has planned during 2024, as it continues on its journey towards increased consistency.

Governance

Board oversight of climate issues

The Board

- Responsible for maintaining knowledge and understanding of current and emerging legislative and regulatory developments pertaining to climate-related matters.
- Responsible for providing strategic guidance in respect of McBride's ESG programme.
- Endorses actions to address climate-related matters and how McBride adapts its strategy to take account of potential CROs.
- Reviews climate-related reporting as part of the overall assessment of the Annual Report and Accounts.

Nomination Committee

- Responsible for Board appointments.
- Ensures the Board possesses the correct depth and balance of capabilities, including the ability to assess the impact of climate change through ongoing briefing sessions during the course of the year.
- Ensures Board appointments support McBride's long-term position.

Audit and Risk Committee

- Oversees the assurance model and supports the Board on matters relating to financial reporting, internal control and risk management.
- Appraises the integrity of McBride's climate-related financial reporting.
- Assesses the process used to develop McBride's TCFD-aligned disclosures.

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 Board is responsible for overseeing and monitoring the management of risks and opportunities, including CROs. The Board-agreed division of responsibilities across key areas of McBride'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, in turn, reviews and validates the outputs of the TCFD Working Group.

The Risk Council, which has direct responsibility for principal risks and uncertainties, reports to the Audit and Risk Committee, communicating any update on key climate-related risks on at least a twice-yearly basis.

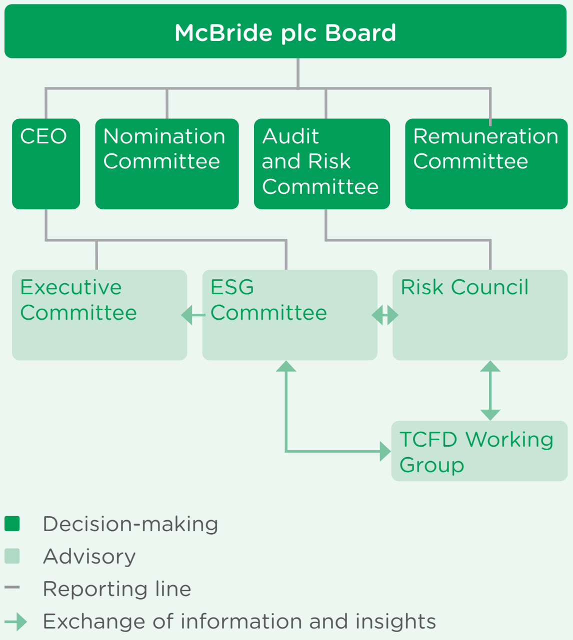
The Executive Committee and ESG Committee (both led by the CEO) provide advice and inputs to the TCFD Working Group, during the preparation of the TCFD disclosures.

The governance framework of committees and advisory forums providing updates and information to the Board on climate-related issues, is set out in the graphic on the following page. This framework enables the Board to make more informed business decisions with climate-related perspectives in mind.

Climate-related financial disclosures continued

Governance continued

TCFD governance structure



Role of senior management

Executive Committee

- Responsible for the implementation of strategy through the operational management of McBride's divisions and monitoring of performance in line with agreed plans.
- Also responsible for managing financial risks, including those of meeting the Group's climate-related goals.
- Receives information periodically from the Risk Council and ESG Committee on progress towards the Group's climate goals.

ESG Committee

- Responsible for the Group's programme on ESG 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 include:
  - delivery of the ESG programme and monitoring progress against ESG key indicators and action plans;
  - developing and monitoring progress against Science-Based Targets and a Board-approved roadmap of emissions reduction opportunities; and
  - providing oversight to the Executive Committee on ESG matters and collaborating with subject matter experts within McBride to deliver objectives around responsible sourcing, compaction, plastics reductions, and more sustainable packaging.

Risk Council

- Responsible for managing climate risks through its existing risk management processes.
- Also responsible for review and oversight of the underlying activities, processes, risks and impacts surrounding our climate-related financial disclosures.
- Provides information to the Executive Committee on existing and emerging business risks that may impact our strategic objectives.
- Reports to the Audit and Risk Committee on McBride's principal risks, including CROs, and on the performance of the TCFD Working Group, including progress against the TCFD disclosures requirements.

TCFD Working Group

The TCFD Working Group reports to the Risk Council and facilitates crucial reporting activities. Comprising members from various divisions and departments, this collaborative team plays a pivotal role in shaping climate-related financial disclosures. Their responsibilities encompass a wide range of tasks, including considering the impact of relevant climate scenarios, pinpointing risks associated with these scenarios as they pertain to the organisation, evaluating the resulting implications, devising potential responses, and ensuring valuable input from stakeholders is incorporated into the process.

The TCFD Working Group collaborates with the ESG Committee to align on a roadmap of emissions reduction opportunities, and to align these with the TCFD recommendations. Furthermore, this working group actively monitors and tracks the progress made towards these targets, ensuring a comprehensive approach to address climate-related concerns.

External advice

McBride continues to engage expert external advisers to supplement the capabilities within the Company and assist in establishing reporting frameworks for our Scope 1, 2 and 3 emissions and to aid in the process of setting Science-Based Targets for our Scope 1 and 2 emissions. External expertise has also been employed in the detailed analysis of our transitional CROs associated with the transition to a decarbonised economy. Further details can be found on pages 63 to 68.

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

Climate-related financial disclosures continued

Governance continued

Role of senior management continued

	Key activities 2023	Focus areas 2024
Board level	• Challenged, validated and confirmed support for increasing our ambition for GHG emission reductions with formalisation of Science-Based Targets. • Reviewed the analysis of our Scope 1, 2 and 3 GHG emissions. • Reviewed requests from customers to set Science-Based Targets or our own climate targets. • Reviewed our product portfolio and operational alignment with respect to our GHG emissions reduction target of 50% by 2033 from 2021. • Received updates on current and emerging legislative and regulatory developments relating to climate-related reporting. • The divisional leadership teams presented their strategy to the Board, including market insights into customers' focus shift to sustainable product solutions, explaining how sustainability trends were impacting strategy. • Review and challenge by the Audit and Risk Committee of the approach to climate-related financial disclosures and associated assurance arrangements. • Reviewed and approved the TCFD report in the 2023 Annual Report.	• As programme sponsor, the Board to oversee and receive regular updates on the Net Zero programme from the Transformation team. • Objectives for the CEO to be aligned to key sustainability and climate-related targets. • The Remuneration Committee to consider how remuneration of the Executive Directors is further 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, continued to monitor progress of the execution of the ESG action plans in each business area and in addition developed Science-Based Targets for our Scope 1 and 2 emissions. • The Head of Regulatory Affairs provided an update on the EU and UK legislative landscape with reference to the large volume of regulatory changes being driven by the sustainability agenda. • The Risk Council continued to review the governance and controls for climate-related financial disclosures.	• The ESG Committee to continue to develop our Net Zero roadmap. It will also conduct a detailed analysis to build our prioritised initiatives for emissions reduction in relation to our Scope 3 emissions, and develop Science-Based Targets aligned to the roadmap. • The Risk Council to continue to identify, assess and manage climate risks through its existing risk management process on an annual basis. During 2024, it will also review the scenario analysis conducted previously by the TCFD Working Group.
Operational level	• The TCFD Working Group (in conjunction with external advisers) conducted more detailed scenario analyses on the most material transition risks and transition opportunities identified, through targeted workshops with key members of management across the Group (using our existing risk management process). • The Science-Based Target project resulted in the generation of a heatmap of Scope 1, 2 and 3 GHG emissions sources, by raw material/packaging category. • A series of workshops were conducted across the organisation to interrogate our emissions data and help McBride develop appropriate Science-Based Targets. • A Science-Based Target for Scope 1 and 2 emissions has been defined and approved by McBride.	• Define and validate Scope 3 carbon emissions targets and monitor the risk of rising costs of raw materials as a result of carbon pricing on suppliers. • Refine current Scope 3 emissions estimates and discuss their likely trajectory to 2030. • Validate and reaffirm the complete set of CROs identified in 2022 to ensure that they remain appropriate and relevant for McBride. • Continue with more granular risk assessment on the remaining transition risks and opportunities. • Reassess physical risks identified in 2022 and determine if a more detailed risk assessment is needed for these. • Specifically, we will start considering financial impact assessment in more detail, and conduct risk assessments on a residual risk basis, as we start to track progress formally against our Scope 1 and 2 emissions metrics and targets.

Climate-related financial disclosures continued

Strategy

Overview of scenario analysis

In 2022, McBride engaged an external adviser 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 what the potential impact of these could be on McBride's business. To build on work to-date, this year McBride carried out a more detailed impact assessment of the most material CROs on our business. The most material short-term risks (i.e. transition risks) were prioritised this year with a view to assessing and quantifying long-term risks (i.e. physical risks) as a next step, planned from 2024 onwards. The exercise this year focused on better quantifying the gross or inherent risks involved. The underlying residual risk may be much lower than inherent, depending on the flexibility and speed of the business to pivot operations in response. This will be a key focus area for 2024, informed by the outcomes of the ongoing Science-Based Target work, initiated during 2023 and which will be crucial to establishing the residual risks involved.

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 are 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's strategy against two contrasting climate scenarios: a 1.5°C low carbon world scenario and a 4°C hot house world scenario, similar to the prior year.

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. The assumptions underpinning each of these scenarios are detailed further on pages 59 and 60 of our 2022 Annual Report, supplementing our TCFD disclosures for 2023. Going forward, and in line with TCFD requirements, we intend to review and update our climate scenario analysis at least every three years, when scenario indicators change, or if there is a material change to our business.

McBride 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).

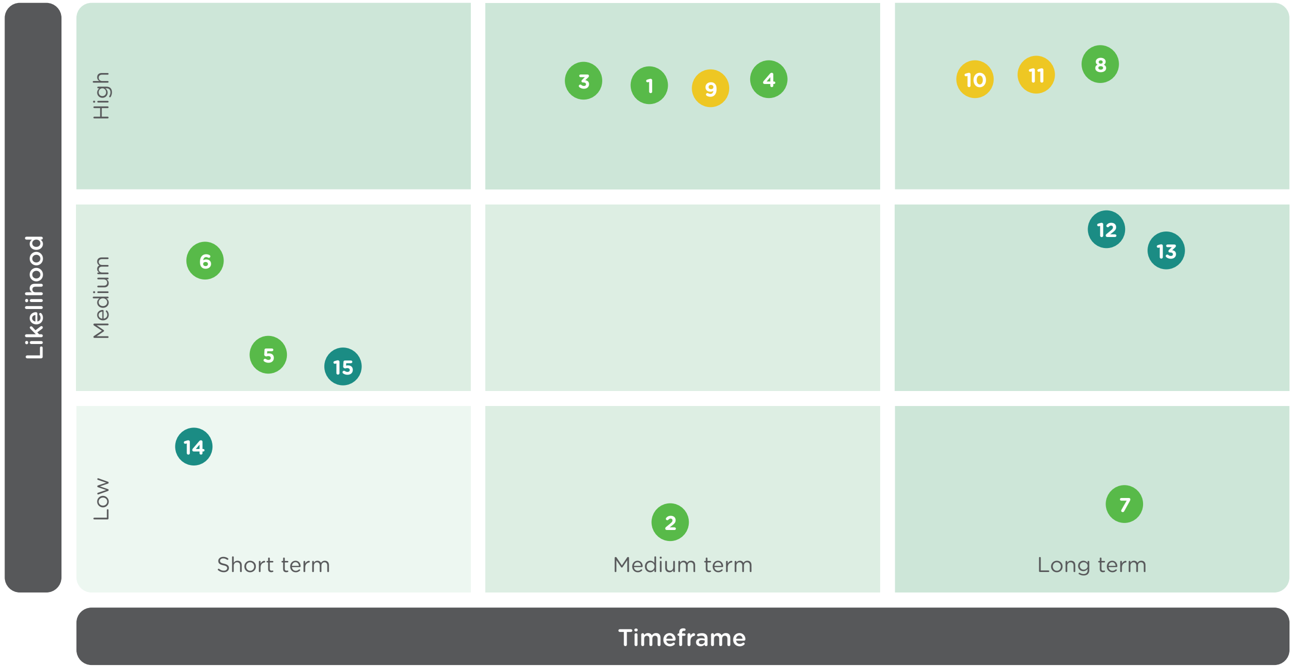
Climate-related financial disclosures continued

Strategy continued

Climate risks and opportunities

In 2022, 15 CROs were identified as having the potential to impact McBride under the low carbon world and hot house world scenarios. 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 and the most likely time horizon of impact. These 15 risks and opportunities are evaluated in further detail on pages 61 to 66 of McBride's 2022 Annual Report, which supplements our TCFD risk reporting for 2023. The risks continue to be monitored as part of management's ongoing risk management processes. In 2023, nine CROs that were identified as having high potential short-term exposure were prioritised for more detailed assessment, with longer-term risks to be evaluated from 2024 onwards. The findings of the analysis are summarised in the following table:



Likelihood	Short term	Medium term	Long term
High		③ ① ⑨ ④	⑩ ⑪ ⑧
Medium	⑥ ⑤ ⑮		⑫ ⑬
Low	⑭	②	⑦

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

The assessment of net residual risk for each of these specific risks will be carried out after 2023, as we further embed the outcomes of the Science-Based Target work, which are crucial to mitigate risk.

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 change to 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

Climate-related financial disclosures continued

Strategy continued

① Pricing of GHG emissions
under a 1.5°C scenario

Inherent risk	2025 (short term)	2030 (medium term)
Gross risk score	▨	■

Description

Carbon taxes are evolving globally, including via the EU Emission Trading System (EU ETS). The EU ETS benchmark carbon price in February 2022 reached a record high of nearly €96 per tCO_2e. Carbon pricing could manifest as a range of policies such as environmental and/or sector-wide taxes, which could increase operational costs.

Impact assumptions

Carbon prices based on IEA and NGFS forecasts; emissions based on current Scope 1 and 2 for 2022 and assuming output volume forecasts to 2025.

For Scope 3, emissions reductions are not factored in and residual risk will thus be evaluated once the emissions target-setting process is complete.

Controls/mitigation

In 2023 we committed to a Science Based Target on Scope 1 and 2 in the near term to reduce our emissions by 56.4% by 2033 from a baseline of 2021.

In addition, a Science Based Target project is underway to develop a Scope 3 target and an associated action plan, expected to be submitted by June 2024.

In parallel, proposals are also under consideration for upgrading vehicle fleet to electric vehicles, as well as accelerating the shift from gas to electricity.

③ Mandates and regulation
under a 1.5°C scenario

Inherent risk	2025 (short term)	2030 (medium term)
Gross risk score	▨	■

Description

The need to implement regulations that will have a material impact on McBride to drive the change to a low carbon economy, including legislative proposals from the EU Green Deal, Chemical Strategy for Sustainability, UK Environment Act and various national plastic taxes. This will drive a need for reformulation, changes in packaging formats and labelling changes going forward.

Impact assumptions

Introduction of carbon taxation with carbon prices based on IEA and NGFS forecasts; emissions based on current Scope 3 estimates for 2021 and assuming output volume forecasts to 2025.

The Green agenda continues to set the legislative agenda with the introduction of significant legislation and plastic taxes.

Controls/mitigation

In 2023 we committed to a Science Based Target on Scope 1 and 2 in the near term to reduce our emissions by 56.4% by 2033 from a baseline of 2021.

Supplier engagement is underway to better understand Scope 3 emissions. There are plans to develop a Scope 3 target and an associated action plan, expected to be submitted by June 2024.

McBride is a member of a number of relevant trade associations and taskforces that help us correctly implement future legislation.

Gross risk score (impact x likelihood): ▢ Lower ▨ Medium ■ Higher | **Gross opportunity score (impact x likelihood):** ▢ Lower ▨ Medium ■ Higher

Climate-related financial disclosures continued

Strategy continued

4 Increased cost of raw materials under a 1.5°C scenario

Inherent risk	2025 (short term)	2030 (medium term)
Gross risk score	▨	■

Description

As we move to a low carbon economy, the implementation of carbon taxation could lead to higher prices for raw materials, chemicals, plastics and energy costs. This could lead to higher costs of packaging and product costs. Increased cost of fuel could also affect the transport of products to customers. The higher costs suppliers face may be passed on through McBride's supply chain.

Impact assumptions

Carbon prices based on IEA and NGFS forecasts; emissions based on current Scope 3 estimates for 2022 and assuming output volume forecasts to 2025. Supplier emissions reduction targets are not factored and supplier feedback will inform residual risk estimates.

Impact analysis will be further refined as supplier feedback is received and will feed into our carbon footprint analysis by June 2024.

Controls/mitigation

Engagement with suppliers is currently underway in order to refine Scope 3 current estimates and outlook. There are plans to develop a Scope 3 target and an associated action plan, expected to be submitted by June 2024.

In addition, the following targets included in the McBride Sustainability Policy and expected to be delivered by 2025 and form key drivers in understanding the potential increases in the cost of raw materials going forward:

- all paper and board sourced will be FSC® compliant;
- all our packaging will be 100% fully recyclable, compostable or re-usable;
- on average, all our packaging will contain at least 50% recycled content;
- we will exit all multi-layered flexible packaging; and
- we will remove all REACH-defined microplastics from our formulations.

In addition, on an ongoing basis, reformulation of products will be explored to minimise cost impact. McBride will work with both suppliers and customers to explore levers to manage cost risk across the supply chain.

5 Change in consumer demands under a 1.5°C scenario

11 Development of new products or services through R&D and innovation under a 1.5°C scenario

Inherent risk	2025 (short term)	2030 (medium term)
Gross risk score	■	■
Gross opportunity score	■	■

Description

McBride's retail customers are increasingly prioritising reducing carbon emissions and more sustainable business practices as awareness of the impacts of climate change increases. This shift is more likely to accelerate as Gen Z's spending power increases. Failure to meet these shifting values could cause retail customers to switch to alternative products. Alternatively, capitalising on sustainability reputational benefits could provide McBride opportunity to extend market share and/or increase revenue.

Impact assumptions

An Enterprise Risk Management approach was taken whereby representatives of each of McBride's divisions were consulted regarding the perceived risk to their products and services based on their technical expertise and experience in the markets. Each division provided an indication of financial impact range, which were consolidated for an enterprise risk level exposure.

Controls/mitigation

All divisions have considered sustainability in the context of product development, including with respect to: sustainability of packaging; reducing energy intensiveness of production; and reducing the embodied carbon content of products via alternative materials. These have been reflected in divisional strategies during 2023.

Each divisional leadership team presented their strategy to the Board during 2023. This included market insights into customers' focus shift to sustainable product solutions, exploring how sustainability trends were impacting strategy and addressing the risk/opportunity associated with changing consumer preferences.

On an ongoing basis, each division will continue to innovate via R&D and work closely with retailers and branders to stay abreast of consumer requirements.

Note: At this stage, assessment of financial impact has been conducted at divisional level. To ascertain enterprise-level risk/opportunity, interdependencies in the demand for the products of different divisions require further analysis, to be conducted over 2024 and beyond. It can be assumed that gross upside and downside risk is significant in the medium term.

Gross risk score (impact x likelihood): □ Lower ▨ Medium ■ Higher | **Gross opportunity score (impact x likelihood):** □ Lower ▨ Medium ■ Higher

Climate-related financial disclosures continued

Strategy continued

⑥ Investment and finance risk
under a 1.5°C scenario

Inherent risk	2025 (short term)	2030 (medium term)
Gross risk score	░	▒

Description

McBride's investment streams could be negatively impacted by investors expecting high levels of sustainability performance.

Additionally, the cost of capital may become more expensive and there may be a declining pool of lenders.

Impact assumptions

Sustainability, ESG and Net Zero are key topics for investors; increased questions on the topics are expected and it is anticipated to possibly deter potential investors.

Cost of capital could potentially increase if climate credentials are poor and climate KPIs are not met.

Controls/mitigation

In 2023 we committed to a Science Based Target on Scope 1 and 2 in the near term to reduce our emissions by 56.4% by 2033 from a baseline of 2021.

In addition, a Science Based Target project is underway to develop a Scope 3 target and an associated action plan, expected to be submitted by June 2024.

McBride has a revolving credit facility (RCF) aligned with the Loan Market Association's 'Sustainability Linked Loan Principles'. This incorporates three sustainability performance targets: use of renewable energy; use of recycled plastics; and responsible sourcing of paper and card.

Sustainability is considered as a key factor for yearly strategy reviews with the Board.

⑧ Substitution of existing tech to lower emission options
under a 1.5°C scenario

⑩ Use of more efficient production and distribution processes
under a 1.5°C scenario

Inherent risk	2025 (short term)	2030 (medium term)
Gross risk score	░	▓
Gross opportunity score	░	░

Description

As we move to a low carbon economy, the implementation of different packaging, new materials and technology could lead to a requirement for some technology enhancement and substitution. This could lead to: an increase in the cost of replacing assets; some assets requiring upgrade; and impairment of assets. These higher costs may or may not be shared with customers through strategic partnerships. Meanwhile, more efficient distribution processes could lead to operational savings, for example due to lower input material requirements or due to more compact products and thus more efficient distribution.

Impact assumptions

McBride's asset register was reviewed and assumptions built around the obsolescence risk to different technologies. Analysis from McBride's Science Based Target setting workstream on other technological initiatives was also factored in to inform potential cost ranges, as well as insight from internal subject matter experts.

Controls/mitigation

In 2023 we committed to a Science Based Target on Scope 1 and 2 in the near term to reduce our emissions by 56.4% by 2033 from a baseline of 2021.

In addition, a Science Based Target project is underway to develop a Scope 3 target and an associated action plan, expected to be submitted by June 2024.

During 2024, McBride plans to explore alignment between climate risk assessment and target setting with internal capex plans and decision-making. This will aim to ensure sufficient budget is allocated to support substitution of tech to lower emission options into the future, thus helping to manage residual risk.

Gross risk score (impact x likelihood): ░ Lower ▒ Medium ▓ Higher | **Gross opportunity score (impact x likelihood):** ░ Lower ▒ Medium ▓ Higher

Climate-related financial disclosures continued

Strategy continued

⑨ Operational decarbonisation through low-emission sources of energy under a 1.5°C scenario

Inherent risk	2025 (short term)	2030 (medium term)
Gross opportunity score	░	▒

Description

Use of renewable energy could reduce costs in the future as carbon taxation is implemented.

Assist in achieving Net Zero strategy, which will act as an opportunity to attract additional investors, lenders, customers and consumers.

Impact assumptions

Cost of renewable energy will become cheaper or reach parity with current non-renewable energy.

Carbon prices based on IEA and NGFS forecasts; emissions based on current Scope 1 and 2 for 2022 and assuming output volume forecasts to 2025.

For Scope 3, emissions reductions are not factored in and residual risk will thus be evaluated once the emissions target-setting process is complete.

Controls/mitigation

In 2023 we committed to a Science Based Target on Scope 1 and 2 in the near term to reduce our emissions by 56.4% by 2033 from a baseline of 2021.

Agreement is in place to purchase additional energy from renewable sources in line with the Scope 1 and 2 targets. The cost for this has been included in our financial forecasts until 2033.

Informing resilience and strategy planning

Noting the importance of mitigating the potential impacts of these risks and enabling McBride to capitalise on the identified opportunities, the table opposite outlines actions McBride 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 2024, McBride 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 2024 we will start considering risks on a residual basis (i.e. after management response and strategies have been implemented) and start exploring the impact assessment of the most material physical risks. Consideration will be given to the resilience of our strategy under the two articulated scenarios.

Gross risk score (impact x likelihood): ░ Lower ▒ Medium ▓ Higher | **Gross opportunity score (impact x likelihood):** ░ Lower ▒ Medium ▓ Higher

Climate-related financial disclosures continued

Risk management

Defining a process for climate risk identification and management

As detailed on pages 75 to 86, the Group has a rigorous process in place to report the organisation's principal and emerging risks. Through this process, climate change and environmental concerns were identified as a principal risk and 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 built upon the climate risk assessment that was carried out in 2022 with third-party consultants, with a deep dive into our most material risks and opportunities. The overall process used for identifying, assessing and managing climate-related risks under different climate scenarios is detailed in the graphic below.

1. Define climate scenarios	2. Identify climate-related risks to McBride plc under articulated scenarios		3. Assess business impacts to McBride plc	4. Identify potential responses	5. Perform detailed impact assessment of the most material CROs
Transition risk 1.5°C	**Policy and legal risks** **Reputational risks**	**Market risks** **Technology risks**	**Impact on:** • Physical asset portfolio • Input costs • Operational costs • Revenue • Supply chain • Business interruption	**Responses might include:** • Changes to business model • Portfolio mix • Investments in capabilities and technology	1 Pricing of GHG emissions 3 Mandates and regulation 4 Increased cost of raw materials 5 Change in consumer demands 6 Investment and finance risk 8 Substitution of existing tech to lower emission options 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 risk 1.5°C and 4°C	**Acute physical risk**	**Chronic physical risks**	**Impact on:** • Physical asset portfolio • Input costs • Operational costs • Revenue • Supply chain • Business interruption	**Responses might include:** • Changes to business model • Portfolio mix • Investments in capabilities and technology	Not an area of focus for 2023. Our longer-term risks (primarily physical risks) will be assessed and quantified in greater detail starting in 2024, to build on the initial work done in 2022.

Climate-related financial disclosures continued

Risk management continued

Defining a process for climate risk identification and management continued

Details of the articulated approach used to assess climate-related physical and transition risks and opportunities are included on page 67 of our 2022 Annual Report, supplementing our TCFD risk assessment process for 2023. A list of potential CROs that could impact McBride's business were identified in 2022 under the two articulated scenarios and validated by management in 2023, ensuring the most material CROs were tracked and monitored for key developments and appropriate mitigating factors during the year, as outlined in the Strategy section above. In addition, during 2023, the highest exposure short-term CROs were assessed via workshops with a cross-functional set of internal stakeholders. The process identified the impact, likelihood and mitigations for each CRO in the context of an adapted set of McBride's Enterprise Risk Management (ERM) impact and likelihood scales. Risk was assessed from an inherent perspective (i.e. without factoring in mitigation). Going forward, the identification and assessment of CROs will be refreshed by McBride on an annual basis.

In 2023, a more in-depth assessment of transition risks and opportunities with the highest short-term exposure was undertaken. The assessment focused on a 1.5°C low carbon world scenario, where transition risk is anticipated to be high. Impacts were considered in terms of a potential negative impact on financial performance (income statement) and financial position (balance sheet). Specific workshops were held, each focusing on an area of risk with a collection of relevant internal subject matter experts. Financial ranges for inherent risk were better defined. Actions were identified regarding further data collection and internal policy which needs to be agreed in order to evaluate residual risk.

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

We continue to assess climate risk in 2023 against an adapted version of our ERM scales. The adapted scales have allowed for longer time horizons due to the nature of climate risk and the assessment of upside opportunities. Using aligned scales has also enabled McBride to integrate the assessment of its climate risks into its corporate risk register. We have continued to identify, assess and manage climate risks through the existing risk management process on an annual basis. The business plans to take a top-down risk management approach whereby the risks associated with climate are to be centrally monitored by the Risk Council and the TCFD Working Group.

Metrics and targets

Details of the Group's Scope 1, 2 and 3 carbon emissions for the financial year ended 30 June 2023 are set out on page 48. This data has been provided as eleven months actual and one month extrapolated. Our Scope 1, 2 and 3 GHG emissions have been calculated in accordance with the relevant GHG Protocol Corporate Accounting and Reporting Standards and latest emissions factors from recognised sources. The Group's Scope 3 emission data covers the following categories:

- purchased goods and services;
- upstream transportation and distribution;
- end-of-life treatment of sold products;
- downstream transportation and distribution;
- capital goods;
- waste generated in operations;
- fuel and energy-related activities;
- employee commuting; and
- business travel.

These are the categories that are considered as both relevant and material to McBride. Emissions relating to the use of sold products are considered as indirect as they do not directly consume energy and therefore are not required to be disclosed.

In addition, during the fiscal year we engaged with an external partner to identify a heatmap of Scope 1, 2 and 3 GHG emissions sources, by raw material/packaging category, and conducted a series of workshops across the organisation to interrogate our emissions data to help McBride develop an appropriate Science-Based Target. Following this, a Science-Based Target for Scope 1 and 2 emissions was agreed.

The table on page 71 details the metrics and targets (linked to the specific CROs identified by the Company) that have currently been defined and are being monitored by McBride.

The CO_2 Scope 1 and 2 targets outlined in the table on page 71 have been costed in detail and the financial impacts have been factored into our short-term financial forecasts and plans. McBride expects that as its ESG agenda develops further over 2024 and beyond, refinements and additions to these targets and metrics will be made, with financial impacts being identified and reflected in forward-looking forecasts.

Climate-related financial disclosures continued

Metrics and targets continued

Metric	Target	Link to identified CRO	Performance against target
CO_2 Scope 1 and 2 emissions	Reduce Scope 1 and 2 by 54.6% by 2033	1 3 6 8 9 10	See page 48
Output volume per gigajoule of energy	15% improvements in eco-efficiency by 2025	1 9 10	See page 49
Use of FSC® certified board	All paper and board sourced will be FSC® compliant by 2025	4 5 11	See page 50
Packaging recycling	All our packaging will be 100% fully recyclable, compostable or re-usable by 2025	4 5 11	See page 50
Recycled plastic content	On average, all our packaging will contain at least 50% recycled content by 2025	4 5 11	See page 50
Flexible packaging	We will exit all multi-layered flexible packaging by 2025	4 5 11	See page 50
Microplastics	We will remove all REACH-defined microplastics from our formulations by 2025	4 5 11	See page 50

Focus for 2024

McBride is committed to building on the progress achieved in 2023 in relation to the impact our operations have on the world. Our strategy outlines our commitments to continue to reduce carbon emissions by setting appropriate Science-Based Targets and continuing to have these externally validated. For 2024 our focus will be on defining and validating Scope 3 carbon emissions targets and on monitoring the risk of rising costs of raw materials as a result of carbon pricing on suppliers, which presents the largest potential impact to the Company. This will be driven by focused engagement across our supply chain during 2024 to refine current Scope 3 emissions estimates as well as to discuss the likely trajectory of these to 2030.

We also remain 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 faces. Following risk identification and scenario analysis in 2023, we remain committed to prioritising and further embedding the outcomes of the Science-Based Target work, which are crucial to mitigate risk. The emissions reduction targets, as well as the technologies selected to achieve these, will be pivotal in defining McBride's ultimate transition risk to ensure the outcomes of climate risk assessment are disseminated and mitigation actions are reviewed and progressed by teams across the Company. We intend to conduct an assessment of net residual risk for each of our key CROs from 2024 onwards, as we further embed the outcomes of the Science-Based Target work, which are crucial to mitigate risk. In addition, we also intend to focus on assessing and quantifying long-term risks (i.e. physical risks) from 2024 onwards. This will ultimately enable us to monitor and assess these risks whilst focusing on maximising the climate-related opportunities within our business model.

Climate-related financial disclosures continued

Location of TCFD-aligned disclosures within the Annual Report

Governance

Disclose the Group'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	60 to 62
b) Describe management's role in identifying, assessing and managing climate-related risks and opportunities	Audit and Risk Committee report	110

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy and financial planning where material		See page(s)
a) Describe the climate-related risks and opportunities that the organisation has identified over the short, medium and long term	Climate-related financial disclosures	63 to 68
b) Describe the impact of climate-related risks and opportunities on the Group's business, strategy and financial planning	Principal risks and uncertainties	84
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 Group identifies, assesses and manages climate-related risks and opportunities		See page(s)
a) Describe the Group's process for identifying and assessing climate-related risks and opportunities	Climate-related financial disclosures	69 to 70
b) Describe the Group's process for managing climate-related risks and opportunities	Principal risks and uncertainties	84
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Audit and Risk Committee report	111 to 114

Metrics and targets

Disclose the metrics and targets used to assess and manage climate-related risks and opportunities		See page(s)
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate-related financial disclosures	71
b) Disclose Scope 1, 2 and, if appropriate, Scope 3 GHG emissions, and the related risks	Environmental, social and governance	48 to 50
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		

Group non-financial and sustainability 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/statements	Policy embedding, due diligence, outcomes and KPIs – page reference
Environmental matters • Responsible approach to product design and production	Consumer and customer trends	• ESG Policy	Pages 45 to 59
Employees • Responsible for the health and safety of our workforce	Legislation	• Health & Safety Policy	Pages 38 and 55
Social matters • Responsible approach to taxation	Financial risks	• Preventing the Facilitation of Tax Evasion Policy • Tax Strategy Statement • Business Ethics Policy	Pages 37 and 181 to 185
Respect for human rights, anti-bribery and corruption • Reinforcing an ethical business culture	Legislation	• Business Ethics Policy • Supplier Code of Conduct Policy • Anti-Bribery and Corruption Policy • Gifts and Hospitality Policy • Conflicts of Interest Policy • International Sanctions Policy • Share Dealing Policy • Data Protection Policy • Policy on the use of independent auditor for non-audit services • Policy on the employment of former employees of the auditors • Whistleblowing Policy • Anti-slavery and Human Trafficking Statement	Page 59

Group non-financial and sustainability information statement continued

Reporting requirement and our material areas of impact	Relevant Group principal risks	Relevant Group policies/statements	Policy embedding, due diligence, outcomes and KPIs – page reference
Business model	All risks		Pages 10 and 14
Non-financial KPIs			Page 38
Description of principal risks and uncertainties			Pages 75 to 86
Climate-related financial disclosures			
• A description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.	Climate change and environmental		Pages 60 to 62
• A description of how the company identifies, assesses, and manages climate-related risks and opportunities.			Pages 69 to 70
• A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process.			Pages 69 to 70
• A description of: (i) the principal climate-related risks and opportunities arising in connection with the company's operations; and (ii) the time periods by reference to which those risks and opportunities are assessed.			Pages 63 to 68
• A description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy.			Pages 63 to 68
• An analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios.			Pages 63 to 68
• A description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.			Pages 70 to 71 and pages 47 to 53
• A description of the KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those KPIs are based.			Pages 70 to 71 and pages 47 to 53

Principal risks and uncertainties

Our risk management process is underpinned by an integrated and joined-up approach to managing risk across the Group. It involves understanding, analysing and addressing risk to enable the business to achieve its overall strategic and day-to-day operational objectives, therein delivering on its commitments to all stakeholders.

The Group continues to operate under a well-established, robust and externally benchmarked risk management framework, which is aligned to ISO 31000:2018, and supported by a formally defined risk taxonomy structure. This is to facilitate improved risk identification and to establish a common language for reporting risks across the organisation, whilst helping with the categorisation of the types of risk to which McBride is exposed. The risk management framework is also supported by a comprehensive risk appetite framework to help with the assessment, escalation and reporting of principal risks. These activities are performed by identifying and regularly monitoring key risk indicators (KRIs) tracked by senior business leaders on an ongoing basis, from across the organisation.

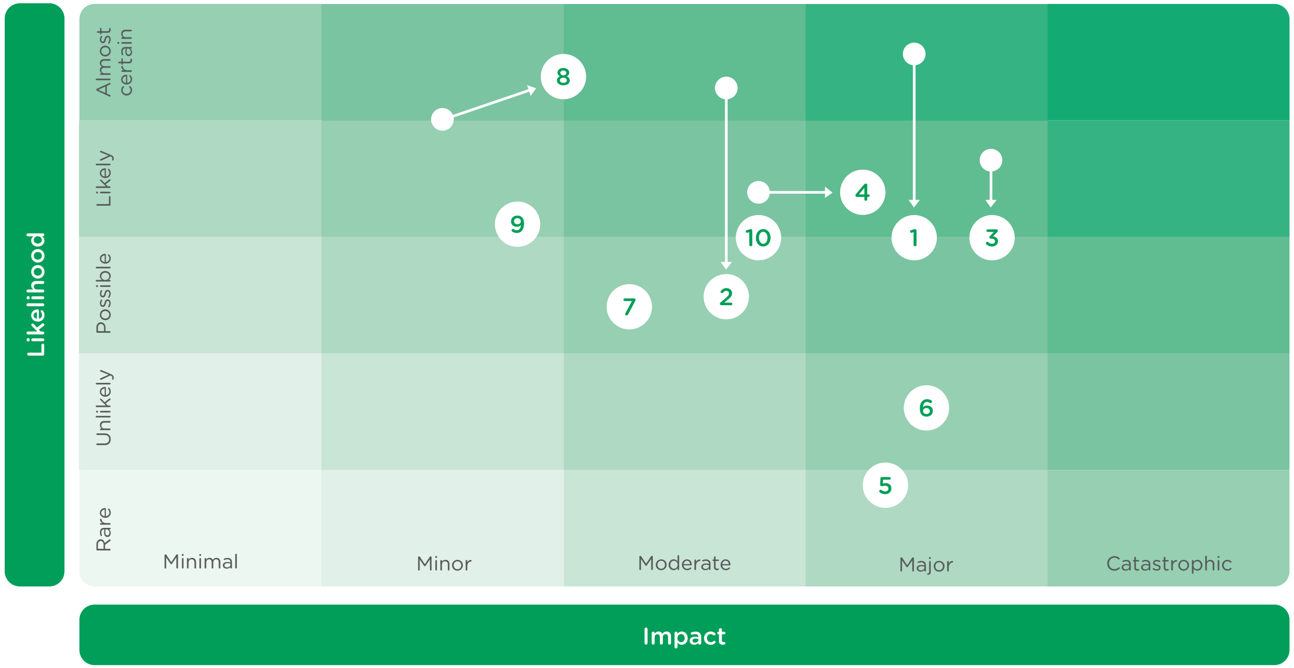
Further detail on the risk management process can be found on page 112.

This process has allowed the Board to identify those risks which are deemed fundamental to the business as they potentially threaten the achievement of the Group's strategic objectives and the delivery of its key business priorities. These risks are identified as 'principal' based on the likelihood of occurrence and the potential impact on the Group. These have been consolidated by the Risk Council and reviewed and agreed with the Board (having been considered by the Group Executive Committee and the Audit and Risk Committee). It is also worth noting that these principal risks and uncertainties in many instances also offer potential opportunities for the business to harness benefits from.

The principal risks and uncertainties to which the Group is exposed are summarised on pages 77 to 86, outlining the risk impact, key mitigating actions and any key developments during the year, for each principal risk and uncertainty. The risk trend over the year is also noted, showing any changes in the risk profile compared to the prior year. The Group continues to review its overall risk framework within the context of increasing geopolitical and macroeconomic uncertainty and the instability being experienced globally this year, resulting in high inflationary pressures, currency fluctuations and trading volatility. This continues to test the resilience of our supply chains, as well as impacting an ever-shifting and evolving set of market, customer and consumer dynamics.

This has been accompanied by a continued heightened focus on climate and environmental considerations from both consumers and governments, continued focus in attracting and retaining talent within the organisation, 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 a growing significance of cyber threats over the last year. In addition, health and safety considerations and product quality and safety commitments remain fundamental areas of focus for the Group. Whilst these areas have previously been managed in our operational risk registers, these have been elevated as principal risks in 2023, reflecting the focus on continuing improvements on these areas going forward. The Board also reconsidered the specific risks and opportunities relating to the Group's level of debt and its funding and financing capabilities in the year. Although this risk has significantly reduced over the last twelve months, following the revised RCF funding agreement announced in September 2022, reduced levels of working capital and a much-improved set of financial results in the last year, it remains a principal risk for the Group.

Principal risks and uncertainties continued



① Financing risks

② Supply chain resilience

③ Changing market, customer and consumer dynamics

④ Disruption to systems and processes

⑤ Safe and high quality products

⑥ Health and safety

⑦ Challenges in attracting and retaining talent

⑧ Climate change and environmental concerns

⑨ Increased regulation

⑩ Economic, political and macro environment instability

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 continues to have 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.

Principal risks and uncertainties continued

① Financing risks

Financing risks, affecting liquidity and funding, could threaten the ongoing viability of the Group.

Risk trend/change: ↓

Risk appetite rating: Low

Averse **Low** Moderate High Very high

McBride recognises that it is not possible to fully eliminate financing risk but continues to deploy and monitor a robust and proportionate level of control to ensure that material instances of risk are minimised.

How it links to our strategy:

Risk impact

- Financing risk covers the risk of a deterioration in profitability and its knock-on/resultant potential negative impact upon liquidity.
- In 2022, an inability to offset in a timely manner the significant input cost inflation by raising prices had resulted in a deterioration of the Group's profitability and liquidity.
- Not achieving the required levels of profitability and cash flows increases the risk that banking facilities may be withdrawn due to breach of banking covenants.

Mitigation

- A robust and reliable input cost forecasting process designed to equip the Group with forward visibility of both the direction and magnitude of input cost evolution.
- Divisional Managing Directors are accountable for maintaining gross margins through cost saving product redesigns and/or cost price increases agreed with 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, meaning that risks can be identified and mitigating actions agreed in a timely manner.
- A detailed and accurate weekly cash, debt and liquidity forecasting process.

Key developments

- On 29 September 2022, McBride 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.
- The return to profitability in 2023, driven by sales volume increases and margin improvement actions agreed with our customers, continued focus on cash management, and the extension of invoice discounting facilities to unencumbered sales ledgers, has driven improved liquidity. At 30 June 2023, liquidity of £59.3 million is significantly above the £15.0 million minimum liquidity covenant required by the lender group.

Key: Market standing Operational excellence Sustainability Talent ↑ Increased risk — No change ↓ Decreased risk

Principal risks and uncertainties continued

② Supply chain resilience

Raw materials remain a significant proportion of our total product costs. As a result of this, the volatility of the global commodities market continues to remain a key underlying risk.

Risk trend/change: ↓

Risk appetite rating: Moderate

Averse Low **Moderate** High Very high

McBride accepts a moderate level of concentration risk in relation to raw material suppliers to maximise economies of scale and leverage pricing strategies. The Group 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.

How it links to our strategy:

Risk impact

- Global supply chains remain imbalanced in many areas as the downturn in global demand driven by recessionary concerns was met with a downturn in production across a large spectrum of key commodities.
- The current market volatility could create uncertainty over forward input price inflation, thus restricting the Group's ability to implement plans for recovery through pricing initiatives.
- The 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 substantive impact on the Group's profitability.
- An over-reliance on any one supplier could pose a significant business interruption risk to the Group.

Mitigation

- Our Group Purchasing function is appropriately resourced with a high level of market and industry knowledge, thereby providing the ability to spot market trends and developments.
- Strong and long-standing supplier relationships that allow McBride to leverage scale and push for prioritisation in times of material shortages.
- A robust and reliable input cost forecasting process is in place, designed 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 their pricing plans and actions.
- We have 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 is in place, underpinned by specific metrics and targets, with well-articulated plans to achieve them, that are shared with our customers.
- We apply a robust and highly effective risk management approach using set criteria to identify supply risks and ultimately drive corrective actions.

Key developments

- We have an increased level of access to market intelligence and data, coupled with a clearly defined training pipeline.
- Our well-structured and effective monthly forecasting cycle equips the business with ongoing insights into input cost evolution and forward outlooks.
- KRIs are embedded, allowing us to monitor progress and drive appropriate and proportionate action, where necessary.
- We have an appropriate level of focus on contractual cover, with closer alignment between the Group Purchasing, Commercial and Legal functions.
- McBride already has a set of published sustainability targets which are monitored on a regular basis and has started on the TCFD reporting journey to drive further improvements in this area.

Key: Market standing Operational excellence Sustainability Talent ↑ Increased risk – No change ↓ Decreased risk

Principal risks and uncertainties continued

③ Changing market, customer and consumer dynamics

High levels of inflation across Europe are driving a fundamental change in consumer behaviour. Branders are taking action to protect against volume loss as consumers are attracted to the lower cost offerings of private label. As private label volume grows, it becomes increasingly attractive for potential new players to the industry.

Risk trend/change: ⊟

Risk appetite rating: Moderate to high

Averse | Low | **Moderate** ● **High** | Very 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 we are negotiating increased product prices to take account of increased input costs and ever-changing market factors.

How it links to our strategy:

Risk impact

- With inflation recently running at levels not seen for a generation and consumer finances stretched to breaking point, branders may decide to enter/re-enter, the private label market to capture some of the branded sales they have lost.
- Inability to improve the appreciation of all elements of our value proposition other than price. This is particularly relevant during periods of economic slowdown, and declining consumer consumption, when key players attempt to hold on to volumes.
- The lack of growth in the market increases free capacity and intensifies competition further. This could lead to greater brander discounting, stronger retailer pressure on supplier margins and a squeeze on the role private label plays.
- Key international retailers face significant pressure to be the backstop of grocery inflation and therefore drive an aggressive approach to tendering and pricing, moving further towards a transactional price-led relationship.
- Despite a fragile competitor set, retailers continue to demand high levels of CSL, with failure to deliver jeopardising our reputation and sales performance.
- The razor-sharp focus on value engineering creates a risk that innovation becomes de-prioritised, risking medium-term profitable sales growth.
- Sustainability remains high on the retailers' agenda, with an increased focus on the environmental credentials of our products.

Mitigation

- Our focused Commercial team has in-depth knowledge of the markets within which we operate.
- We have an agile approach to product portfolio management that responds to changes in consumer needs.
- We have a rolling five-year strategic plan, which is reviewed on an annual basis, to balance capital allocation between developing new initiatives and supporting existing business.
- We have strengthened partnerships, with key retailers to avoid one-dimensional discussions solely focused on price, moving the discussion to the full value-add that McBride brings.

Key developments

- A centralised approach to market data and insights provides us with visibility of trends and developments across our markets, allowing informed decision-making and focused strategic plans.
- A focused R&D ethos towards cost saving and sustainability – working closely with our supplier base to achieve speed to market.
- The ESG Group has made progress in measuring the Group's environmental impact and setting appropriate targets to support ongoing business performance and growth.
- We have demonstrated resilience and agility in assisting retailers where they have had disruptions in supply as a result of competitors' financial and operational difficulties.
- We have widened our supplier network across both direct and indirect categories in order to ensure reliable supply at highly competitive price levels.
- All divisions and Group functions have clear cost-saving targets enabled by continued investment in business processes.

Key: Market standing Operational excellence Sustainability Talent ⬆ Increased risk ⊟ No change ⬇ Decreased risk

Principal risks and uncertainties continued

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 escalation in the number of external cyber attacks in the public domain and elevated threat levels globally, particularly from rogue nation states, combined with increasing use of artificial intelligence as an aid to attacks. This increasing risk trend is expected to continue for the foreseeable future.

Risk trend/change: ↑

Risk appetite rating: Low

Averse **Low** Moderate High Very high

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

How it links to our strategy:

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 lead to disruption at a location which hosts critical IT services.
- Internet disruption affecting access to our core systems and operations.
- Underinvesting in Information Technology (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.
- Failure to implement a new ERP system would disrupt our operations and our ability to serve customers.

Mitigation

- We continually review and invest in security policies, controls and technologies to protect commercial and sensitive data.
- Continued monitoring of developments in cyber security, which include engaging with third-party penetration testers and other specialists, where appropriate.
- Ongoing hardware and software refreshes and upgrade programmes are conducted, ensuring 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 is undertaken, to ensure critical systems have a clear plan for recovery.
- Business systems roadmaps are updated to ensure relevance including core ERP.
- Strong programme governance is in place for major ERP implementations.

Key developments

- Annual external vulnerability testing is undertaken.
- Security KRIs are in place to monitor progress and drive appropriate action, where necessary.
- Employee education programme is in place to improve cyber risk awareness.
- Critical infrastructure is upgraded, ensuring the correct patch levels are applied.
- We are moving critical systems away from our sites into an external cloud infrastructure.
- An annual review of disaster recovery processes for all business-critical systems has been undertaken, ensuring relevant back-up and recovery plans are in place.
- New secure access mechanisms have been introduced for employees connecting to the corporate systems when they are not in the office.
- An IT strategy refresh has been conducted and aligned to business priorities, with new investments underway in updated systems and applications, as part of our Group-wide Transformation programme.
- Programme governance is in place for major IT programmes.

Key: Market standing Operational excellence Sustainability Talent ↑ Increased risk − No change ↓ Decreased risk

Principal risks and uncertainties continued

⑤ Safe and high-quality products

We recognise the inherent risks associated with product quality and safety and we acknowledge that product defects can occur due to various factors such as human error, equipment failure, or other unforeseen circumstances. We are also aware that any errors in labelling can have significant repercussions on consumer safety and customer reputation. It is therefore imperative that we maintain the highest standards of product quality and safety, both to safeguard the wellbeing of consumers as well as to uphold the trust and loyalty customers place on us.

Risk trend/change: —

Risk appetite rating: Averse

Averse Low Moderate High Very high

So far as the production of safe and high-quality products is concerned, McBride has a zero tolerance for risk.

How it links to our strategy:

Risk impact

- Issues with quality or safety of products could lead to reputational damage with customers, consumers or regulators.
- Potential financial losses could arise due to a need to recall products, disruptions in supply, delays to launch or fines imposed on the Company.

Mitigation

- Our product quality processes and controls are comprehensive, verified annually, and monitored for continuous improvement.
- Raw materials are approved against our standards and material quality is regularly monitored.
- In the event of a safety or quality incident, processes are in place to make sure that the right experts take prompt and effective action.
- Our labelling processes comply with all applicable regulations and are kept up to date with all regulatory changes.
- We engage with regulators and industry groups to stay updated on emerging safety concerns.

Key developments

- All annual reviews of processes and controls are completed.
- Raw material policy update has been completed for 2023.
- We continue to participate in all relevant trade associations and taskforces.

Key: Market standing Operational excellence Sustainability Talent ↑ Increased risk — No change ↓ Decreased risk

Principal risks and uncertainties continued

⑥ Health and safety

We recognise the inherent risks associated with poor identification of health and safety risks, evaluation of hazards and the prioritisation of associated actions and controls, which represents a potential risk of injury, ill health or environmental incident.

Risk trend/change: ⊟

Risk appetite rating: Averse

●—————————
Averse Low Moderate High Very high

McBride has zero tolerance for risk in this area and deploys a robust and proportionate level of control and monitoring mechanisms to ensure instances of this risk are minimised.

How it links to our strategy:

Risk impact

- The assessment of hazardous tasks/activities could lead to gaps in associated risks and relevant controls required to prevent potential injury, ill health or environmental incidents.
- An inaccurate or incomplete assessment of specific/specialised elements of health and safety, coupled with potentially differing standards in operational controls in this area, could result in the potential risk of injury, ill health or environmental incidents.
- An insufficient ‘Training Needs Analysis’ could lead to an inconsistent approach to health and safety training, resulting in the inability to determine the necessary competence of workers, ultimately affecting their health, safety or environmental performance.

Mitigation

- We have an appropriately resourced and skilled Group-wide Health & Safety (H&S) function, which includes a Group H&S Lead reporting directly into the CEO, supported by dedicated health, safety and environment professionals at a local site level in every country.
- We have created an H&S Governance Framework, incorporating an H&S Council responsible for the development and implementation of continual improvement initiatives.
- The utilisation of a standard Group-wide H&S proforma helps to provide a more robust risk assessment of general tasks and activities.
- The development of defined Group standards on H&S allows McBride to establish minimum requirements to improve operational control and health, safety and/or environmental performance.
- The development of tailored site Zero Loss Journey Map (ZLJM) improvement plans determined from comprehensive gap analysis enables the Group to define strategy and priority objectives, in order to improve health, safety and environmental performance.

Key developments

- The ongoing monitoring of defined Group standards on H&S ensures minimum standards on health, safety and/or environmental performance are maintained.
- The development and implementation of additional ‘in-process’ tools e.g. Dynamic Risk Assessment (DRA) and Quick Risk Prediction (QRP) help to further enhance the Group’s approach based on proactive ‘Leading Indicators’.
- The acquisition of a leading Health, Safety and Environmental (HSE) software solution helps to provide greater analysis and management of data/corrective actions to further enhance the continuous improvement of HSE performance across the Group.
- We have Standard Incident Reporting Sheets across the Group for ‘near misses’ and ‘accidents’.
- We have completed a comprehensive HSE gap analysis at each site and the subsequent development of tailored ZLJMs to define strategy and priority actions, and to ultimately drive Group-wide HSE improvements.
- We have developed a standard Root Cause Analysis (RCA) procedure, driving alignment on identified issues and corrective actions to support continual improvement.

Key: Market standing Operational excellence Sustainability Talent ⇧ Increased risk ⊟ No change ⇩ Decreased risk

Principal risks and uncertainties continued

⑦ Challenges in attracting and retaining talent

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

Risk trend/change: ⊟

Risk appetite rating: Low

Averse **Low** Moderate High Very high

McBride 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.

How it links to our strategy:

Talent

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 effectively 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 robust response mechanisms in place, we face the 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. There are frequent discussions on talent and retention with the Executive Committee, with regular oversight by the Board.
- Our Remuneration Committee agrees the objectives and remuneration arrangements for senior leaders.
- Agile ways of working, including smart home working, are frequently reviewed, to unlock internal capacity and support our ability to motivate, retain and attract talent.
- We regularly review our ways of working to drive speed and simplicity through our business, allowing us to remain agile and responsive to market trends, in particular utilising our new Human Capital Management (HCM) system to drive efficiency in our talent management, skills development and talent reporting.

Key developments

- This is our first year of using our new HCM system to run a full talent cycle, enabling us to better determine and report on our colleagues' performance and potential, plus reward them as appropriate to enhance retention of key colleagues.
- Our onboarding processes have been reviewed and updated in most areas, resulting in a more engaging welcome to McBride for new colleagues.
- Actions have been taken to ensure that staff remuneration remains competitive within each local market.
- We continue to roll out measures to ensure the wellbeing of our colleagues, with a number of specific initiatives launched during the year, including a focused four-week Diversity, Equity and Inclusion impact campaign during March 2023.

Key: Market standing Operational excellence Sustainability Talent ⇧ Increased risk ⊟ No change ⇩ Decreased risk

Principal risks and uncertainties continued

⑧ 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 potential 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 ambitions.

Risk trend/change: ↑

Risk appetite rating: Low

Averse **Low** Moderate High Very high

The Group has a low tolerance for risk in this area whilst recognising that external factors can be difficult to mitigate as they are often outside of our control.

How it links to our strategy:

Risk impact

- Government actions to mitigate climate change, such as carbon taxes, land use regulations, or regulations restricting product composition, may increase costs or limit operational flexibility. This could lead to financial cost for the Company, over and above the increased costs associated with sustainable materials.
- Failing to adapt our business models and strategies to the sustainability concerns of customers and consumers could reduce our ability to continue to produce and deliver appropriate goods and services. This could lead to reputational damage for the Group and ultimately affect 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.
- We could fail to be eligible as a preferred supplier to our customers due to lack of our commitment to measure our corporate carbon footprint and to set and realise appropriate reduction targets.

Mitigation

- The immediate focus of our mitigation activities is on our preparedness for both supply chain disruptions (e.g. through flexible sourcing policies in place) and the ongoing reduction of our operational carbon footprint measured via appropriate metrics and using validated targets.
- We have developed a more comprehensive understanding of our customers' needs, goals and objectives to mitigate their overall carbon footprint, aligning our own climate change action plans as appropriate.
- An annual measurement of our corporate carbon footprint and creation of a carbon heat map has been developed with external consultants. This follows required corporate reporting standards and is the main driver for action plans to reduce our carbon-intense production areas.
- We have a focused cross-functional ESG forum with an established framework that continues to operate effectively, leading the Group's ESG activities and specifically driving our response to climate change and environmental concerns.

Key developments

- We continued to engage with experts to work with the TCFD Working Group, in order to further risk assess key CROs over the short, medium and long term and to assess their potential impact on the Group's business. Further details are provided on pages 63 to 68.
- We are working with our energy suppliers to increase the proportion of our energy from renewable sources, whilst looking to offset additional costs, via improved site efficiencies. This is required to meet our 2025 target (30%) and our agreed Science-Based Target.
- We have completed the 2023 Carbon Disclosure Project (CDP) disclosure on climate action.

Key: Market standing Operational excellence Sustainability Talent ↑ Increased risk — No change ↓ Decreased risk

Principal risks and uncertainties continued

⑨ Increased regulation

The regulatory environment remains complex with requirements for increased monitoring, governance, product composition and reporting. McBride 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 appetite rating: Low

Averse **Low** Moderate High Very high

So far as legal compliance and safety of consumers and employees are concerned, the Company has a zero tolerance for risk.

McBride 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.

How it links to our strategy:

Risk impact

- Non-compliance with relevant laws and regulations could expose McBride and our customers to civil and criminal actions. This could result in possible damages, fines, sanctions and damage to our corporate reputation.
- Changes to and introduction of additional laws and regulations also have a material impact on the cost of doing business via increased reporting and growing resource requirements to meet heightened, complex and frequently evolving compliance needs.

Mitigation

- Our continued focus on product compliance processes and controls is regularly monitored to drive improvement.
- Communication with 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 operates under, to provide assurances of compliance with all existing and new legal obligations. External legal guidance is sought, where appropriate.
- McBride 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.
- Communication of legislative requirements is now fully formalised via specific divisional briefing, leadership briefings and specific project teams.

Key developments

- Continual improvement of monitoring and oversight systems, processes and activities to respond to increased emerging regulatory compliance and reporting obligations.
- Use of digital tools to check compliance of formulations against legal and McBride policy requirements.
- Monitoring of the legislative landscape continues to be a priority, particularly in relation to the EU Green Deal.
- McBride has contributed to the detergent industry impact assessments conducted for the update to the Detergent Regulation, Regulation (EC) No 1272/2008 on the classification, labelling and packaging of substances and mixtures (CLP), Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and the impact assessments for new pieces of legislation such as the Ecodesign for Sustainable Products Regulation (ESPR) and the Green Claims Directive.
- Increased regulation has also been further assessed as a transitional risk as part of the work undertaken by the TCFD Working Group. Further details are on pages 64 and 65.

Key: Market standing Operational excellence Sustainability Talent ↑ Increased risk — No change ↓ Decreased risk

Principal risks and uncertainties continued

⑩ Economic, political and macro environment instability

Failure to anticipate, understand and successfully respond to changes in geopolitical and economic uncertainty on a timely basis may impact our ability to meet our strategic goals.

Risk trend/change: ↑

Risk appetite rating: Moderate to high

Averse Low **Moderate** **High** Very high

We accept a moderate to high level of risk in our relationships with customers and suppliers whilst these are being tested by geopolitical uncertainty, rapidly changing macroeconomic developments and significant global inflationary pressures.

How it links to our strategy:

● ●

Risk impact

- Failure to react quickly enough to changing economic and/or political conditions e.g. inflationary pressures, currency instability, global trade tensions, heightened political protectionism, changes to customs duties and tariffs, and eroded consumer confidence, may impact on our freedom to operate in a specific market and could adversely impact forecasting and financial performance.
- The Group operates in the consumer products environment where external factors such as the general economic and geopolitical climate, levels of disposable income, changing demographics and buying patterns could all impact customer spending.
- Prolonged uncertainty owing to political and ongoing macroeconomic developments, the Russian invasion of Ukraine and the significant inflationary pressures that many global economies are currently facing, could potentially affect our supply chain, availability of key products and thereby increase the Group's cost base.
- Disruption could be caused by sanctions imposed due to geopolitical events, or the failure to respond or react to sanctions on a timely basis.

Mitigation

- We conduct local and global monitoring of key business drivers and performance, with cross-functional steering groups to manage acute issues, including inflation and other supply chain considerations.
- Local sourcing strategies are supported by centrally administered currency and interest rate hedging arrangements, to minimise volatility, in line with the Group's Treasury Policy.
- The Group monitors the performance of individual divisions and markets regularly, covering a range of KPIs.
- We have an adaptable portfolio of existing products and an ability to develop new products across all our geographies, suiting the changing needs of customers and consumers.
- The business has a proven track record of being able to pass on inflationary costs through increased pricing.
- The Group has a formal and frequent forecasting process as well as medium-term planning processes, which help provide early visibility and a timely response to significant changes in consumer demand patterns.
- McBride has adopted a Group-wide International Sanctions Policy, which is continuously reviewed, monitored and updated, and implemented a risk-based process to ensure compliance with international sanctions measures that apply to our business and that may restrict our ability to trade with certain countries, territories or parties.

Key developments

- The risk profile increased during the year primarily due to ongoing political and macroeconomic developments related to the aftermath of Covid-19, the Russian invasion of Ukraine and the significant inflationary pressures that many global economies are currently facing.
- We have continued to improve forecasting and planning capabilities, resulting in rolling annual volume forecasts by product category, region and customer, to better assess and respond to long-term opportunities and risks.
- McBride has taken an active decision not to trade with countries that are subject to comprehensive sanctions programmes, or with any entity or individual that is located, incorporated or ordinarily resident in any of these locations. In relation to other countries subject to less restrictive sanctions programmes, we risk assess and perform adequate due diligence on our business partners and the final destination of our products when establishing or reviewing trade relationships to ensure that we do not trade with listed sanctions targets or otherwise engage in activities that are prohibited under relevant sanctions measures.

Key: ● Market standing ● Operational excellence ● Sustainability ● Talent ↑ Increased risk — No change ↓ Decreased risk

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 CFO's report on pages 35 and 36. In addition, note 20 to the consolidated 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 2023, committed undrawn facilities and net cash position (i.e. liquidity, as defined in note 2 to the consolidated financial statements) amounted to £59.3 million.

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

- revenue growth of c.4-5% per annum, driven predominantly by volume increases resulting from net contract wins;
- raw material prices reducing compared to 2023 levels, which in themselves remained significantly higher than the pre-Covid-19 pandemic era as a result of exceptional levels of input cost inflation;
- interest rates increasing by c.100 basis points versus budgeted assumptions; and
- Sterling: Euro exchange rate of £1:€1.12.

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

- no revenue growth from assumed contract wins in 2024;
- revenue growth reducing to half of that assumed in the original three-year plan for 2025;
- an increase in raw material and packaging input costs compared to latest forecasts;
- 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 remain compliant with current banking covenants.

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.

Viability statement

In accordance with the requirements of the UK Corporate Governance Code 2018, 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 2026 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, featuring 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 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 to which the Group is exposed.

Whilst the Group ends the year with net current liabilities of £11.9 million, the Directors conclude that the Group has access to sufficient financing facilities in order to support this position.

After conducting their viability review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment to 30 June 2026.

The Strategic report was approved and signed by the Board on 18 September 2023 and signed on its behalf by:

Chris Smith
Chief Executive Officer

Chairman's introduction to the Directors' report

> "The Board continues to support and challenge management as we now focus on delivering our Compass strategy both efficiently and effectively."

Jeff Nodland
Chairman

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. As we emerged from a period of economic uncertainty, we successfully concluded negotiations with our syndicate of lenders, culminating in our announcement on 29 September 2022 of agreement by the lenders to continue to provide the Group's €175 million sustainability-linked RCF to its original maturity date of May 2026. I would like again to pay tribute to my Board colleagues for their flexibility and outstanding support throughout the year.

Governance

The application of the Principles of the 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 92 provides details of our compliance with the 2018 Code for the financial year 2023.

Board changes

Having served nine years on the Board, Steve Hannam, who was Senior Independent Director, retired from the Board at the conclusion of the 2022 AGM on 16 November 2022 and Elizabeth McMeikan took up the position of Senior Independent Director upon his retirement. Elizabeth already had extensive experience as a Senior Independent Director, which she now brings to the role. Regi Aalstad was appointed as the Non-Executive Director responsible for employee engagement, continuing Steve's good work in this area.

On 31 May 2023, Igor Kuzniar stepped down as a Director after four years' service. Igor joined the Board following constructive discussions with Teleios Capital Partners LLC, a European-focused investment firm and the Company's largest shareholder, regarding Board composition and governance considerations. His insights and perspectives have been invaluable as the Company charted a new direction and navigated the challenges created by the current external environment. Igor leaves McBride with confidence in the Board and leadership to continue their work in delivering the Company's strategy supported by a strong corporate governance framework.

On behalf of the Board, I would like to thank Igor and Steve for their commitment and contribution to the Board and its Committees throughout their tenure as Directors.

Chairman's introduction to the Directors' report continued

Dividend

The Board has agreed with its lender group that no dividends will be paid until it is in compliance with its original net debt and interest cover banking covenants, per the lender refinancing agreement of May 2021. Therefore, the Board is not recommending a final dividend in 2023. As stated in the 2022 Annual Report, future dividends will be final dividends paid annually in cash, not by the allotment and issue of non-cumulative redeemable preference shares ('B Shares').

As outlined in the RNS dated 29 September 2022, under the Company's €175 million RCF as amended, the Company is not permitted to redeem or repay any of its share capital. This restriction remains in place until the original maturity date of the RCF in May 2026 and, as a result, no redemption of existing B Shares is permitted at the present time. Once this restriction is lifted, 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 39 to 44.

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 2023 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 pages 103 and 104.

I will continue to work with my fellow Directors and with the Company Secretary to seek enhancements to the effectiveness of the Board and our Board 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.

Annual General Meeting

The 2023 AGM will be held at the registered office of McBride plc, Middleton Way, Middleton, Manchester M24 4DP on 20 November 2023 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 continued to adapt to ensure that we can effectively respond to a multilateral world of volatility, uncertainty, complexity and ambiguity and the need to keep our strategy under constant review. We would like to thank our colleagues, suppliers, investors, lender group and customers for their continued support. I believe that your Board has the right balance of skills and expertise to continue to support and challenge management as we move forward in embedding our Compass strategy.

Jeff Nodland
Chairman

Board of Directors

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

N R

Jeff Nodland
Chairman

Appointed to Board:
26 June 2019

Skills and experience:
Jeff has 12 years' experience in consumer chemicals manufacturing businesses, including both private label and contract manufacturing activities. He was most recently President and CEO of KIK Custom Products, one of North America's largest independent manufacturers of consumer-packaged goods (including branded and private label products), retiring in February 2019 after 11 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 Speciality 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 Pioneer Recycling Inc. and Trademark Cosmetics Inc.

Chris Smith
Chief Executive Officer

Appointed to Board:
7 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 and 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.

Mark Strickland
Chief Financial Officer

Appointed to Board:
4 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.

A	Audit and Risk Committee
N	Nomination Committee
R	Remuneration Committee
🟧	Chair

Board of Directors continued

A N R

Elizabeth McMeikan

Senior Independent Non-Executive Director

Appointed to Board:
14 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.

Her past appointments include Senior Independent Director and Remuneration Committee Chair of Unite Group plc, Senior Independent Director at J.D. Wetherspoon plc and Senior Independent Director and Remuneration Committee Chair at Flybe plc.

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

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. He 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 and Non-Executive Director and Chair of the Audit and Risk Committee at Greencore Group plc.

A N R

Regi Aalstad

Independent Non-Executive Director (and Designated Non-Executive Director for Employee Engagement)

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 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:
Non-Executive Director at Billerud AB, Gmelius SA and Plair SA.

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 2023.

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 87, 90 to 91 and 93 to 99
B. Purpose, values and strategy are set and align with culture, which is promoted by the Board.	pages 15 to 20, 54, 93 to 99 and 119
C. Resources allow the Company to meet its objectives and measure performance. A framework of controls enables assessment and management of risk.	pages 59, 70, 75 to 86 and 111 to 114
D. Engagement with shareholders and stakeholders is effective and encourages their participation.	pages 39 to 44 and 93 to 94
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 40, 54 to 58, 93 to 94 and 99

Division of responsibilities	Page reference
F. The Chairman is objective and leads an effective Board with constructive relations.	pages 89, 90 to 91 and 96 to 99
G. The Board comprises an appropriate combination of Non-Executive and Executive Directors, with a clear division of responsibilities.	pages 88 to 91 and 96
H. Non-Executive Directors commit appropriate time in line with their role.	pages 99, 100, 106 and 115
I. The Company Secretary and the correct policies, processes, information, time and resources support Board functioning.	pages 94 to 95 and 98 to 99

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 88 and 100 to 105
K. There is a combination of skills, experience and knowledge across the Board and its Committees. Tenure and membership are regularly considered.	pages 90 to 91, 96, 98 and 100 to 105
L. Annual evaluation of the Board and Directors considers overall composition, diversity, effectiveness and contribution.	pages 89 and 103

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 106 to 114
N. A fair, balanced and understandable assessment of the Company's position and prospects is presented.	pages 1 to 87, 114 and 150 to 174
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 75 to 86, 95 and 106 to 114

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 116 to 118 and 119 to 128
Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration.	pages 116 to 118 and 119
R. Independent judgement and discretion is exercised over remuneration outcomes taking account of the relevant wider context.	pages 116 to 118 and 119 to 128

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 92.

The Directors' report complements the strategic report and explains how the Board operates within a robust governance framework, which underlies the work of the Directors to ensure that the Company's purpose, values, strategy and culture are aligned. 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

During the year, the Board's focus shifted from immediate short-term margin recovery actions, towards our Transformation programme and embedding our Compass strategy, in order to ensure sustained margin improvement and revenue growth. Key to delivering our strategy has been the agility and expertise within the divisional business teams. The divisions have been continuously adapting to the dynamics, nature and speed of change in their markets and to changes in raw material prices, exchange rates, inflation and sales prices. There has been a lack of predictability and a multiplex of forces creating difficulties in planning which sharpened the need to manage risks, foster change and solve problems. As a Board, we reviewed the strategic direction of each division during the year. The review again 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 46 to 53 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 2023 can be found on page 95.

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.

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 continued to be an effective method of engagement during the year.

The Board recognises the importance of site visits in order to engage with senior management and other employees on a face-to-face basis to continually learn about the Company's operations on a first-hand basis and gain an insight into the successes and challenges in each of the Company's businesses. During the year, visits were made to sites in Hammel and Holstebro, Denmark and Foetz, Luxembourg.

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 Transformation, R&D and H&S. The Chairman also visited two sites in France and our site in Spain to interact with the management, employees and participate in a business review for our Aerosol and Powders divisions.

Significant planning goes into each site visit. There is a robust agenda and the Board works together with senior executives to create a broad list of potential presenters, key topics for discussion and other elements that can be incorporated into the agenda. 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.

A meeting with the European Works Council employee representative spokesperson in April 2023 provided the Board with greater appreciation of the issues of importance to the workforce.

Stakeholder engagement continued

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. On 16 November 2022, Steve Hannam stepped down as a Director of the Company and, with effect from 17 November 2022, Regi Aalstad took on the role of dedicated Non-Executive Director for workforce engagement and continues 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.

Customer engagement

Engagement with customers is at the operational level. The Board receives regular updates from the CEO and members of the senior management team on customer sales performance and ongoing customer engagement. Updates are also shared in relation to evolving relationships with customers as we respond to market conditions. During the course of the year, there continued to be 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 selling price increases that would reduce the impact of raw material price increases, whilst still fostering a good working relationship. 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 42.

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 44.

Shareholder engagement

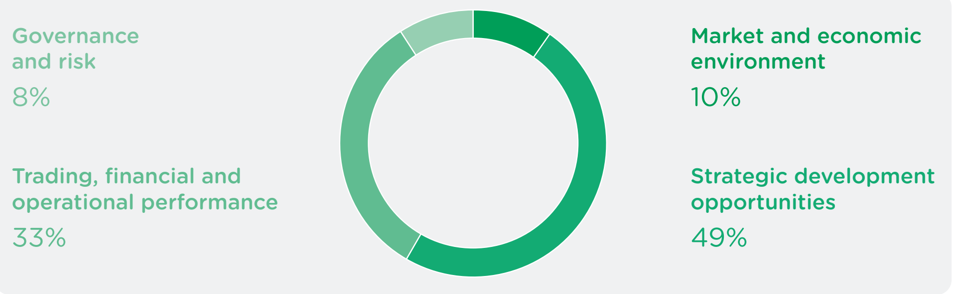
The Board recognises the importance of regular, open and constructive dialogue with shareholders throughout the year. The Board welcomes the opportunity to openly engage with shareholders and help them understand our business. Details of engagement with shareholders can be found on page 43.

Corporate governance statement continued

Board leadership and Company purpose continued

Board activity in 2023

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
- Sales and pricing activity reviews
- Purchasing performance and feedstock forecasts
- Forward outlook for FX and interest rates

Strategic development opportunities

Matters considered

- Transformation programme – operational efficiencies and process improvements
- Overseeing strategic implementation
- Programme Compass – review of divisional strategies and organisational strategy
- Key operational project progress reviews, including major capital expenditure investment proposals
- 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 three-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
- Banking and liquidity reviews
- Approval of amendment to RCF
- Considered the impact of raw material price increases on the business
- Reviewed pricing strategy
- 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
- 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 Committee Terms of Reference
- Litigation updates
- Corporate governance horizon scanning

In addition to the scheduled Board meetings, the Board regularly met for financial updates during the period leading up to the agreement with the Company's lenders to amend the terms of the Group facilities.

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 2023, the Board of Directors comprised the Non-Executive Chairman, three independent Non-Executive Directors and two Executive Directors. Additional responsibilities assigned to certain Non-Executive Directors are explained on page 97.

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 100 to 145.

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 auditors. Details of its composition and work during the year are set out in the Audit and Risk Committee report on pages 106 to 110. 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 115 to 118.

The Nomination Committee

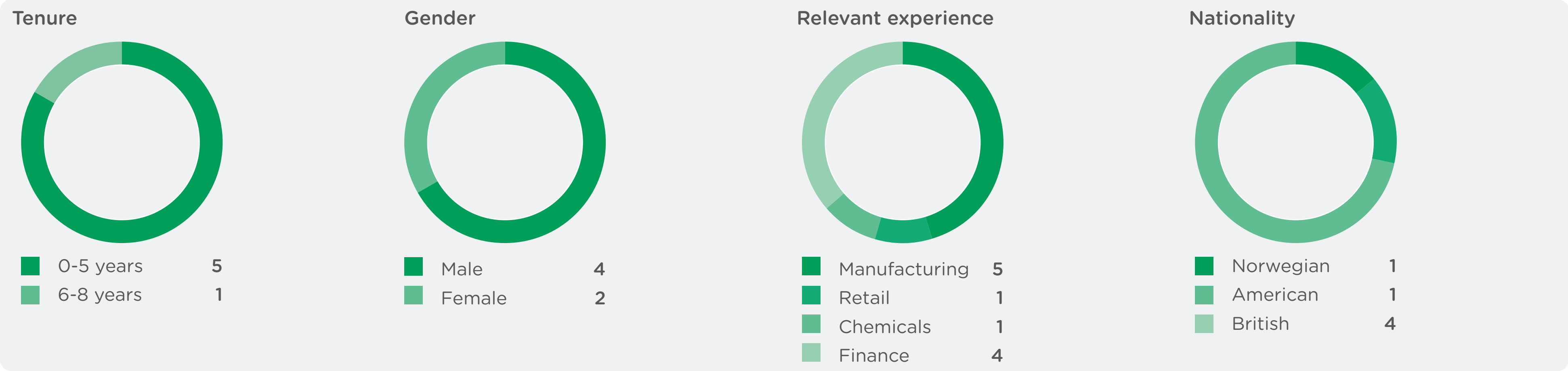
The Board has established a Nomination Committee. The Nomination Committee is responsible for setting out and monitoring the Board's succession plans, reviewing composition and diversity of the Board and proposing new appointments to the Board. Further detail of the composition of the Nomination Committee and its work during the year can be found on pages 100 to 105.

Operational management

The management of the Group's business activities is delegated to the 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 2023, 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 Transformation Officer, the Chief HR Officer and the Chief Legal Officer and Company Secretary.

Board composition as at 30 June 2023



Corporate governance statement continued

Division of responsibilities continued

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 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 2023.

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.

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.

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 AGM.

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.

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 in the 2023 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 review. Further details of the performance review process can be found in the Nomination Committee report on pages 103 and 104.

The performance review 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 continued to be effective and demonstrated that the Board has the necessary range of skills, knowledge and diversity of thought.

Corporate governance statement continued

Division of responsibilities continued

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 2023

Number of scheduled Board meetings held: 8

Members of the Board	Number of scheduled meetings attended	Eligible to attended
Jeff Nodland Chairman	8	8
Chris Smith Chief Executive Officer	8	8
Mark Strickland Chief Financial Officer	8	8
Regi Aalstad Independent Non-Executive Director	8	8
Steve Hannam(1) Senior Independent Non-Executive Director	4	4
Igor Kuzniar(1) Non-Executive Director	7	8
Elizabeth McMeikan Independent Non-Executive Director	8	8
Alastair Murray Independent Non-Executive Director	8	8

(1) To date of resigning as a Director.

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 eight scheduled meetings in the year to 30 June 2023. 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 were held during the financial year 2023 to receive and consider financial updates, and updates on progress with the Company's pricing initiatives.

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 18 September 2023 and signed on its behalf by:

Jeff Nodland
Chairman

Nomination Committee report

Composition, succession and evaluation

> "This year the Committee focused on improvement in the areas identified through the Board evaluation."
>
> **Jeff Nodland**
> Chair of the Nomination Committee

Committee membership and meetings 2023

The Committee held two scheduled meetings and one ad hoc meeting, to agree Board role changes, 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	2	2
Steve Hannam(1)	1	1
Igor Kuzniar(2)	2	2
Elizabeth McMeikan	2	2
Alastair Murray	2	2

(1) Steve Hannam stepped down as a Non-Executive Director on 16 November 2022.

(2) Igor Kuzniar stepped down as a Director on 31 May 2023.

Dear shareholder

On behalf of the Nomination Committee, I am pleased to present the Nomination Committee report for the year ended 30 June 2023.

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 16 November 2022, Steve Hannam stepped down from the Board as Non-Executive Director and Senior Independent Director following the 2022 AGM. In line with the Committee's succession plans, the Committee recommended to the Board that Elizabeth McMeikan be appointed to the role of Senior Independent Director following Steve's retirement. Elizabeth is an experienced Senior Independent Director and has transitioned into the role smoothly.

On 31 May 2023, Igor Kuzniar stepped down from the Board as a non-independent Non-Executive Director, being the representative of our largest shareholder, Teleios Capital Partners LLC. On stepping down, Igor expressed his confidence in the leadership team, the Company's strategic vision and the effective governance process. Igor is not being replaced.

Composition of the Nomination Committee

I chair the Nomination Committee and 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 three other independent Non-Executive Directors: Elizabeth McMeikan, Alastair Murray and Regi Aalstad.

Nomination Committee report continued

Composition, succession and evaluation continued

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.

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 its reporting obligations under the Task Force on Climate-Related Financial Disclosures framework.

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

Details on our key responsibilities can be found below and in our Terms of Reference at **www.mcbride.co.uk**

Board composition

- Review the ongoing composition of the Board and its Committees to ensure they have the necessary expertise and experience 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.

Board site visit
Middleton

Nomination Committee report continued

Composition, succession and evaluation continued

Committee activities

Our principal activities during 2023 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.
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 2023 AGM.
Review of performance and effectiveness during 2023	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. During the year, all independent Non-Executive Directors were considered to have maintained independence throughout the year.
External commitments and Director performance review	As a general principle, the Committee takes the view that Non-Executive Directors should have no more than four, and for Executive Directors no more than one, additional listed mandates. For example, the Committee concluded that the appointment of Elizabeth McMeikan as Chair of Nichols plc would still leave her with sufficient time to devote to the Company. Consideration was given to Elizabeth's current listed mandates, and although she now has four listed mandates (with Chair positions being allocated two mandates), the Committee was comfortable that she still had sufficient time to devote to the Company and this new position would not have a detrimental effect on her performance as a Director. The Board has concluded that each Non-Executive Director has sufficient time to discharge their duties as a Director of the Company, taking into consideration their external appointments and commitments. The Committee will continue to review the external commitments of each Director on an annual basis. Details of the Directors' external commitments can be found on pages 90 and 91. The Chairman assessed the performance of all Directors during the course of the year and met with each Non-Executive Director to discuss their performance and contribution to the Board. Directors' duties under section 172 Companies Act 2006 are referenced in the minutes at the beginning of every meeting. The Committee reviewed and considered the performance and contribution made by Elizabeth McMeikan as part of a mid-term review conducted pursuant to the succession planning procedures. The Committee confirmed Elizabeth's effectiveness in the role and acknowledged her valuable contribution to Board debates and effective chairmanship of the Remuneration Committee. The Committee approved an additional term of three years.
Board Inclusion and Diversity Policy	The Board-level policy on inclusion and diversity was reviewed to ensure the ongoing relevance of Board membership to a global manufacturing company in today's world.
Talent and capability	The Board received an update on executive and senior leader talent and succession planning, which enabled the Directors to monitor the internal talent pipeline and provide feedback. This update included analysis of the gender diversity of the talent pool, with a view towards continuing to improve diversity over the longer term.

Nomination Committee report continued

Composition, succession and evaluation continued

Assessing Board performance

Progress against 2022 actions

In last year's Annual Report, the Board reported on the key areas of focus from the 2022 Board evaluation. The table below sets out the Board's progress in the key areas of focus.

Key areas of focus from our 2022 evaluation	Actions to be taken throughout the year	Page references
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.	More time was devoted to strategic discussions than in previous years, as demonstrated on page 95.
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.	The Board has continued to engage with employees through engagement with leadership teams and reviewing high level talent assessments, which has provided the Board with invaluable insight into the talent across the business. Further details are provided on page 102.
Oversight of ESG	Oversight of ESG ambitions and targets and how to further embed ESG into strategy.	The Board's oversight of social and environmental risks, its monitoring of KPIs and of the level of resource, competence and commitment applied to the management of ESG issues to ensure a culture of continuous improvement is set out on pages 45 to 59.

2023 Board evaluation process

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 April 2023, the Board conducted an online evaluation, led by the Chairman. The evaluation used Independent Audit's online system, Thinking Board©, as the basis of the review. The respondents consisted of the Board and the Company Secretary, who anonymously answered questions derived from the Thinking Board© library and discussions with the Independent Audit team where particular focus was required. A report was prepared by Independent Audit 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, Elizabeth McMeikan, 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. Elizabeth discussed the feedback and any areas of development with the Chairman.

Nomination Committee report continued

Composition, succession and evaluation continued

Assessing Board performance continued

2023 Board evaluation findings

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

- the calibre, expertise and experience of the Directors;
- collegiate and productive Board relationships with Non-Executive Directors who are engaged and seek out opportunities to support the Executive Directors;
- open and inclusive discussions;
- effectiveness of the Committees; and
- effective chairmanship of the Board and the Committees.

Areas of focus for 2024	Commentary and actions
Macro and megatrends	To adapt the Board agenda to review more fully the strategic impacts from macro and megatrends including: • challenge the strength and resilience of the business model and emerging technologies; • ESG influences; and • consumer and retailer developments.
Corporate resilience	Reviewing business readiness for any future challenges and opportunities, including: • crisis management including cyber risks; • margin and pricing management in a volatile macro environment; and • medium-term validity of key strategic initiatives.
Information and support	Improve Board papers through better use of summaries and appendices and clearer positioning.

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:

1. Identify those roles that are subject to formal succession planning
2. Define the skills, competencies and experience required of individuals to undertake those roles
3. Identify internal talent or external sources to which recruitment will be directed
4. Assess the individuals to undertake the roles
5. Appoint Individuals

Nomination Committee report continued

Composition, succession and evaluation continued

Succession planning continued

In 2021 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 2023 and identified the need for new skills such as a knowledge of cyber security and an understanding of the commodity markets.

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 and election procedures

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.

Any new Directors are appointed by the Board and, in accordance with the Company's Articles of Association, they must be elected at the next AGM to continue in office. All existing Directors retire by rotation and stand for re-election every year.

Diversity and inclusion

In 2023, the Committee reviewed the 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 five non-UK nationals on the Board and Executive Committee, the Company is well placed to continue on this journey.

At 30 June 2023, two members of the Board were female (33.3%), three out of eight members (37.5%) of the Executive Committee were female and 27.1% (13 out of 48) of the direct reports to the Executive Committee were female.

At 30 June 2023, no members of the Board or the Executive Committee were from a non-white background.

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 opposite:

Objective	Implementation and progress
To ensure so far as possible that the proportion of women on the Board is not less than 40%.	The appointment of Regi Aalstad increased the proportion of women on the Board and following the departure of Igor Kuzniar the proportion is 33%. McBride continues to work towards its diversity target of 40% female representation. The Committee is hopeful that any future recruitment will enable the Board to exceed 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 was appointed to the role of Senior Independent Director following Steve Hannam stepping 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 most recently recruited 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 any future 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.

2024 objectives

The Committee's focus for 2024 will be on strategic opportunities and drivers and ensuring the business has the resilience and preparedness to withstand external challenges and leverage our technology, capabilities and people to capture future opportunities.

Jeff Nodland
Chair of the Nomination Committee

Audit and Risk Committee report

Audit, risk and internal control

> "During the year we gave special consideration to the impact on the Group of macroeconomic conditions and the external environment."
>
> **Alastair Murray**
> Chair of the Audit and Risk Committee

Committee membership and meetings 2023

The Committee met six times in the year ended 30 June 2023, 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)	6	6
Regi Aalstad	6	6
Steve Hannam(1)	4	4
Elizabeth McMeikan	6	6

(1) Steve Hannam stepped down as a Non-Executive Director on 16 November 2022.

Dear shareholder

On behalf of your Board, I am pleased to present the Audit and Risk Committee report for the year ended 30 June 2023.

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 auditors, PricewaterhouseCoopers LLP (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 2023, we carried out our usual work as set out on page 108. In addition, given the unprecedented inflationary impact on commodity prices, driven first by post-Covid-19 supply chain disruptions and more recently by the associated economic and inflationary impacts of the war in Ukraine, 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 regarding Group funding.

Composition of the Audit and Risk Committee

I served as Chair of the Committee and Regi Aalstad and Elizabeth McMeikan served as members of the Committee throughout the year. Steve Hannam stepped down from the Board and the Committee on 16 November 2022.

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.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Composition of the Audit and Risk Committee continued

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 six meetings.

During the year I met separately with representatives of the independent auditors 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 pages 103 and 104 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 90 and 91. The Board has determined that the Committee has competence relevant to the sector in which the Group operates.

Independent auditors

The Audit and Risk Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the independent auditors. This is submitted to shareholders for their approval at the Company's AGM.

As part of its oversight of the independent auditors, the Committee has undertaken its annual assessment of the auditors 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 year-end audit. The Committee also considered the professionalism, competence and objectivity, constructive challenge of management and key judgements of the auditors. In its assessment the Committee took account of the views of management and the Committee's own experience and interactions with the independent auditors 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 2023. Fees payable by the Group to PwC totalled £1.3 million (2022: £1.1m) in respect of audit services. There were no contingent fee arrangements with PwC.

Audit tenure

PwC was appointed as the Group's auditors 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 auditors from 2022.

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 auditors for the Company should be proposed at the forthcoming AGM in November 2023. The independent auditors are required to rotate the audit engagement partner every five years. Hazel Macnamara began her appointment as audit engagement partner in July 2023, so this is her first audit cycle.

Non-audit services

The Company maintains a detailed policy on the engagement of the independent auditors 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 auditors can be engaged without referral to the Committee;
- for which a case-by-case decision is necessary; and
- from which the independent auditors are excluded.

In accordance with this policy, other providers are considered for non-audit work. 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**.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Non-audit services continued

Fees payable by the Group to PwC totalled £2,000 (2022: £2,000) in respect of non-audit services, equating to 0.1% of audit fees received by PwC during the year (2022: 0.2%). 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 auditors.

The Company's policy on the employment of former employees of the independent auditors 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 auditors have 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 internal controls and risk management systems in respect of finance, operations and compliance; and
- to oversee the appointment, objectivity, independence, effectiveness and remuneration of the independent auditors, including the policy on the engagement of the independent auditors 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 on pages 109 and 110. 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 87.

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 'severe, but plausible downside risk' stress test scenarios. Details of the assessment and the viability statement are set out on page 87.

Audit and Risk Committee report continued

Audit, risk and internal control continued

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). 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 18-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 2026 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 Committee noted that during 2023 the Group has negotiated a further increase to liquidity by extending invoice discounting facilities to unencumbered receivables ledgers and extended the commitment dates on existing overdraft and invoice discounting facilities. 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 banking covenants. Furthermore, the Committee considered a severe but plausible downside scenario including several downside assumptions relating to lower revenue growth, increases in input costs, increases in interest rates and a weakening Euro, in order to stress test the Group's financial forecasts. In the event that such a severe but plausible downside risk scenario occurs, the Group would remain compliant with current banking covenants. After reviewing the Group's liquidity position, financial forecasts, stress testing of potential risks and uncertainties, and based on the committed 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 2026. 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 87 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-year and full-year 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 recommended for Board approval the Group's tax strategy for 2023; 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 tax audits undertaken in Poland, Belgium and France, and the preparation of documentation to fully support the minor changes made to the Group's transfer pricing policy. The Committee reviewed the Group's debt funding strategy and compliance with policies on currency, and interest rate 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.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Significant judgements and estimates continued

Matters considered	Committee review and conclusions
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. As a result of the government bond crisis in 2022 and changes in liability driven investing (LDI) managers' collateral requirements, the Trustee amended the cash flow driven investment (CDI) strategy in October 2022 and as an interim step moved to an unlevered government bond-based hedge with c.40% of interest rate and inflation hedging. The investment strategy is currently being reviewed and hedging is due to be increased to c.60% of interest rates and inflation. This level of hedging broadly hedges the current funding level of the Fund and strikes a balance between risk and return objectives and the liquidity needs of the Fund. 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 is payable until 31 March 2028. The Company has separately agreed that (from 1 October 2024) conditional profit-related contributions of £1.7 million per annum will be paid over the period to 31 March 2028. Further details can be found in the CFO's report.
Task Force on Climate-related Financial Disclosures (TCFD)	The Committee continues to provide oversight of the Group's compliance with the recommendations of TCFD, assessing the processes used to develop McBride plc's TCFD-aligned disclosures. The TCFD Working Group, established during 2022, continues to actively drive the Group's TCFD response. During 2023, this cross-functional working group has continued to develop the Group's approach to TCFD, raising awareness of climate-related risks around the business and reporting on progress to the Committee. The TCFD Working Group reports into the Risk Council, thereby co-ordinating the adoption of TCFD best practices into the Group's risk management processes, whilst also ensuring visibility and oversight of the programme by the ESG Governance Committee, with which it works in close collaboration. Over the year, the Committee has reviewed progress against the various workstreams; the Group's TCFD roadmap, actions and priorities for 2023; and progress against the four disclosure pillars (governance, strategy, risk management, and metrics and targets). The Group's TCFD disclosure is set out on pages 60 to 72.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Risk management framework

The Group continues to identify, evaluate, mitigate and monitor risks facing the business through an established risk management framework, aligned to ISO 31000:2018, and incorporating both a top-down and a bottom-up approach to identify and assess the Group's principal risks and operational risks, respectively. The framework was updated and enhanced in the prior year to formalise a risk taxonomy framework, which continues to be adopted across the Group, thereby helping 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 2022, and continues to operate effectively at present, helping the organisation 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 review, reporting oversight and monitoring of risks lies with a cross-functional Risk Council made up of senior employees from across the business. The council continues to act as a focal point for the exploration and evaluation of strategic and emerging risks faced by the Group, as it pursues its strategic objectives. It provides regular reporting on KRIs to the Executive Committee and makes recommendations for appropriate mitigation strategies in line with the Group's risk appetite. It also helps improve risk awareness, conduct a more joined-up discussion on risk and facilitates the consideration of risk in key decision-making, by actively driving and supporting the embedding of the Group's risk management framework 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 new and emerging risks facing the Group; analysed any contextual changes to any existing risks as to whether they had become more or less material based on impact and likelihood over the course of the year; and ensured adequate and reasonable procedures were in place for controlling, mitigating and managing each risk.

The principles of risk management continue to be embedded into the day-to-day operations of the divisions and corporate functions, who remain 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 was responsible for monitoring and challenging 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 77 to 86.

The Committee has also continued to be responsible for ratifying 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 113.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Risk management framework

Risk Council

- Group-wide cross-functional forum for the discussion, monitoring and oversight of risks and controls.
- Explores and evaluates strategic, significant and emerging risks.
- Accesses internal and external knowledge, expertise and insight.
- Periodically reviews KRIs submitted by the business, before reporting and escalating the same to the Executive Committee.
- Supported by various risk forums focusing on the identification, assessment and monitoring of risks and controls within each division and function.

Executive Committee

- Reviews risk registers from across individual divisions and functions.
- 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 KRIs escalated by the Risk Council.
- 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

- Supports the delivery of the Group's strategy in the context of the risk management framework.
- Ensures actions to mitigate risks have been developed and designed with appropriate ownership and timescales.
- Monitors the timely and effective completion of risk mitigation actions, in line with agreed timelines.
- Monitors and reviews key financial, non-financial and internal controls, as well as the independent audit process and report.
- Receives and reviews a report from the Risk Council on the principal risks.
- Discusses and confirms the risk trend and overall effectiveness of the risk control and monitoring environment.
- 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.

Audit and Risk Committee report continued

Audit, risk and internal control continued

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;
- ongoing risk identification, 'horizon scanning' and evaluation discussions at individual functional and divisional levels, and by the Risk Council;
- 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 responsibility for reviewing the effectiveness of the Group's systems of internal control has been delegated by the Board to the Audit and Risk Committee. This includes reviewing 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 are likely to have had a material effect on the Group's financial performance.

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;
- 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.

Audit and Risk Committee report continued

Audit, risk and internal control continued

Risk management and internal control environment continued

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 auditors’ internal controls report have been reviewed by the Committee and actions to implement enhanced policies, processes and procedures undertaken by management over the course of the year have been discussed and agreed by the Committee every six months.

Based on the effective conduct of its activities, the Audit and Risk Committee has enabled the Board to confirm 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 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. By discharging its duties in a robust and effective manner, 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.

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 adequate, appropriate 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. This is based on 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, integral and ongoing compliance monitoring requirements. There are in-built mechanisms to ensure that the Internal Audit Plan remains flexible and agile at all times, 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, effectiveness and timeliness of management’s response to matters raised. Any recurring themes across processes, functions or locations are challenged and considered. Such themes, along with any significant or unexpected audit findings, could result in specific follow-up audits or separate assurance reviews, informing and influencing the scope of work undertaken in the Internal Audit Plan, both for the current year and for the future.

The Committee continues to be satisfied that the Internal Audit function has sufficient and appropriate resources at its disposal 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 18 September 2023 and signed on its behalf by:

Alastair Murray
Chair of the Audit and Risk Committee

Remuneration Committee report

Annual statement

> "The Committee seeks to support the delivery of McBride's strategy through establishing appropriate remuneration arrangements."
>
> **Elizabeth McMeikan**
> Chair of the Remuneration Committee

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 2023.

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 proposed new Remuneration Policy ('the Policy').

At the 2023 AGM, we will be asking shareholders to vote on three resolutions. The first is a binding vote on the new Policy, which, if approved, provides the framework for remuneration over the next three years. The second is an advisory vote on the Annual Report on Remuneration, which provides details of how we have operated the current Directors' Remuneration Policy ('the current Policy'), the remuneration earned by Directors for performance in the year ended 30 June 2023 and how the proposed Policy will be implemented for the coming year.

Shareholders will also be asked at the 2023 AGM to approve a new Long-Term Incentive Plan ('2023 LTIP') to replace the McBride plc 2014 Long-Term Incentive Plan which expires on 14 October 2024. A summary of the key features of the 2023 LTIP will be included in the AGM circular.

Finally, shareholders will be asked to approve an amendment to the 2020 Restricted Share Unit Plan to increase the annual limit from 15% to 30% in line with the new Policy.

Committee membership and meetings 2023

The Committee met five times in the year ended 30 June 2023. Details of attendance can be found below:

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

(1) Steve Hannam stepped down as a Non-Executive Director on 16 November 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, the Chief HR Officer and the Company's independent remuneration consultants also attend meetings by invitation. Igor Kuzniar (a Non-Executive Director) also attended meetings during the year. Igor stepped down as a Director of the Company on 31 May 2023. The Company Secretary attended each meeting as Secretary to the Committee. No Director or attendee participates in any discussion relating to his or her own remuneration.

Remuneration Committee report continued

Annual statement continued

Performance of the business

McBride entered the year in a significantly stronger position than the previous year, where a volatile macro backdrop led the Group and the industry to experience unprecedented margin pressures. The Group returned to profitability as the time lag between the exceptional levels of input cost inflation hitting the business and the mitigating actions being agreed with our customers unwound. The decisive actions implemented through the second half of calendar year 2021 and into 2022, to enable the business to weather these challenges, have provided the foundations for a much-improved performance and encouragingly, a return to strong volume growth. In particular, in the second half of the year, encouraging sales momentum has been seen across the Group, underpinned by improved customer service levels, new contract wins and increased consumer demand for great-value, high-quality private label products.

2023 remuneration outcomes

All awards in relation to the financial year 2023 were made in accordance with our current 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 measures of Group adjusted EBITA and Trade Working Capital (up to 80% of salary) 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 a pay-out at 77% of salary 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 and determined an overall pay-out for the CEO and CFO of 18% of salary. Further detail can be found on page 132;
- vesting of 2020 LTIP awards – Following a review of the last three years' performance against the pre-agreed measures, the Committee determined that the 2020 LTIP awards would not vest, as the performance measures had not been satisfied. Further detail can be found on page 133; and
- taken as a whole, the Committee is satisfied that the overall pay outcomes for the year ended 30 June 2023 are appropriate and, accordingly, we have not applied any discretion to this year's outturns.

In addition, the Committee reviewed the base salaries of the Executive Directors during the year. The Committee agreed to increase the base salary of the CEO by 4% (the same increase as applied to the rest of senior management) to £456,924 with effect from 1 January 2023. The CFO was recruited as CFO on 4 January 2021 on a salary of £264,000. This compared to a salary of £300,000 that Chris Smith was paid as CFO prior to becoming CEO in June 2020. Having reflected on market levels of pay for a CFO, the need to retain the current CFO and his strong performance since he joined us, the Committee determined that it was both appropriate and necessary to make a material market adjustment to Mark Strickland's base salary. As a result, the Committee decided to increase his base salary to £300,000 with effect from 1 January 2023, which also included an inflationary increase of 4% in line with the increase being awarded to senior management. The Committee did consider whether to make such an adjustment in one go or to phase it in and felt, on balance, that it was important to make the adjustment in one go to ensure that Mark Strickland was fairly paid going forward.

As further background, the Company agreed to adopt a tiered approach to salary increases for the UK workforce, reflecting the fact that the cost-of-living crisis has more impact on those earning lower salaries, as a result of which the following increases took effect from 1 January 2023:

- 7% for operational blue collar unionised colleagues;
- 6% for office colleagues below Willis Towers Watson Grade 12; and
- 5% for office colleagues and managers above Willis Towers Watson Grade 12.

Employees on the UK minimum wage received a further increase in April 2023.

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 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.

Remuneration Committee report continued

Annual statement continued

Review of Directors' Remuneration Policy in 2023

Our current Policy was approved at the 2020 AGM, receiving 87.59% votes in favour. In addition, at the 2021 and 2022 AGMs, 98.43% and 99.68% of the shareholders that voted supported the advisory vote on the Directors' Remuneration report, respectively.

Our current Policy introduced the concept of including Restricted Share Units (RSUs) at 15% of salary as part of fixed compensation to help get more shares into the hands of the executives to ensure stronger alignment with the interests of the shareholders. This element also provides an additional retention tool as these RSUs vest over three years. The RSUs worked particularly well during the recent challenges faced by the Group; where external factors have significantly impacted Company performance and were generally outside of management's control. Those external factors include the unprecedented raw material cost price increases, significant increases in logistics and freight costs as well as labour and energy cost pressures which rendered target setting for both annual bonus and particularly LTIPs unusually challenging.

The Committee carried out a thorough review of the current Policy during the year with a focus on attraction and retention at the most senior levels of the business. In particular, the Committee considered whether it was appropriate to maintain the current structure with 15% of salary paid in shares via an RSU plan, with the long-term incentive being delivered entirely in performance shares; move from performance shares to RSUs in whole or in part; or introduce a one-off arrangement. In considering this question, the Committee took account of the following:

- the desire of the Board to continue to seek to drive and reward executives for improved performance over the longer term by including a leveraged element of remuneration by reference to performance;
- a concern that the current Policy was not working as well as it could in enabling the Company to attract, retain and motivate high-quality executives who would be critical to the Company's success going forward;
- the difficulty in operating LTIPs given the difficulty in target setting and the extent to which performance can be driven by factors outside of the control of management;
- the concern that a complete switch to RSUs would lessen the link between reward and performance; and
- a concern that a one-off recovery type plan would be very high risk and not aligned with McBride's risk profile, and that such plans are in general disliked by shareholders.

On balance, the Committee is of the view that the principles underpinning the current Policy remain fit for purpose but that there is a need to rebalance a couple of elements in order to ensure that the Company is able to attract, retain and motivate senior executives by increasing the level of RSUs awarded and decreasing the level of LTIPs awarded, resulting in a small increase in the total target remuneration and a small decrease in the total maximum remuneration. The Committee is therefore seeking shareholders' support for a number of proposed evolutionary amendments to the current Policy. These amendments are intended to achieve the following:

- support the execution and delivery of McBride's business strategy;
- further increase the alignment of Executive Directors and senior management with the goals and interests of our shareholders by increasing the proportion of total package represented by RSUs; whilst still maintaining a long-term performance pay element, albeit at a slightly reduced level. This proposal recognises the cyclical element to input prices and the challenges this brings to target setting; reflected in the sparse levels of LTIP pay-out over the past decade; and
- an increased ability to attract, retain and motivate Executive Directors and senior management alike via enhancing fixed pay utilising RSUs.

Proposed changes to the Directors' Remuneration Policy to apply from the 2023 AGM

As a result of the review of remuneration described above, the Committee is proposing the following substantial changes which will reduce the maximum level of remuneration, slightly increase target levels of remuneration, and increase the time over which executives are required to hold shares. The changes are as follows:

- increase the RSU award from 15% to 30% of salary;
- reduce the maximum LTIP award from 125% to 100% of salary for the CEO and from 110% to 90% for the CFO; and
- strengthen the post-cessation shareholding requirement so that shares must be held for two years post-cessation.

As a result of these changes, the total combined RSU and LTIP awards for the Executive Directors will be as follows:

- for stretch performance, total combined RSU and LTIP awards will reduce from 140% to 130% for the CEO and from 125% to 120% for the CFO; and
- for on-target performance (50% of maximum), total combined RSU and LTIP awards will increase from 77.5% to 80% for the CEO and from 70% to 75% for the CFO.

The Committee believes that the rebalancing of the RSU and LTIP awards for the Executive Directors will better align participants with shareholders, whilst maintaining an important incentive to achieve outperformance of the strategic business plan in an unpredictable macroeconomic environment. In addition, the strengthening of the shareholding requirement will increase alignment with shareholders and the long-term interests of the Company.

Remuneration Committee report continued

Annual statement continued

Directors’ remuneration matters considered during and in respect of 2023

A summary of the key matters considered by the Committee in respect of Directors’ remuneration during the year and since the year end in respect of 2023 is as follows:

- the Committee reviewed the base salaries for the Executive Directors;
- in relation to the annual bonus, the Committee determined after the year end that a bonus of 95% of maximum would be payable to Executive Directors covering this period. No discretion was applied in reaching this decision. Further details can be found on page 131;
- in relation to the LTIP awards granted in September 2020, 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. As a result, these awards lapsed in full;
- the Committee approved the grant of the 2022 LTIP and RSU awards. As disclosed in my statement last year, the Committee agreed to set the number of shares to be subject to these LTIP awards by using the higher of 35 pence and the share price on the day prior to the date of grant. As the share price on that day was only 23.55 pence, the price of 35 pence was used, resulting in the maximum face value of shares subject to the awards being only 84% of salary for the CEO and 74% of salary for the CFO, rather than the normal policy levels of 125% and 110% of salary respectively; and
- the Committee reviewed and approved the Chief Executive Officer’s and Chief Financial Officer’s personal objectives under the annual bonus scheme.

Main duties:

- to review the ongoing appropriateness and relevance of the Directors’ 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.

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**.

Directors’ Remuneration Policy and shareholder engagement

During the year, the Committee reached out to all shareholders holding more than 0.5% of the issued share capital on the review of the current Policy and held meetings with, and received significant support for our proposals from, shareholders holding in aggregate nearly 70% of the issued share capital.

Looking forward to 2024

- For the 2023 LTIP awards, we will be reverting back to a ROCE measure for 50% of the award (from the net debt to EBITDA ratio used for the 2022 awards). Whilst it remains important to ensure that the business maintains a healthy cash flow, this is now less critical than it was last year and hence the Committee feels it is appropriate to revert to the ROCE measure, alongside an EPS measure.
- For the EPS measure, the Committee has decided to measure performance cumulatively over the three-year performance period, given the volatility inherent in external factors impacting the business. Previously, performance was measured only for the final year of the performance period.
- As the share price is now beginning to recover, the Committee intends to revert to using the prevailing share price on the date of grant to determine the number of shares subject to awards. As a result, we expect to grant LTIP awards over 100% of salary to the CEO and 90% of salary to the CFO (down from the current Policy level of 125% and 110% respectively) assuming the new Policy is approved at the AGM. This will allow us to increase the annual RSU awards from 15% of salary to 30% of salary.
- The Chair and NED fees were last reviewed in 2020 The Committee reviewed the level of fee for the Chairman and agreed to increase this by 5% with effect from 1 July 2023. The Board, excluding the Non-Executive Directors, also reviewed the fee levels for the Non-Executive Directors and agreed to increase the base fee by 5% with effect from 1 July 2023.

Looking ahead

Looking to the future, the Committee will continue to seek to align Executive Directors’ remuneration with the experience of our shareholders, and to ensure appropriate alignment between executive pay arrangements and the wider workforce.

Elizabeth McMeikan
Chair of the Remuneration Committee

Remuneration Committee report continued

Directors' Remuneration Policy

The Policy set out below will be subject to a binding vote at the AGM to be held on 20 November 2023. If approved, it will be effective for three years from the date of approval.

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 and the LTIP and at least 30% of any annual bonus is deferred for three years under the Deferred Bonus Plan.
Predictability	The Committee assesses the potential outcome of future reward by reference to potential pay-outs 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 pay-out 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 Restricted Share Units (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 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.

Remuneration Committee report continued

Directors' Remuneration Policy continued

Policy table

The following table summarises each element of our 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 131. • 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.
Changes from previous policy	• No change.

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 subject to continued employment. • 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. • A 'dividend equivalent' provision is also available on the Deferred Annual Bonus Plan (DBP) shares at the discretion of the Committee, enabling dividend equivalent payments to be paid, in cash or shares, on any shares that vest. • Subject to malus and clawback(1).
Maximum	• Awards of up to 30% of salary may be granted annually.
Performance measures	• Not applicable.
Changes from previous policy	• Increase in maximum from 15% to 30% of salary.

(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

Directors' Remuneration Policy continued

Policy table continued

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.
Changes from previous policy	• No change.

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.
Changes from previous policy	• No change.

Remuneration Committee report continued

Directors' Remuneration Policy continued

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 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 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. Targets are set taking into account our financial and strategic plans for the business. • 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.
Changes from previous policy	• No change.

(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

Directors' Remuneration Policy continued

Policy table continued

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). • A 'dividend equivalent' provision is also available on the LTIP shares at the discretion of the Committee, enabling dividend equivalent payments to be paid, in cash or shares, on any shares that vest. • The Committee will operate the LTIP according to its respective rules and in accordance with the Listing Rules and HMRC rules, where relevant.
Maximum	• 100% of salary for the Chief Executive Officer and 90% 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. In the first year of operation of the policy, it is intended that half of the award will be subject to an EPS performance condition and the remaining half subject to a ROCE performance condition. • 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. Targets are set taking into account the prevailing strategy and long-term plans. • 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.
Changes from previous policy	• Reduction in maximum from 125% to 100% of salary for the CEO and from 110% to 90% of salary for the CFO.

(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

Directors' Remuneration Policy continued

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 137. 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.

(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

Directors' Remuneration Policy continued

Policy table continued

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 24 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.
Changes from previous policy	• Increase in the length of the post-cessation shareholding obligation from twelve months to 24 months.

Remuneration Committee report continued

Directors' Remuneration Policy continued

Policy table continued

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.

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 proposed Policy for approval and received support from the majority with whom it consulted.

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.

Remuneration Committee report continued

Directors’ Remuneration Policy continued

Policy table continued

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 143 and 144. 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 Restricted Share Plan. Listing Rule 9.4.2 may be used for this purpose if required. 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.

Remuneration Committee report continued

Directors' Remuneration Policy continued

Policy table continued

Element: Executive Director compensation on loss of office continued			
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.		
	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-ration 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 and DBP	No entitlement for year of exit. Payments in earlier years may be subject to clawback in certain circumstances. DBP awards lapse.	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.

Remuneration Committee report continued

Directors' Remuneration Policy continued

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
Chris Smith	11 June 2020	6 months
Mark Strickland	4 January 2021	6 months

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

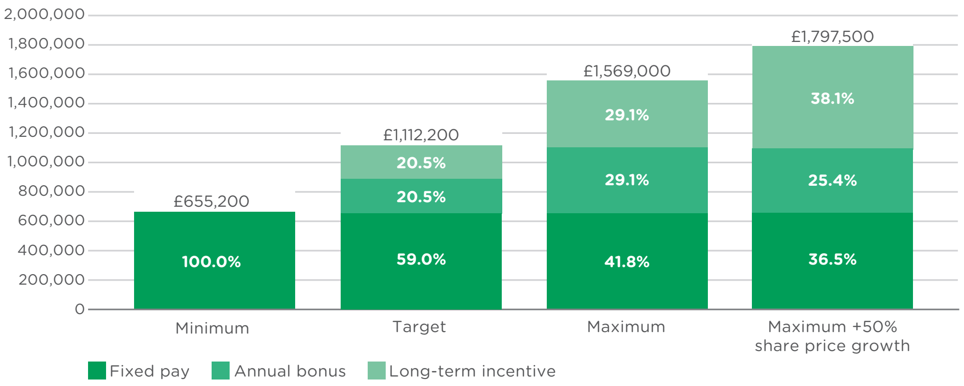
The contracts contain restrictive covenants for periods of up to six months post-employment relating to non-competition and non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any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

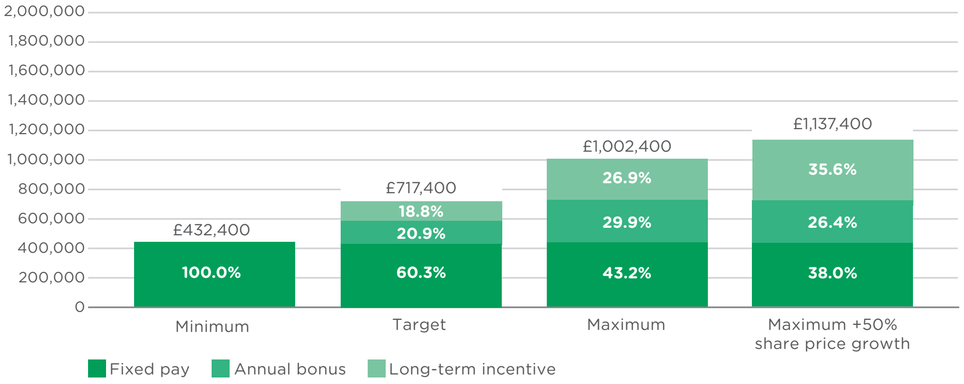
Remuneration performance scenarios 2024

The Executive Directors' remuneration packages comprise both core fixed elements (base salary, RSUs, pension and benefits) and performance-based variable pay. The charts opposite 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 2024 in line with policy.

CEO



CFO



(1) Fixed pay comprises salary for the financial year beginning 1 July 2023, 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. 30% 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

Directors' 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 2023, 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(3)	03/09/2019	04/02/2013	3 months
Elizabeth McMeikan	14/11/2019	14/11/2019	3 months
Igor Kuzniar(4)	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) Steve Hannam stepped down as a Non-Executive Director on 16 November 2022.

(4) Igor Kuzniar stepped down as a Non-Executive Director on 31 May 2023. The Board agreed to dispense with the requirement to provide three months' notice.

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 102 and 104 to 105.

Remuneration Committee report continued

Annual Report on Remuneration

Application of the shareholder-approved 2020 Remuneration Policy for 2023

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 2023 financial year:

	Fixed remuneration					Performance-related remuneration			
	Base salary £’000	RSU(1,2) £’000	Benefits(3) £’000	Pension(4) £’000	**Total fixed remuneration £’000**	Annual bonus £’000	LTIPs £’000	**Total variable remuneration £’000**	**Total £’000**
Chris Smith									
2023	448	66	24	36	**574**	425	—	**425**	**999**
2022	439	66	24	35	**564**	—	—	**—**	**564**
Mark Strickland									
2023	282	40	17	23	**362**	267	—	**267**	**629**
2022	264	40	17	21	**342**	—	—	**—**	**342**

(1) RSU grants have been included for Chris Smith as follows: (i) a grant made 11 June 2021, with 345/365ths of this included in 2021/22, (ii) a grant made 13 June 2022, with 18/365ths of this included in 2021/22 and the remaining 347/365ths of this included in 2022/23, and (iii) a grant made 12 June 2023, with 19/366ths of this included in 2022/23 and the remaining 347/366th of this to be included in 2023/24. All grants are valued using the closing share price for the day prior to the date of grant. The 2022 RSU has been restated above using the share price at grant as an error in the share price used last year was identified in this calculation during preparation of the 2023 figures. The restatement increases the single figure value by £2,000.

(2) RSU grants have been included for Mark Strickland as follows: (i) a grant made 25 February 2021 covering the eight-month period January 2021 to August 2021, with 2/8ths of this included in 2021/22, (ii) a grant made 9 September 2021, with 10/12ths of this included in 2021/22 and the remaining 2/12ths of this included in 2022/23, and (iii) a grant made 3 October 2023, with 10/12ths of this included in 2022/23 and the remaining 2/12ths of this to be included in 2023/24. All grants are valued using the closing share price for the day prior to the date of grant.

(3) Benefits consist of the provision of a company car and fuel (or cash equivalent), private healthcare, disability insurance and life cover. Note that the figures reported in 2022 did not include disability insurance and life cover, these have been restated above to reflect the inclusion of both benefits.

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

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 2023 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. Based on the outcomes of the financial and personal elements (as set out below), the Executive Directors both received a total bonus of 95% of salary (representing 95% of the maximum bonus opportunity).

Remuneration Committee report continued

Annual Report on Remuneration continued

Annual bonus (audited) continued

Financial element outcomes

The financial element of the bonus consisted of Group adjusted EBITA targets (40% of bonus) and Trade Working Capital targets (40%), as set out below:

	Performance targets			Actual performance m	Pay-out (% of salary)
	Threshold	Target	Stretch		
Group adjusted EBITA[1,2]	£1.0m	£4.7m	£15.0m	£13.0m	37%
Trade Working Capital vs. budget[3]					
Q1	(0.5)%	–	(2.0)%	(5.2)%	10%
Q2	(0.5)%	–	(2.0)%	(4.9)%	10%
Q3	(0.5)%	–	(2.0)%	(4.4)%	10%
Q4	(0.5)%	–	(2.0)%	(3.8)%	10%

(1) Excludes amortisation of intangibles and exceptional costs.

(2) EBITA as a percentage of target will be calculated on a straight-line basis between the threshold and target and between target and stretch.

(3) Trade Working Capital is measured quarterly against budget. Budget for each quarter was 17.1% (Q1), 16.1% (Q2), 14.8% (Q3) and 14.4% (Q4).

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:

1. For both Executive Directors: Ensure the Business Excellence team is fully staffed with defined objectives, KPIs and milestones for the identified improvement objectives.
2. For Chris Smith: Deliver the envisaged reset of the logistics function and complete the TMS rollout following stabilisation of current challenges.
3. For Mark Strickland: Develop the long-term plan, timing, costs and benefits for the business processes simplification and the ERP system to support the Transformation agenda.

Chris and Mark performed very strongly against their personal objectives throughout the year. All objectives relating to the Business Excellence team were achieved, the reset of the logistics function had progressed smoothly by the end of the year with second half service performance levels significantly exceeding the target, and the long-term plan was developed effectively with projects underway. Based on their performance, the Committee determined that the first objective (applicable to both Executive Directors) was met in full and that the second and third objectives were each 80% met. This resulted in an overall pay-out for both Executive Directors of 90% of the 20% allocated to the personal objectives and therefore a pay-out of 18% of salary for both Executive Directors.

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 October 2022 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 23 to the consolidated financial statements on page 207.

Interests of Directors under the McBride plc 2014 LTIP at 1 July 2022 and 30 June 2023 are set out below:

Director	Date of award	Number of awards at 1 July 2022	Allocated in year	Awards vested in year	Allocations lapsed in year	**Number of awards at 30 June 2023**	Market price the day before the date of award (£)	Vesting date	Performance period
Chris Smith	07/10/2019	585,870	—	—	585,870	**—**	0.552	08/10/2022	1 July 2019-30 June 2022
	10/09/2020	877,016(1)	—	—	—	**877,016**	0.62	10/09/2023	1 July 2020-30 June 2023
	09/09/2021	716,955	—	—	—	**716,955**	0.766	09/09/2024	1 July 2021-30 June 2024
	03/10/2022	—	1,569,107(2)	—	—	**1,569,107**	0.35(2)	03/10/2025	1 July 2022-30 June 2025
Total		2,179,841	1,569,107	—	585,870	**3,163,078**			
Mark Strickland	25/02/2021	178,378(1)	—	—	—	**178,378**	0.8140	25/02/2024	1 July 2020-30 June 2023
	09/09/2021	379,112	—	—	—	**379,112**	0.766	09/09/2024	1 July 2021-30 June 2024
	03/10/2022	—	829,714(2)	—	—	**829,714**	0.35(2)	03/10/2025	1 July 2022-30 June 2025
Total		557,490	829,714	—	—	**1,387,204**			

(1) The LTIP awards granted on 10 September 2020 to Chris Smith and on 25 February 2021 to Mark Strickland were based on performance over the three years to 30 June 2023. On 11 July 2023, the Committee reviewed the related performance conditions (as detailed in the tables on the following pages) and determined that the Company had not achieved threshold performance in either element and therefore the award granted to Chris Smith lapsed on 10 September 2023 and the award granted to Mark Strickland will lapse on 25 February 2024.

(2) Awards were granted in the year on the basis of 125% of salary for Chris Smith and 110% of salary for Mark Strickland using a share price of 35 pence. The face values of the awards based on a share price of 35 pence were as follows: Chris Smith: £549,187 and Mark Strickland: £290,400, however the face values of the awards based on the market price the day prior to the date of award of 23.55 pence were as follows: Chris Smith: £369,525 and Mark Strickland: £195,398, which represented 84% and 74% of their salaries respectively.

Remuneration Committee report continued

Annual Report on Remuneration continued

LTIP (audited) continued

The performance conditions attaching to awards under the LTIP included in the preceding table are:

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 Grant Sept 2020 and February 2021	% of total award vesting (max 50%)(2)
<14.8%	–
14.8%	5 (threshold)
17.2%	25 (target)
18.6%	50 (maximum)

Average ROCE over the performance period for the above awards was 4%, which was below the threshold.

ROCE Grant Sept 2021	% of total award vesting (max 50%)(2)
<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) Grant Sept 2020 and February 2021	% of total award vesting (max 50%)(2)
<7.0% p.a.	–
7.0% p.a.	5 (threshold)
14.3% p.a.	25 (target)
21.1% p.a.	50 (maximum)

For 2023, the threshold of 7% p.a. growth was not met.

EPS Compound Annual Growth Rate (CAGR)(1) Grant Sept 2021	% of total award vesting (max 50%)(2)
<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.

Remuneration Committee report continued

Annual Report on Remuneration continued

LTIP (audited) continued

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 123.

Grant October 2022

(a) 50% of the award is subject to a net debt to EBITDA ratio performance condition. EBITDA means adjusted EBITDA which is defined as adjusted operating profit before depreciation. Net debt to EBITDA ratio is net debt as divided by EBITDA.

Net debt to EBITDA ratio	% of total award vesting (max 50%)(1)
>3.5x	–
3.5x	5 (threshold)
2.8x	50 (maximum)

(1) The awards vest on a straight-line basis between threshold and target and maximum.

(b) 50% of the award is subject to an EPS performance condition as set out in the table below.

EPS for financial year ending 30 June 2025(1)	% of total award vesting (max 50%)(2)
<8.0p	–
8.0p	5 (threshold)
11.0p	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 maximum.

Net debt to EBITDA 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 123.

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 2022 and 30 June 2023 are set out below:

Director	Date of award	Number of awards at 1 July 2022	Allocated in year	Awards vested in year	Allocations lapsed in year	**Number of awards at 30 June 2023**	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
	12 June 2023(4)	—	254,317	—	—	**254,317**	0.2695	12 June 2026
Total		389,319	254,317	(98,864)	—	**544,772**		
Mark Strickland	25 February 2021(5)	32,432	—	—	—	**32,432**	0.814	25 February 2024
	9 September 2021(6)	51,697	—	—	—	**51,697**	0.766	9 September 2024
	3 October 2022(7)	—	169,957	—	—		0.233	3 October 2025
Total		84,129	169,957	—	—	**254,086**		

(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 2021. 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. This award vested on 11 June 2023, and an additional 1,648 shares vested in relation to dividends accrued during the vesting period.

(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 Chris Smith on 12 June 2023 was £68,538, being 15% of his base salary.

(5) 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).

(6) The face value of the award granted to Mark Strickland on 9 September 2021 was £39,599, being 15% of his base salary.

(7) The face value of the award granted to Mark Strickland on 3 October 2022 was £39,600, being 15% of his base salary.

Remuneration Committee report continued

Annual Report on Remuneration continued

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)

	2023				2022			
	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	—	60	260	200	—	49	249
Steve Hannam(3)	19	3	—	22	50	8	—	58
Igor Kuzniar(4)	46	—	1	47	50	—	1	51
Elizabeth McMeikan(5)	50	13	2	65	50	8	—	58
Alastair Murray(6)	50	9	1	60	46	6	—	52
Regi Aalstad(7)	50	—	1	51	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 £50,000 during the year.

(3) Steve Hannam resigned from the Board on 16 November 2022.

(4) Igor Kuzniar resigned from the Board on 31 May 2023.

(5) Elizabeth McMeikan was appointed Senior Independent Director on 17 November 2022.

(6) Alastair Murray joined the Board on 2 August 2021 and was appointed Chair of the Audit and Risk Committee on 19 October 2021.

(7) Regi Aalstad joined the Board on 14 March 2022.

Remuneration Committee report continued

Annual Report on Remuneration continued

Statement of Directors’ shareholding and share interests (audited)

	At 30 June 2023						At 18 September 2023	At 1 July 2022	
	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	175.8	87.9%	100	Below guideline	N/A	664,600	664,600	N/A
Steve Hannam(4)	75,126	18.2	36.4%	100	Below guideline	N/A	N/A(6)	75,126	N/A
Igor Kuzniar(5)	—	—	—	N/A	—	N/A	N/A	—	N/A
Elizabeth McMeikan	29,000	7.7	15.4%	100	Below guideline	N/A	29,000	29,000	N/A
Alastair Murray	—	—	—	100	Below guideline	N/A	—	—	N/A
Regi Aalstad	80,000	21.2	42.4%	100	Below guideline	N/A	80,000	80,000	N/A
Chris Smith(6)	537,440	142.4	25.8%	300	Below requirement	3,707,850	436,928	436,928	2,569,160
Mark Strickland(7)	95,923	25.4	9.0%	200	Below requirement	1,641,290	95,923	45,923	641,619

(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 18 September 2023 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 133 to 137.

(4) Steve Hannam stepped down from the Board on 16 November 2022. This sets out his shareholding as at the date he stepped down from the Board.

(5) Igor Kuzniar was the appointed representative of McBride plc’s largest shareholder Teleios Capital Partners GmbH and therefore the NED guidelines do not apply to him. He stepped down from the Board on 31 May 2023.

(6) Of the CEO’s 3,707,850 shares subject to conditional awards (2022: 2,569,160), 544,772 were granted as RSUs and hence are not subject to performance measures and are only subject to continued employment.

(7) Of the CFO’s 1,641,290 shares subject to conditional awards (2022: 641,619), 254,086 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.

Remuneration Committee report continued

Annual Report on Remuneration continued

Shareholder dilution

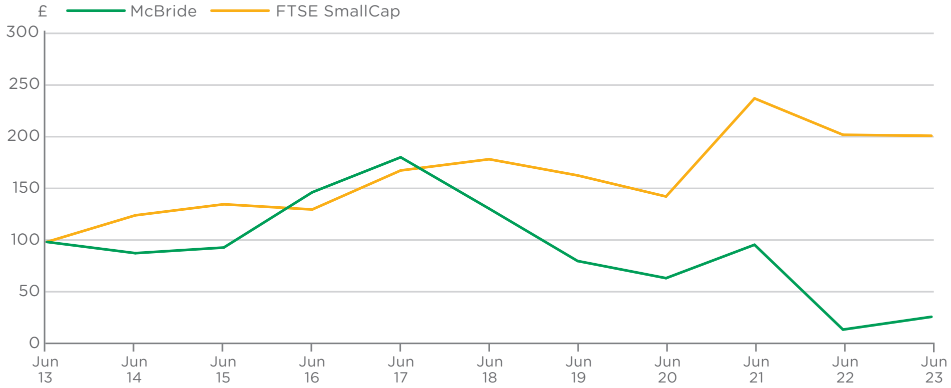
Awards under executive share plans are currently being satisfied either using newly issued shares or using market purchase shares acquired by the Employee Benefit Trust (which held 486,647 shares at 30 June 2023 that were available to satisfy subsisting awards). There are no all-employee share plans. The Company monitors the number of shares issued and issuable under these schemes and their impact on dilution limits.

The Company's maximum percentage of shares that have been or can be issued under the executive share plans 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 2023 is as follows:

Executive share plans

Review of past performance

The graph below charts the TSR (share value movement plus reinvested dividends), over the ten years to 30 June 2023, 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 2023, of £100 invested in McBride plc on 30 June 2013, compared with the value of £100 invested in the FTSE SmallCap Ex. Investment Companies Index on the same date.

Remuneration Committee report continued

Annual Report on Remuneration continued

Review of past performance continued

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

CEO/financial year	Total remuneration £'000	Annual bonus % of maximum	LTIP % of maximum vested(6)
Chris Smith(1)			
2023	999	95.0	–
2022	552	–	–
2021	551	–	–
2020(2)	497	24.8	–
Ludwig de Mot(3)			
2020(2)	368	–	–
Rik De Vos(4)			
2019	592	–	–
2018	890	–	62.5
2017	1,169	70.8	100.0
2016	893	98.5	–
2015	357	89.0	–
Chris Bull(5)			
2015	253	–	–
2014	512	–	–

(1) Chris Smith was appointed CEO with effect from 11 June 2020 having previously been CFO since 15 July 2014.

(2) For 2020, the total remuneration has been adjusted to reflect the period served as CEO.

(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.

Remuneration Committee report continued

Annual Report on Remuneration continued

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 four 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	**2023**	2020	2021	2022	**2023**	2020	2021	2022	**2023**
Executive Directors												
Chris Smith(2)	17.0%	27.0%	0.5%	**2.0%**	22.8%	(6.6)%	(2.0)%	**2.6%**	N/A	(100.0)%	N/A	**100.0%**
Mark Strickland(3)	N/A	N/A	96.5%	**6.8%**	N/A	N/A	102.6%	**2.4%**	N/A	N/A	N/A	**100.0%**
Non-Executive Directors												
Steve Hannam	—	8.7%	2.7%	**(61.7)%**	89.9%	(100.0)%	—	**—**	N/A	N/A	N/A	**N/A**
Igor Kuzniar	N/A	—	2.6%	**(8.3)%**	N/A	(100.0)%	100.0%	**(16.5)%**	N/A	N/A	N/A	**N/A**
Elizabeth McMeikan	N/A	91.6%	2.7%	**8.6%**	N/A	—	—	**100.0%**	N/A	N/A	N/A	**N/A**
Alastair Murray	N/A	N/A	N/A	**13.8%**	N/A	N/A	N/A	**87.8%**	N/A	N/A	N/A	**N/A**
Regi Aalstad	N/A	N/A	N/A	**229.1%**	N/A	N/A	N/A	**100.0%**	N/A	N/A	N/A	**N/A**
Jeff Nodland(4)	N/A	62.9%	—	**—**	N/A	(95.9)%	3,602.8%	**22.2%**	N/A	N/A	N/A	**N/A**
Comparator group												
Average for UK employees(5)	1.3%	7.6%	2.1%	**3.6%**	N/A	(65.7)%	(21.5)%	**(6.3)%**	9.5%	417.4%	(17.5)%	**266.1%**

(1) Footnotes in relation to 2020, 2021 and 2022 percentage changes can be found in the Annual Report and Accounts for the relevant year.

(2) No bonus was paid in respect of 2019, 2021, 2022 and 2023.

(3) Mark Strickland was appointed CFO partway through 2021 on 4 January 2021, hence the significant percentage increase in salary and benefits in 2022 when he served a full year.

(4) The Chairman received a travel allowance of £50,000 during 2023 and £45,833 during 2022, whereas in 2021 he only received £1,323 as a result of Covid-19-related restrictions on travel, resulting in the significant percentage increase in benefits between 2021 and 2022.

(5) 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 471 employees in the comparator group versus 476 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.

Remuneration Committee report continued

Annual Report on Remuneration continued

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 458 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 employees identified as the best equivalents are deemed reasonably representative as their incentive outcomes and pay structures are representative of the wider population.

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 have increased in 2023, primarily as a result of the payment of an annual bonus to the Executive Directors, which was not paid in the previous two years. Our ratio for 2023 of 22.8:1 to our median employee total remuneration is also significantly lower than the median of the ratios in other FTSE SmallCap Companies, which is around 27:1. This pay 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, which can vary from year to year, 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 2020 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
2023(1)	**Option B**	**28.2:1**	**22.8:1**	**18.3:1**
2022(1)	Option B	17.8:1	14.8:1	9.6:1
2021(1)	Option B	20.5:1	16.6:1	11.1:1
2020	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 2021 and 2022. Typically, a significant proportion of the CEO's pay is delivered through incentives where performance conditions are met.

The table below shows the total remuneration and salary for each quartile of UK employees over the financial year 1 July 2022 to 30 June 2023.

	25th percentile	Median	75th percentile
Salary	£32,900	£38,819	£50,280
Total remuneration	£35,493	£43,863	£54,606

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 2022 and 30 June 2023.

	Year ended 30 June 2022 £m	**Year ended 30 June 2023 £m**	% change
Shareholder distribution	–	**–**	n/a
Amounts paid to buy back shares(1)	0.1	**–**	(100)%
Total payroll costs(2) (of all Group employees including Directors)	126.2	**146.0**	15.7

(1) As disclosed in the prior year, the share buy-back programme, which commenced on 2 November 2020, ended on 7 September 2021. Amounts paid to buy back shares of £0.1m in 2022 have been included here for completeness.

(2) Total payroll costs exclude termination benefits.

Remuneration Committee report continued

Annual Report on Remuneration continued

Compliance with the UK Corporate Governance 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 2024 financial year

The table below sets out how the Remuneration Policy is intended to be applied for the 2024 financial year for Chris Smith and Mark Strickland. Changes to the way the Remuneration Policy will be implemented in the current financial year compared to the previous financial year are highlighted in the table below.

Element	Application of Policy for 2024	Explanation
Executive Director base salary	The Executive Directors' salaries for the 2024 financial year will be £456,924 for the CEO and £300,000 for the CFO.	Salaries were last increased by the Committee with effect from 1 January 2023 and will be reviewed in the normal way during the year with any change taking effect from 1 January 2024.
RSUs	An award of 15% of salary was made to Chris Smith on 12 June 2023 in line with the current Remuneration Policy and the RSU plan, in respect of the twelve-month period from 12 June 2023. It is intended that an award of 15% of salary will be made to Mark Strickland during September 2023 in line with the current Remuneration Policy and the RSU plan, in respect of the twelve-month period from 1 September 2023. It is intended that further awards of 15% of salary are made to Chris and Mark following the 2023 AGM.	The initial awards are in line with the current Remuneration Policy. Assuming the new Remuneration Policy and the amendments to the RSU plan are approved by shareholders at the AGM, the proposed awards after the AGM will ensure that the total level of RSU awards is increased to 30% in line with the new Remuneration Policy.
Benefits	Pension contribution (or cash allowance in lieu of pension) of 8% of salary. Car allowance of £13,200 per annum and private medical coverage of £1,450 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.

Remuneration Committee report continued

Annual Report on Remuneration continued

Application of the Remuneration Policy for the 2024 financial year continued

Element	Application of Policy for 2024	Explanation
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.
LTIP	The LTIP awards to be granted in 2024 will be subject to EPS and ROCE performance conditions with equal weighting. EPS will be assessed by reference to the cumulative EPS achieved for the 2024, 2025 and 2026 financial years and ROCE will be assessed by reference to the average ROCE achieved for each of the 2024, 2025 and 2026 financial years. It is intended that awards will be made under the existing plan in September. The intended Executive Director grant level for the LTIP is 100% of salary for the CEO and 90% of salary for the CFO. The targets for the 2024 awards are expected to be as follows: (see table below)	The EPS performance measure continues to be 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. Given the inherent volatility of earnings for the Company, due to external factors, the Committee believes it is more appropriate to measure cumulative EPS over the full three years rather than just measure EPS for the last year of the performance period as has been done in the past. Last year we replaced ROCE with a net debt to EBITDA ratio given the critical importance at that time of maintaining a healthy cash flow and level of debt relative to profit. Whilst this remains important, the Committee believes that it is now appropriate to switch back to ROCE for the second performance condition. ROCE is a key KPI in the business, widely used in the investment community and an appropriate measure given the capital intensity of the business. The intended grant levels for the LTIP are being reduced from 125% and 110% of salary for the CEO and CFO respectively to 100% and 90% in line with the new Remuneration Policy which allows for an additional RSU award of 15% of salary to both Executive Directors as part of a rebalancing of the package. The intended performance targets are based on the three-year plan and are considered by the Committee to be appropriately demanding.
Non-Executive Director fees	The fee policy for the Chairman and Non-Executive Directors is as follows: • base Chairman fee: £210,000; • base Non-Executive Director fee: £52,500; • Chair of the Audit and Risk Committee: £9,450 (additional fee); • Chair of the Remuneration Committee: £8,400 (additional fee); • Senior Independent Director: £8,400 (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 this year having last been reviewed in 2020. The Committee agreed that a 5% increase should be made with effect from 1 July 2023 to ensure they remained at a level that was appropriate to reflect both the market rate and the time commitments of the role. The other NED fees were reviewed by the Board (excluding the NEDs) this year having last been reviewed in 2020. The Board agreed that a 5% increase should be made to the base fee and committee chair fees with effect from 1 July 2023 to ensure they remained at a level that was appropriate to reflect both the market rate and the time commitments of the role. There remains no current intention to provide an additional travel allowance for any Non-Executive Director.

Target	Threshold (10% of part subject to target)	Threshold (50% of part subject to target)	Threshold (100% of part subject to target)
Cumulative EPS for three years	21.7p	32.4p	43.1p
Average ROCE over three years	15.0%	19.4%	23.8%

Remuneration Committee report continued

Annual Report on Remuneration continued

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 2023.

Remuneration Committee and advisers

At the time of this report, the members of the Remuneration Committee are Elizabeth McMeikan (Chair), Jeff Nodland, Regi Aalstad and Alastair Murray. 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 Tax 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 £126,685 in respect of the services provided for the 2023 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. Alvarez & Marsal Europe Holdings Limited also provided advisory services related to working capital management in the year.

The Committee is satisfied that the advice provided by A&M was independent and objective. The Committee has reviewed the relationship with the adviser and is 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 October 2022 AGM for the approval of the Company's 2022 Remuneration report, and the voting outcome at the October 2020 AGM for the approval of the Directors' Remuneration Policy:

Resolution	Votes for	%	Votes against	%	Votes withheld
Approval of Remuneration report (advisory vote at the 2022 AGM)	129,672,054	99.68%	418,962	0.32%	14,527
Approval of the Directors' Remuneration Policy (binding vote at the 2020 AGM)	116,222,303	87.59%	16,470,143	12.41%	11,311

The Remuneration report was approved by the Board on 18 September 2023 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 87.

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 17 to 20
Particulars of important events affecting the Company since the financial year end	page 211
Greenhouse gas emissions	pages 47 to 49
Employee engagement and involvement	page 40
Engagement with suppliers, customers and others in a business relationship with the Company	pages 41 to 44
A summary of the principal risks facing the Company	pages 75 to 86

The Corporate governance statement, as required by the Disclosure and Transparency Rules (DTR) 7.2.1, is set out on pages 93 to 99 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 133 to 135
13	Dividend waiver	Statutory information, page 146

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 158 and a discussion of the Group's financial performance and progress is set out in the Strategic report on pages 34 to 36.

Directors

The Directors who held office at any time during the year were Jeff Nodland, Chris Smith, Mark Strickland, Steve Hannam, Elizabeth McMeikan, Alastair Murray, Regi Aalstad and Igor Kuzniar. Steve Hannam and Igor Kuzniar stepped down from the Board on 16 November 2022 and 31 May 2023 respectively.

The biographical details of all Directors serving at 30 June 2023 appear on pages 90 and 91.

Dividends

The Group's results and performance highlights for the year are set out on pages 1 to 87. The Board has agreed with its lender group that no dividends will be paid until it is in compliance with its original net debt and interest cover banking covenants, per the lender refinancing agreement of May 2021. Therefore, the Board is not recommending a final dividend in 2023. As stated in the 2022 Annual Report, future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares.

As outlined in the RNS dated 29 September 2022, under the Company's €175 million RCF as amended, the Company is not permitted to redeem or repay any of its share capital. This restriction remains in place until the original maturity date of the RCF in May 2026 and, as a result, no redemption of existing B Shares is permitted at the present time. Once this restriction is lifted, B Shares will continue to be redeemable but limited to one redemption date per annum, in November of each year.

Further details on B Shares can be found in the booklet entitled 'Your Guide to B Shares' on the Company's website at **www.mcbride.co.uk**.

Apex Group 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 2023 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 138. The Remuneration report also sets out details of any changes in those interests between 30 June 2023 and 18 September 2023.

Statutory information continued

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 2023 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 18 September 2023, 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 25 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 2022 AGM to allot shares, or grant rights over shares, up to an aggregate nominal amount equal to £5,800,510 (58,005,100 ordinary shares of 10 pence each excluding treasury shares representing approximately one-third of its issued share capital. This authority, however, is due to expire at the 2023 AGM and the Board will be seeking a new authority at the 2023 AGM. The proposed authority, if granted, will provide the Directors with the flexibility to allot (and grant rights over) new shares in the Company in any circumstances up to a maximum aggregate nominal amount of £870,076. This amount represents 5% of the Company's issued ordinary share capital at 18 September 2023 excluding treasury shares. The Company held 42,041 shares in treasury as at that date, representing approximately 0.024% of the Company's issued ordinary share capital as at 18 September 2023.

The Investment Association's guidelines on Directors' allotment authority state that the Association's members will regard as routine any proposal at a general meeting to seek a general authority to allot an amount up to two-thirds of the existing share capital, provided that any amount in excess of one-third of the existing share capital is applied to fully pre-emptive rights issues only. In previous years, it has been the Company's practice to seek the maximum allotment authority permitted by the Investment Association's guidelines. However, following engagement with certain of the Company's non-UK shareholders during the year, the Board has concluded that, for the time being, it is in the best interests of the Company to limit the authority to 5% of the Company's issued share capital.

The Company was authorised at the 2022 AGM to allot up to an aggregate nominal amount of £870,076 (representing 8,700,760 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 2023 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.

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 18 September 2023 (being the last practicable date prior to the date of this report).

	As at 18 September 2023		As at 30 June 2023	
Shareholder	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	21,007,962	12.07
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 18 September 2023.

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 20 to the consolidated financial statements on pages 194 to 202.

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 R&D. A number of these activities are referred to in the Strategic report on pages 49 to 53.

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.

Statutory information continued

Numerical diversity data as at 30 June 2023

The following tables set out the information required by Listing Rule 9.8.6R(10) in the prescribed format. At year end, the Board and members of the Executive Committee are asked to complete a diversity disclosure to confirm which of the categories set out in the below tables they identify with.

1.(a) Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	4	67%	3	5	62.5%
Women	2	33%	1	3	37.5%
Not specified/prefer not to say	0	0%	0	0	0%

2.(b) Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	6	100%	4	7	87.5%
Mixed/Multiple ethnic groups	0	0%	0	1	12.5%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group (including Arab)	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

Change of control

As at 30 June 2023 and at 18 September 2023, the last 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 RCF 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 15 to the financial statements.

2023 Annual General Meeting

The Company's 2023 AGM will be held at the registered office of McBride plc, Middleton Way, Middleton, Manchester M24 4DP on Monday 20 November 2023 at 2.00pm. Details of the resolutions to be proposed, how to vote and ask questions are set out in a separate Notice of AGM 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 auditors

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 auditors are 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 auditors are aware of that information.

The Directors' report was approved by the Board on 18 September 2023 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 2023 in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with 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;
- 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.

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

Directors' confirmations

The Directors consider that the Annual Report and Accounts 2023, taken as a whole, is fair, balanced and understandable and provides 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 auditors are 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 auditors are 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 2023 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 as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2023 (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 30 June 2023; 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.

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 Luxembourg, Italy, Denmark and Poland.

The entities 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 84% of the Group's revenue.

Key audit matters

- Valuation of goodwill (Group)
- Valuation of investments in subsidiaries and recoverability of amounts owed by subsidiaries (Company)

Materiality

- Overall Group materiality: £4.4 million (2022: £1.7m) based on 0.5% of revenue.
- Overall Company materiality: £3.0 million (2022: £1.5m) based on 1% of total assets.
- Performance materiality: £3.3 million (2022: £1.3m) (Group) and £2.3 million (2022: £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.

This is not a complete list of all risks identified by our audit.

Going concern, which was a key audit matter last year, is no longer included because, although it is a significant audit risk, there is no material uncertainty in relation to going concern as there was in the prior year, the work performed over going concern is detailed within the 'Conclusions relating to going concern' section of this audit report. Otherwise, the key audit matters below are consistent with last year.

Independent auditors’ report to the members of McBride plc continued

Report on the audit of the financial statements

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill (Group)	
Refer to note 12 in the Group financial statements.	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.
Goodwill of £19.7 million (2022: £19.7m) is split across four cash-generating units (CGUs) that are considered annually for impairment. Of the £19.7 million, £16.0 million (2022: £16.0m) relates to one CGU, Liquids, of which the significant risk of impairment is in relation to the forecast margin assumptions. The Directors have sensitised the value-in-use model to assess the financial impact of key assumptions that the Directors believe have a reasonable likelihood of occurrence and have concluded that a reasonably possible change would not lead to an impairment.	We compared the Group’s forecasts to the latest Board approved budget and found them to be consistent.
For CGUs with Goodwill that are not material to the financial statements, impairment indicators have been assessed and no triggers have been identified.	We discussed the cash flow forecasts with management and compared these to external market data for the Liquids CGU in order to identify any inconsistencies. We compared actual results with previous forecasts to assess historical accuracy of the forecasts. We assessed management’s assumptions for margins by comparing to historical data and supporting evidence. We utilised specialists to assess management’s key assumptions for long-term growth rates by comparing with external forecasts and 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 reviewed the disclosures made regarding the assumptions and sensitivities applied by management and we are satisfied that these are appropriate. As a result of these procedures, we were satisfied with the Directors’ conclusion that no impairment was required for the current period.

Independent auditors' report to the members of McBride plc continued

Report on the audit of the financial statements

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in subsidiaries and recoverability of amounts owed by subsidiaries (Company)	
Refer to notes 5 and 6 in the Company financial statements.	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 Company financial statements have investment in subsidiaries of £158.4 million (2022: £158.4m) and amounts owed by subsidiary undertakings of £130.4 million (2022: £154.4m). An impairment indicator exists as the value of the investment exceeds the market capitalisation of the Group and the amounts owed by subsidiary undertakings exceeds the net assets for the Group.	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. We assessed management's assumptions for margins by comparing to historical data and supporting evidence. We utilised specialists to assess management's key assumptions for long-term growth rates by comparing with external forecasts and discount rates used by assessing the cost of capital calculations for the Group and comparing against comparable organisations. We 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 also reviewed the disclosures made regarding the assumptions and are satisfied that these are appropriate. As a result of these procedures, we were satisfied with the Directors' conclusion that no impairment was required for the current period and the amounts owed by subsidiary undertakings are recoverable.

Independent auditors' report to the members of McBride plc continued

Report on the audit of the financial statements

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. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the entities 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 Luxembourg, Italy, Denmark and Poland. The entities 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 84% of the Group's revenue.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the financial statements.

We challenged the completeness of management's climate risk assessment by:

- reading external reporting made by management;
- challenging the consistency of management's climate impact assessment with internal climate plans and board minutes; and
- reading the entity's website/communications for details of climate related impacts.

Management has made commitments to a pathway to Net Zero, however no timeframe has been committed to. This commitment does not directly impact financial reporting, as management has not yet developed a detailed pathway on how exactly they will deliver this commitment and will only be able to model the impact further into the journey to Net Zero.

Management considers the impact of climate risk as at the balance sheet date does not give rise to a potential material financial statement impact.

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	£4.4 million (2022: £1.7m)	£3.0 million (2022: £1.5m)
How we determined it	0.5% of revenue	1% of total assets
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 0.5% 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 £1.4 million to £3.9 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

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% (2022: 75%) of overall materiality, amounting to £3.3m (2022: £1.3m) for the Group financial statements and £2.3m (2022: £1.2m) for the Company financial statements.

Independent auditors' report to the members of McBride plc continued

Report on the audit of the financial statements

Materiality continued

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 £0.2m (Group audit) (2022: £0.1m) and £0.2m (Company audit) (2022: £0.1m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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 base case scenario, checked its mathematical accuracy and discussed the assumptions that were applied in order to understand the rationale and the appropriateness of those assumptions;
- we obtained management's severe but plausible downside scenario, checked its mathematical accuracy 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 available liquidity under the different scenarios modelled by management, and the associated covenant tests applied; and
- we checked the banking agreement for the terms of the financing facilities which were put in place during the year and agreed these facilities to management's cash flow forecasts.

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

In 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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

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

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 2023 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.

Independent auditors' report to the members of McBride plc continued

Report on the audit of the financial statements

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 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 and Company 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.

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.

Independent auditors’ report to the members of McBride plc continued

Report on the audit of the financial statements

Responsibilities for the financial statements and the audit continued

Auditors’ responsibilities for the audit of the financial statements continued

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 (see related key audit matter above) and recoverability of 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 check 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 12 years, covering the years ended 30 June 2012 to 30 June 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will 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 will be prepared using the single electronic format specified in the ESEF RTS.

Hazel Macnamara (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

18 September 2023

Consolidated income statement

Year ended 30 June 2023

		2023			2022		
Continuing operations	Note	Adjusted (note 2) £m	Adjusting items (note 2) £m	Total £m	Adjusted (note 2) £m	Adjusting items (note 2) £m	Total £m
Revenue	3	889.0	—	889.0	678.3	—	678.3
Cost of sales		(625.4)	—	(625.4)	(487.5)	—	(487.5)
Gross profit		263.6	—	263.6	190.8	—	190.8
Distribution costs		(77.9)	—	(77.9)	(64.3)	—	(64.3)
Administrative costs		(168.4)	(3.2)	(171.6)	(148.8)	(5.0)	(153.8)
Impairment of trade receivables		(3.5)	—	(3.5)	(2.0)	—	(2.0)
(Loss)/gain on disposal of property, plant and equipment		(0.3)	—	(0.3)	(0.3)	3.7	3.4
Reversal of impairment/(impairment) of property, plant and equipment		—	—	—	0.1	(0.9)	(0.8)
Operating profit/(loss)	7	13.5	(3.2)	10.3	(24.5)	(2.2)	(26.7)
Finance costs	8	(13.2)	(12.2)	(25.4)	(5.1)	(3.5)	(8.6)
Profit/(loss) before taxation		0.3	(15.4)	(15.1)	(29.6)	(5.7)	(35.3)
Taxation	9	(0.3)	3.9	3.6	9.3	2.0	11.3
Loss for the year from continuing operations		—	(11.5)	(11.5)	(20.3)	(3.7)	(24.0)
Discontinued operations							
Loss for the year from discontinued operations	4	—	—	—	—	(0.3)	(0.3)
Loss for the year		—	(11.5)	(11.5)	(20.3)	(4.0)	(24.3)

	2023	2022
Loss per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the year (note 10)		
Basic loss per share		
From continuing operations	(6.6)p	(13.8)p
From discontinued operations	0.0p	(0.2)p
From loss for the year	(6.6)p	(14.0)p
Diluted loss per share		
From continuing operations	(6.6)p	(13.8)p
From discontinued operations	0.0p	(0.2)p
From loss for the year	(6.6)p	(14.0)p

Consolidated statement of comprehensive income

Year ended 30 June 2023

	Note	2023 £m	2022 £m
Loss for the year		**(11.5)**	(24.3)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		**(0.6)**	0.2
Gain on net investment hedges		**0.4**	0.5
Gain on cash flow hedges in the year		**3.7**	2.4
Cash flow hedges transferred to profit or loss		**(1.4)**	–
Taxation relating to items above	9	**(0.4)**	(0.5)
		1.7	2.6
Items that will not be reclassified to profit or loss:			
Net actuarial (loss)/gain on post-employment benefits	22	**(14.1)**	12.4
Taxation relating to item above	9	**3.5**	(3.1)
		(10.6)	9.3
Total other comprehensive (expense)/income		**(8.9)**	11.9
Total comprehensive expense		**(20.4)**	(12.4)

Total comprehensive expense attributable to equity shareholders arises from:			
Continuing operations		**(20.4)**	(12.1)
Discontinued operations		**–**	(0.3)
		(20.4)	(12.4)

Consolidated balance sheet

At 30 June 2023

	Note	2023 £m	2022 £m
Non-current assets			
Goodwill	12	**19.7**	19.7
Other intangible assets	13	**6.5**	7.3
Property, plant and equipment	14	**117.8**	122.9
Derivative financial instruments	20	**4.5**	1.9
Right-of-use assets	15	**8.5**	11.3
Deferred tax assets	9	**41.6**	29.7
		198.6	192.8
Current assets			
Inventories	16	**121.5**	118.9
Trade and other receivables	17	**145.7**	145.4
Current tax assets		**2.3**	3.9
Derivative financial instruments	20	**0.6**	0.6
Cash and cash equivalents		**1.6**	4.5
		271.7	273.3
Total assets		**470.3**	466.1
Current liabilities			
Trade and other payables	18	**219.6**	206.9
Borrowings	19	**49.3**	60.5
Lease liabilities	15, 19	**3.5**	3.9
Derivative financial instruments	20	**1.8**	–
Current tax liabilities		**6.7**	5.3
Provisions	24	**2.7**	3.4
		283.6	280.0

	Note	2023 £m	2022 £m
Non-current liabilities			
Borrowings	19	**109.8**	96.4
Lease liabilities	15, 19	**5.5**	8.1
Pensions and other post-employment benefits	22	**26.6**	16.1
Provisions	24	**2.6**	3.8
Deferred tax liabilities	9	**5.1**	4.7
		149.6	129.1
Total liabilities		**433.2**	409.1
Net assets		**37.1**	57.0
Equity			
Issued share capital	25	**17.4**	17.4
Share premium account	25	**68.6**	68.6
Other reserves	25	**78.9**	77.2
Accumulated losses		**(127.8)**	(106.2)
Total equity		**37.1**	57.0

The financial statements on pages 158 to 211 were approved by the Board of Directors on 18 September 2023 and were signed on its behalf by:

Chris Smith
Director

Consolidated cash flow statement

Year ended 30 June 2023

	Note	2023 £m	2022 (restated)[1] £m
Operating activities			
Loss before tax			
Continuing operations		**(15.1)**	(35.3)
Discontinued operations		**—**	(0.4)
Finance costs	8	**25.4**	8.6
Exceptional items excluding finance costs	4	**0.8**	—
Share-based payments charge	5	**0.5**	—
Depreciation of property, plant and equipment	14	**16.8**	16.9
Depreciation of right-of-use assets	15	**3.8**	4.0
Loss on disposal of property, plant and equipment		**0.3**	0.3
Amortisation of intangible assets	13	**2.4**	2.6
Reversal of impairment of property, plant and equipment	14	**—**	(0.1)
Operating cash flow before changes in working capital before exceptional items		**34.9**	(3.4)
Increase in receivables		**(1.3)**	(27.4)
Increase in inventories		**(2.7)**	(25.7)
Increase in payables		**11.1**	37.8
Operating cash flow after changes in working capital before exceptional items		**42.0**	(18.7)
Additional cash funding of pension schemes	22	**(4.0)**	(4.0)
Cash generated from/(used in) operations before exceptional items		**38.0**	(22.7)
Cash outflow in respect of exceptional items		**(1.4)**	(4.1)
Cash generated from/(used in) operations		**36.6**	(26.8)
Interest paid		**(11.4)**	(3.3)
Refinancing costs paid		**(12.3)**	(1.8)
Taxation paid		**(1.8)**	(0.1)
Net cash generated from/(used in) operating activities		**11.1**	(32.0)

	Note	2023 £m	2022 (restated)[1] £m
Investing activities			
Proceeds from sale of property, plant and equipment		**—**	6.1
Purchase of property, plant and equipment	14	**(10.3)**	(12.6)
Purchase of intangible assets	13	**(1.7)**	(1.7)
Settlement of derivatives used in net investment hedges		**0.4**	0.4
Net cash used in investing activities		**(11.6)**	(7.8)
Financing activities			
Redemption of B Shares	11	**—**	(0.1)
(Repayment)/drawdown of overdrafts		**(6.2)**	0.7
(Repayment)/drawdown of other loans		**(4.9)**	6.0
Drawdown of bank loans		**13.7**	18.0
Repayment of IFRS 16 lease obligations	15	**(4.3)**	(5.0)
Purchase of own shares		**—**	(0.1)
Net cash (used in)/generated from financing activities		**(1.7)**	19.5
Decrease in net cash and cash equivalents		**(2.2)**	(20.3)
Net cash and cash equivalents at the start of the year		**4.5**	24.9
Currency translation differences		**(0.7)**	(0.1)
Net cash and cash equivalents at the end of the year		**1.6**	4.5

(1) Refinancing costs paid have been reclassified as operating activities, having been reported previously as under financing activities.

Consolidated statement of changes in equity

Year ended 30 June 2023

				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 2021		17.4	68.6	(0.1)	(1.0)	77.1	(92.2)	69.8
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	20	—	—	—	0.5	—	—	0.5
Gain on cash flow hedges in the year	20	—	—	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	22	—	—	—	—	—	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	25	—	—	—	—	—	(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

Consolidated statement of changes in equity continued

Year ended 30 June 2023

	Note	Issued share capital £m	Share premium account £m	Other reserves Cash flow hedge reserve £m	Other reserves Currency translation reserve £m	Other reserves Capital redemption reserve £m	Accumulated losses £m	Total equity £m
At 1 July 2022		17.4	68.6	1.8	(1.8)	77.2	(106.2)	57.0
Loss for the year		–	–	–	–	–	(11.5)	(11.5)
Other comprehensive income/(expense)								
Items that may be reclassified to profit or loss:								
Currency translation differences of foreign subsidiaries		–	–	–	(0.6)	–	–	(0.6)
Gain on net investment hedges	20	–	–	–	0.4	–	–	0.4
Gain on cash flow hedges in the year	20	–	–	3.7	–	–	–	3.7
Cash flow hedges transferred to profit or loss		–	–	(1.4)	–	–	–	(1.4)
Taxation relating to the items above		–	–	(0.4)	–	–	–	(0.4)
		–	–	1.9	(0.2)	–	–	1.7
Items that will not be reclassified to profit or loss:								
Net actuarial loss on post-employment benefits	22	–	–	–	–	–	(14.1)	(14.1)
Taxation relating to items above	9	–	–	–	–	–	3.5	3.5
		–	–	–	–	–	(10.6)	(10.6)
Total other comprehensive income/(expense)		–	–	1.9	(0.2)	–	(10.6)	(8.9)
Total comprehensive income/(expense)		–	–	1.9	(0.2)	–	(22.1)	(20.4)
Transactions with owners of the parent								
Share-based payments		–	–	–	–	–	0.5	0.5
At 30 June 2023		17.4	68.6	3.7	(2.0)	77.2	(127.8)	37.1

At 30 June 2023, the accumulated losses include a deduction of £0.4 million (2022: £0.5m) for the cost of own shares held in relation to employee share schemes. Further information on own shares is presented in note 25.

Notes to the consolidated financial statements

Year ended 30 June 2023

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 2023 ('2023') with comparative amounts for the year ended 30 June 2022 ('2022').

Basis of preparation

The consolidated financial statements on pages 158 to 211 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 2023 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 CFO's report on pages 35 to 36. In addition, note 20 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 2023, committed undrawn facilities and net cash position (i.e. liquidity, as defined in note 2) amounted to £59.3 million.

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

- revenue growth of c.4-5% per annum, driven predominantly by volume increases resulting from net contract wins;
- raw material prices reducing compared to 2023 levels, which in themselves remained significantly higher than the pre-Covid-19 pandemic era as a result of exceptional levels of input cost inflation;
- interest rates increasing by c.100 basis points versus budgeted assumptions; and
- Sterling: Euro exchange rate of £1:€1.12.

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

- no revenue growth from assumed contract wins in 2024;
- revenue growth reducing to half of that assumed in the original three-year plan for 2025;
- an increase in raw material and packaging input costs compared to latest forecasts;
- 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 remain compliant with current banking covenants.

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.

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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Segmental reporting continued

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 174.

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 2023 are set out on pages 219 and 220.

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 year 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 2023

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 year 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 year.

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 2023, the carrying amount of accruals relating to rebates and discounts amounted to £2.8 million (2022: £2.1m). Rebates equate to less than 1.0% (2022: 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.

The Group acts as an agent in some jurisdictions in relation to environmental taxes collected from customers and paid to third parties. There is no impact to the consolidated income statement for the collection and payment of these taxes.

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 year 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Principal accounting policies continued

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 year in which it is incurred.

Development expenditure is charged to profit or loss in the year 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 year 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 2023

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 years 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 years. 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);

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Principal accounting policies continued

Financial instruments continued

- **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 year 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.

(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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Principal accounting policies continued

Hedge accounting continued

(i) Cash flow hedge continued

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 year 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 year, less employee contributions.

Gains or losses on curtailments or settlements are recognised in profit or loss in the year in which the curtailment or settlement occurs.

Actuarial gains and losses are recognised in other comprehensive income in the year 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 at each reporting date, the estimate of the number of options that are expected to vest is revised based on the non-market vesting and service conditions.

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 at each reporting date, 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Principal accounting policies continued

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 2023, the Group held provisions amounting to £5.3 million (2022: £7.2m), which principally represented reorganisation and restructuring costs and environmental remediation provisions. Adjustment to the amounts recognised would arise if it becomes necessary to revise the assumptions and estimates on which the provisions are based, if circumstances change such that contingent liabilities must be recognised or if management becomes aware of obligations that are currently unknown.

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 year. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the year for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or deductible in earlier or subsequent years. 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 year 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 year 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 2023 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors the 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 2023

2. Accounting policies continued

New accounting standards and interpretations

The following standards and amendments were effective for periods beginning on or after 1 January 2022 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.

- Amendments to IFRS 9, clarifying which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.
- Amendments to IAS 37, specifying that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'.
- Amendments to IAS 1, requiring companies to disclose their material accounting policy information rather than their significant accounting policies.
- Amendments to IAS 8, clarifying how companies should distinguish changes in accounting policies from changes in accounting estimate.
- Amendments to IAS 12, requiring companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to IAS 12, providing a temporary exception to the requirements regarding deferred tax assets and liabilities related to Pillar 2 income taxes.
- Amendments to Interest rate benchmark reform: phase 2, dealing with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and considering the implications for specific hedge accounting requirements in IFRS 9 and IAS 39, which require forward-looking analysis.

The following standards and amendments had no impact on the financial statements of the Group:

- Amendments to IFRS 1, permitting a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS;
- Amendments to IFRS 16, extending the exemption from assessing whether a Covid-19-related rent concession is a lease;
- Amendments to IAS 41, removing a requirement to exclude cash flows from taxation when measuring fair value;
- Amendments to IFRS 3, clarifying the minimum requirements to be a business, removing the assessment of a market participant's ability to replace missing elements, and narrowing the definition of outputs;
- Amendments to IAS 16, prohibiting deduction from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- Amendments to IFRS 17, addressing concerns and implementation challenges that were identified after IFRS 17 was published; and
- Amendments to IFRS 4, regarding the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9.

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 IAS 1, aiming to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current – effective for annual periods beginning on or after 1 January 2024.
- Amendments to IFRS 16, clarifying how a seller-lessee subsequently measures sale and leaseback transactions effective for annual periods beginning on or after 1 January 2024.
- Amendments to IAS 7 and IFRS 7, adding disclosure requirements and 'signposts' within existing disclosure requirements, asking entities to provide qualitative and quantitative information about supplier finance arrangements – effective for annual periods beginning on or after 1 January 2024.

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 identity potential future impact.

Critical accounting 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, including expectations of future events that might have a financial impact on the Company and that are believed to be reasonable under the circumstances. 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

The Directors have carefully considered the accounting implications of the following developments in their review of critical judgements, estimates and assumptions:

- Impacts of high inflation and interest rates: Companies continue to experience the effect of high inflation and interest rates, which impact all aspects of the business including increasing costs such as raw materials and wages, changes in customer behaviour and credit risk, negotiations of contract terms and investment and financing decisions.
- Climate change: The impact of ESG matters, specifically focused on the effect of climate change, both from a qualitative and quantitative perspective, continue to impact companies.
- Russian invasion of Ukraine and Russian sanctions: The Russian invasion of Ukraine, and the imposition of international sanctions, continue to have a pervasive economic impact globally where businesses engage in economic activities that might be affected by the recent developments.

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

Critical judgements

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

A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment testing requires management to determine the net discounted cash flows expected to arise from a CGU. Management has determined that the Group's CGUs align with the operating reportable segments, or divisions, being Liquids, Unit Dosing, Powders, Aerosols and Asia Pacific. In the case of the first four divisions, segmentation is based on product technologies. For Asia Pacific, segmentation is based on location of both operations and the market served. The judgement applied in determining the Group's CGUs concerns the level at which cash flows arise independently from other areas of the business. Whilst each division is made up of a number of operational sites based in different locations, sites within a division act as a network to create a product offering for all customers of that division. Therefore, cash flows arising at any particular site within a division have a level of dependence upon other assets within the division as a whole. Furthermore, divisional leadership teams develop strategies for the division as a whole and are accountable to deliver them, including driving best practices and performance across the whole division and developing new products at a divisional level based on specialist product format knowledge. Sales and marketing teams also operate at a divisional level.

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 third 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 potential 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 £nil were recognised (2022: £0.8m). At 30 June 2023, the carrying amount of goodwill, other intangible assets and property, plant and equipment was £144.0 million (2022: £149.9m).

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 2023, the present value of defined benefit obligations in relation to the UK scheme was £98.1 million (2022: £116.6m). 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

(ii) Pensions and other post-employment benefits continued

At 30 June 2023, the fair value of the scheme assets of the UK scheme was £73.4 million (2022: £102.2m). 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 2023, 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 2023, the Group recognised a net actuarial loss of £14.1 million (2022: gain of £12.4m).

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 22.

(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 2023, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £15.9 million, of which £1.6 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 year 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 years 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 2023, the Group recognised deferred tax assets of £41.6 million (2022: £29.7m), including £29.3 million (2022: £22.0m) in respect of tax losses. Deferred tax assets amounting to £7.5 million (2022: £8.3m) 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.

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 profit for the year, adjusted EPS, free cash flow and cash conversion %, adjusted ROCE, liquidity 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Alternative performance measures continued

Adjusted measures continued

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.

	2023 £m	2022 £m
Operating profit/(loss)	**10.3**	(27.1)
Add back: operating loss from discontinued operations	**–**	0.4
Operating profit/(loss) from continuing operations	**10.3**	(26.7)
Exceptional items in operating profit/(loss) (note 4)	**0.8**	(0.4)
Amortisation of intangibles (note 13)	**2.4**	2.6
Adjusted operating profit/(loss) from continuing operations	**13.5**	(24.5)
Depreciation of property, plant and equipment (note 14)	**16.8**	16.9
Depreciation of right-of-use assets (note 15)	**3.8**	4.0
Adjusted EBITDA	**34.1**	(3.6)

Adjusted profit/(loss) before tax is based on adjusted operating profit/(loss) less adjusted finance costs. Adjusted profit/(loss) for the year is based on adjusted profit/(loss) before tax less taxation. The table below reconciles adjusted profit/(loss) before tax to the Group's reported profit/(loss) before tax and adjusted profit/(loss) for the year to the Group's reported profit/(loss) for the year.

	2023 £m	2022 £m
Loss before tax	**(15.1)**	(35.7)
Add back: loss before tax from discontinued operations	**–**	0.4
Loss before tax from continuing operations	**(15.1)**	(35.3)
Exceptional items (note 4)	**13.0**	3.1
Amortisation of intangibles (note 13)	**2.4**	2.6
Adjusted profit/(loss) before tax from continuing operations	**0.3**	(29.6)
Taxation (note 9)	**(0.3)**	9.3
Adjusted loss for the year from continuing operations	**–**	(20.3)

Adjusted EPS 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 KPIs 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 (applicable only when adjusted EBITA is positive). A reconciliation from net cash generated from operating activities, the most directly comparable IFRS measure, to free cash flow, is set out as follows.

	2023 £m	2022 £m
Net cash generated from/(used in) operating activities	**11.1**	(32.0)
Add back:		
Taxation paid	**1.8**	0.1
Interest paid	**11.4**	3.3
Refinancing costs paid	**12.3**	1.8
Cash outflow in respect of exceptional items	**1.4**	4.1
Free cash flow	**38.0**	(22.7)
Adjusted EBITDA	**34.1**	(3.6)
Cash conversion %	**111%**	n/a

Notes to the consolidated financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Alternative performance measures continued

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 ROCE is calculated as follows:

	2023 £m	2022 £m	2021 £m
Goodwill (note 12)	**19.7**	19.7	19.7
Other intangible assets (note 13)	**6.5**	7.3	8.2
Property, plant and equipment (note 14)	**117.8**	122.9	129.8
Right-of-use assets (note 15)	**8.5**	11.3	10.0
Inventories (note 16)	**121.5**	118.9	92.9
Trade and other receivables (note 17)	**145.7**	145.4	117.9
Trade and other payables (note 18)	**(219.6)**	(206.9)	(169.2)
Capital employed	**200.1**	218.6	209.3
Average year-end capital employed	**209.4**	214.0	208.7
Adjusted operating profit/(loss) from continuing operations	**13.5**	(24.5)	24.1
Adjusted ROCE %	**6.4%**	(11.4)%	11.5%

Liquidity

Liquidity means, at any time, without double counting, the aggregate of:

(a) cash;
(b) cash equivalents;
(c) the available facility at that time, which comprises the headroom available in the RCF and other committed facilities; and
(d) the aggregate amount available for drawing under uncommitted facilities.

	2023 £m	2022 £m
Cash and cash equivalents	**1.6**	4.5
RCF headroom	**40.0**	55.1
Other committed facilities headroom	**17.5**	—
Uncommitted facilities	**0.2**	11.0
Liquidity	**59.3**	70.6

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 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:

	2023 £m	2022 £m
Current assets		
Cash and cash equivalents	**1.6**	4.5
Current liabilities		
Borrowings (note 19)	**(49.3)**	(60.5)
Lease liabilities (note 15)	**(3.5)**	(3.9)
	(52.8)	(64.4)
Non-current liabilities		
Borrowings (note 19)	**(109.8)**	(96.4)
Lease liabilities (note 15)	**(5.5)**	(8.1)
	(115.3)	(104.5)
Net debt	**(166.5)**	(164.4)

Notes to the consolidated financial statements continued

Year ended 30 June 2023

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 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.

Year ended 30 June 2023 Continuing operations	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Segment revenue	497.9	234.2	85.9	46.2	24.8	—	889.0
Adjusted operating profit/(loss)	10.5	10.0	(0.7)	0.3	1.1	(7.7)	13.5
Amortisation of intangible assets							(2.4)
Exceptional items (note 4)							(0.8)
Operating profit							10.3
Finance costs							(25.4)
Loss before taxation							(15.1)
Inventories	59.4	33.8	15.8	9.6	2.9	—	121.5
Capital expenditure	5.9	4.9	1.7	0.4	0.3	—	13.2
Amortisation and depreciation	13.2	6.3	1.4	0.6	1.5	—	23.0

Notes to the consolidated financial statements continued

Year ended 30 June 2023

3. Segment information continued

Background continued

Segmental reporting continued

Year ended 30 June 2022 Continuing operations	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
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

Geographical information

	Revenue from external customers		Non-current assets	
	2023 £m	2022 £m	**2023 £m**	2022 £m
United Kingdom	**187.8**	150.6	**34.5**	37.7
Germany	**205.8**	143.3	**—**	—
France	**188.0**	140.3	**9.1**	9.2
Other Europe	**278.5**	217.8	**104.1**	108.0
Australia	**0.4**	8.5	**—**	—
Other Asia Pacific	**25.3**	14.7	**4.8**	6.3
Rest of the World	**3.2**	3.1	**—**	—
Total	**889.0**	678.3	**152.5**	161.2

The geographical revenue information above is based on the location of the customer.

Non-current assets for this purpose consists of goodwill, other intangible assets, property, plant and equipment and right-of-use assets.

Revenue by major customer

In 2023 and 2022, no individual customer provided more than 10% of the Group's revenue.

During 2023, the top ten customers accounted for 53% of total Group revenue (2022: 50%).

Notes to the consolidated financial statements continued

Year ended 30 June 2023

4. Exceptional items

Analysis of exceptional items

	2023 £m	2022 £m
Continuing operations		
Reorganisation and restructuring costs/(gains):		
UK Aerosols closure	–	0.1
Factory footprint review	–	(1.4)
Review of strategy, organisation and operations	–	(0.4)
Logistics transformation programme	–	0.7
	–	(1.0)
Environmental remediation	**0.8**	0.6
Total charged/(credited) to operating profit/(loss)	**0.8**	(0.4)
Group refinancing:		
Independent business review and refinancing costs	**12.2**	3.5
Total charged to finance costs	**12.2**	3.5
Total continuing operations	**13.0**	3.1
Discontinued operations		
Sale of PC Liquids business	–	0.5
Other	–	(0.1)
Discontinued operations before tax	–	0.4
Tax on discontinued operations	–	(0.1)
Total discontinued operations	–	0.3
Total exceptional items before tax	**13.0**	3.5

Total exceptional items of £13.0 million were recorded during the year (2022: £3.5m). The charge primarily comprises the following:

Items relating to continuing operations

Total exceptional items incurred in relation to the continuing business of £13.0 million were recorded during the year (2022: £3.1m). The charge comprises the following:

- £0.8 million costs relating to the re-evaluation of the environmental remediation provision; and
- £12.2 million charged to finance costs in respect of the independent business review and refinancing work completed in September 2022. The charge includes £1.5 million reflecting the fair value of the liability in relation to fees payable to members of the lender group upon exiting the existing RCF agreement. As reported in last year's Annual Report and Accounts, the amended RCF that McBride plc agreed with its lender group on 29 September 2022 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 a fee will be determined as the percentage of any increase in the market capitalisation of the Group from 29 September 2022 to the date of the exit event. This valuation has been performed on an embedded derivative basis using a conventional Black-Scholes pricing model.

Items relating to discontinued operations

An exceptional charge of £nil was incurred in respect of discontinued operations during the year (2022: £0.4m).

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:

	2023 Year end Number	2023 Average Number	2022 Year end Number	2022 Average Number
Manufacturing	**2,333**	**2,287**	2,327	2,365
Sales, general and administration	**608**	**596**	594	592
Total	**2,941**	**2,883**	2,921	2,957

The number of persons employed during the financial year ended 30 June 2023 excludes third-party contractors, agency workers and consultants 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:

	2023 £m	2022 £m
Wages and salaries	**118.9**	105.0
Social security costs	**19.0**	17.8
Share awards granted to Directors and employees	**0.5**	–
Other pension costs	**3.6**	3.4
Total	**142.0**	126.2

Notes to the consolidated financial statements continued

Year ended 30 June 2023

5. Employee information continued

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 22.

Aggregate emoluments of the Directors of the Company were as follows:

	2023 £'000	2022 £'000
Wages and salaries	1,889	1,183
Share awards granted to Directors	169	28
Other pension costs(1)	58	56
Total	2,116	1,267

(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.

Further information on Directors' emoluments included above is in the Annual Report on Remuneration on pages 131 to 145.

Aggregate compensation for key management, being the Directors and members of the Executive Committee, is shown in note 28.

6. Auditors' remuneration

Fees payable by the Group to the Company's independent auditors, PricewaterhouseCoopers LLP (PwC), and its associates, were as follows:

	2023 £m	2022 £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	1.2	1.0
Total fees	1.3	1.1

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 non-audit assurance services amounted to £2,000 (2022: £2,000).

7. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2023 £m	2022 £m
Cost of inventories (included in cost of sales)	573.2	441.8
Employee costs (note 5)	142.0	126.2
Amortisation of intangible assets (note 13)	2.4	2.6
Depreciation of property, plant and equipment (note 14)	16.8	16.9
Depreciation of right-of-use assets (note 15)	3.8	4.0
Impairment:		
Property, plant and equipment (note 14)	–	0.8
Inventories (note 16)	3.0	3.9
Trade receivables (note 17)	2.6	2.0
Expense relating to short-term leases (note 15)	0.3	0.3
Expense relating to low-value leases (note 15)	0.1	0.2
Research and development costs not capitalised	7.3	6.8
Net foreign exchange loss	0.4	0.3

*Direct material costs only

8. Finance costs

	2023 £m	2022 £m
Finance costs		
Interest on bank loans and overdrafts	11.1	2.7
Interest on lease liabilities (note 15)	0.3	0.4
Net foreign exchange (gain)/loss	(0.2)	0.4
Amortisation of facility fees	0.5	0.5
Non-utilisation and other fees	1.0	0.6
	12.7	4.6
Post-employment benefits:		
Net interest cost on defined benefit obligation (note 22)	0.5	0.5
Adjusted finance costs	13.2	5.1
Costs associated with independent business review and refinancing (note 4)	12.2	3.5
Total finance costs	25.4	8.6

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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

9. Taxation

Income tax expense/(credit)

From continuing operations	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Current tax expense/(credit)						
Current year	—	5.0	5.0	—	3.2	3.2
Adjustment for prior years	—	(0.2)	(0.2)	(1.0)	(0.9)	(1.9)
	—	4.8	4.8	(1.0)	2.3	1.3
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(8.8)	0.9	(7.9)	(7.9)	(2.7)	(10.6)
Adjustment for prior years	(0.2)	(0.3)	(0.5)	(6.4)	5.4	(1.0)
Impact of change in tax rate	—	—	—	(1.0)	—	(1.0)
	(9.0)	0.6	(8.4)	(15.3)	2.7	(12.6)
Income tax (credit)/expense	(9.0)	5.4	(3.6)	(16.3)	5.0	(11.3)

From discontinued operations	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Deferred tax credit						
Origination and reversal of temporary differences	—	—	—	(0.1)	—	(0.1)
Income tax credit	—	—	—	(0.1)	—	(0.1)

Total attributable to ordinary shareholders	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Current tax expense/(credit)						
Current year	—	5.0	5.0	—	3.2	3.2
Adjustment for prior years	—	(0.2)	(0.2)	(1.0)	(0.9)	(1.9)
	—	4.8	4.8	(1.0)	2.3	1.3
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(8.8)	0.9	(7.9)	(8.0)	(2.7)	(10.7)
Adjustment for prior years	(0.2)	(0.3)	(0.5)	(6.4)	5.4	(1.0)
Impact of change in tax rate	—	—	—	(1.0)	—	(1.0)
	(9.0)	0.6	(8.4)	(15.4)	2.7	(12.7)
Income tax (credit)/expense	(9.0)	5.4	(3.6)	(16.4)	5.0	(11.4)

Notes to the consolidated financial statements continued

Year ended 30 June 2023

9. Taxation continued

Income tax expense/(credit) continued

The current tax adjustment for the prior year was £nil (2022: £0.5m credit) and £0.4 million (2022: £0.4m) 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 year end and the estimates refined as additional information becomes available.

At 30 June 2023, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £15.9 million (2022: £16.2m), against which a provision of £1.6 million (2022: £2.0m) has been made, in line with IFRIC 23 requirements.

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:

From continuing operations	2023 £m	2022 £m
Loss before tax	(15.1)	(35.3)
Loss before tax multiplied by the UK corporation tax rate of 20.50% (2022: 19.0%)	(3.1)	(6.7)
Effect of tax rates in foreign jurisdictions	1.1	(1.7)
Non-deductible expenses	0.4	0.6
Tax incentives/non-taxable income	–	(0.4)
Tax losses and other temporary differences for which no deferred tax recognised	–	0.6
Change in tax rate	(1.6)	(1.0)
Other differences	0.3	0.2
Adjustment for prior years	(0.7)	(2.9)
Total tax credit in profit or loss	(3.6)	(11.3)
Exclude adjusting items (note 2)	3.9	2.0
Total tax charge/(credit) in profit or loss before adjusting items	0.3	(9.3)

Taxation is provided at current rates on the profits earned for the year.

From discontinued operations	2023 £m	2022 £m
Loss before tax	–	(0.4)
Loss before tax multiplied by the UK corporation tax rate of 20.50% (2022: 19.0%)	–	(0.1)
Total tax credit in profit or loss	–	(0.1)
Exclude adjusting items (note 2)	–	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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

9. Taxation continued

Reconciliation to UK statutory tax rate continued

Total attributable to ordinary shareholders	2023 £m	2022 £m
Loss before tax	**(15.1)**	(35.7)
Loss before tax multiplied by the UK corporation tax rate of 20.50% (2022: 19.0%)	**(3.1)**	(6.8)
Effect of tax rates in foreign jurisdictions	**1.1**	(1.7)
Non-deductible expenses	**0.4**	0.6
Tax incentives/non-taxable income	**–**	(0.4)
Tax losses and other temporary differences for which no deferred tax recognised	**–**	0.6
Change in tax rate	**(1.6)**	(1.0)
Other differences	**0.3**	0.2
Adjustment for prior years	**(0.7)**	(2.9)
Total tax credit in profit or loss	**(3.6)**	(11.4)
Exclude adjusting items (note 2)	**3.9**	2.1
Total tax charge/(credit) in profit or loss before adjusting items	**(0.3)**	(9.3)

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 20.50% (2022: 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. A blended rate of 20.50% (a rate of 19% from 1 July 2022 to 31 March 2023 and a rate of 25% from 1 April 2023 to 30 June 2023) is the UK statutory tax rate for 2023. Deferred tax has been calculated for the UK at 25.0%, the rate applicable from 1 April 2023.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. On this basis, the first period of account where the Group will be affected will be from 2025 onwards. The Group is reviewing these draft rules to understand any potential impacts.

The Group has applied the exception under the proposed IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

Tax on items recognised in other comprehensive income

	2023 £m	2022 £m
Items that may be reclassified to profit or loss:		
Cash flow hedges in the year	**0.4**	0.5
Net actuarial gain/(loss) on post-employment benefits:		
Deferred tax	**(3.5)**	3.1
Total tax charged/(credited) in other comprehensive income	**(3.1)**	3.6

Notes to the consolidated financial statements continued

Year ended 30 June 2023

9. Taxation continued

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 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**
(Charge)/credit to profit or loss	**(0.7)**	**0.4**	**0.1**	**7.2**	**(0.9)**	**2.3**	**8.4**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**3.5**	**(0.4)**	**3.1**
Charge to equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effect of the change in tax rate	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange/other movements	**0.1**	**(0.2)**	**–**	**0.1**	**–**	**–**	**–**
At 30 June 2023	**(5.2)**	**(3.0)**	**0.2**	**29.3**	**6.5**	**8.7**	**36.5**

Deferred tax assets and liabilities are presented in the Group's balance sheet as follows:

	2023 £m	2022 £m
Deferred tax assets	**41.6**	29.7
Deferred tax liabilities	**(5.1)**	(4.7)
Total	**36.5**	25.0

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 a rise in input costs absorbed through the year coupled with negotiation lags in the acceptance of our new pricing levels, the Group's three-year financial forecast indicates that these temporary differences will start to reverse in the following financial year and are considered to be fully recoverable. Applying a downside sensitivity test in line with the Group's impairment model, we determined that the EBITDA would have to reduce by more than 15.7% to result in an impairment of the deferred tax asset. The reason for the expected improvement in performance is due to the higher pricing levels agreed with customers which have allowed us to recover the exceptional input cost inflation. 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 £0.7 million at 30 June 2023 (2022: £0.8m).

Notes to the consolidated financial statements continued

Year ended 30 June 2023

9. Taxation continued

Unrecognised deferred tax assets

At 30 June 2023, the Group had unused tax losses of £118.4 million (2022: £93.9m) available to offset against future profits. No deferred tax asset has been recognised in respect of £2.0 million (2022: £5.5m) 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.

As at 30 June 2023, McBride plc had unused tax losses of £30.5m (2022: £18.0m) available to offset against future profits. No deferred tax asset has been recognised in respect of £2.0m (2022: £2.0m) of these losses due to restrictions over accessing these losses in the future.

No deferred tax asset has been recognised in relation to the surplus Advanced Corporation Tax (ACT) of £7.0 million (2022: £7.0m) due to uncertainty as to future ACT capacity and taxable profits.

10. Loss per ordinary share

Basic loss 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 623,968 shares (2022: 629,200 shares), being the weighted average number of own shares held during the year in relation to employee share schemes (note 23).

	Reference	2023	2022
Weighted average number of ordinary shares in issue (million)	a	**173.4**	173.5
Effect of dilutive LTIP and RSU awards (million)		**2.5**	1.0
Weighted average number of ordinary shares for calculating diluted loss per share (million)	b	**175.9**	174.5

Diluted loss 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 per share is considered equal to the basic loss 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 per share measures are calculated based on loss for the year attributable to owners of the Company before adjusting items as follows:

From continuing operations	Reference	2023 £m	2022 £m
Loss for calculating basic and diluted loss per share	c	**(11.5)**	(24.0)
Adjusted for:			
Amortisation of intangible assets (note 13)		**2.4**	2.6
Exceptional items (note 4)		**13.0**	3.1
Taxation relating to the above items		**(3.9)**	(2.0)
Loss for calculating adjusted loss per share	d	**–**	(20.3)

	Reference	2023 pence	2022 pence
Basic loss per share	c/a	**(6.6)**	(13.8)
Diluted loss per share	c/b(1)	**(6.6)**	(13.8)
Adjusted basic loss per share	d/a	**0.0**	(11.7)
Adjusted diluted loss per share	d/b(1)	**0.0**	(11.7)

(1) Diluted loss per share 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	2023 £m	2022 £m
Loss for calculating basic and diluted loss per share	e	**–**	(0.3)
Adjusted for:			
Exceptional items (note 4)		**–**	0.4
Taxation relating to the above items		**–**	(0.1)
Loss for calculating adjusted loss per share	f	**–**	–

	Reference	2023 pence	2022 pence
Basic loss per share	e/a	**0.0**	(0.2)
Diluted loss per share	e/b(1)	**0.0**	(0.2)
Adjusted basic loss per share	f/a	**0.0**	0.0
Adjusted diluted loss per share	f/b(1)	**0.0**	0.0

(1) Diluted loss per share is considered equal to the basic loss per share as potentially dilutive ordinary shares cause a decrease in the loss per share.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

10. Loss per ordinary share continued

Total attributable to ordinary shareholders	Reference	**2023 £m**	2022 £m
Loss for calculating basic and diluted loss per share	g	**(11.5)**	(24.3)
Adjusted for:			
Amortisation of intangible assets (note 13)		**2.4**	2.6
Exceptional items (note 4)		**13.0**	3.5
Taxation relating to the above items		**(3.9)**	(2.1)
Loss for calculating adjusted loss per share	h	**—**	(20.3)

	Reference	**2023 pence**	2022 pence
Basic loss per share	g/a	**(6.6)**	(14.0)
Diluted loss per share	g/b⁽¹⁾	**(6.6)**	(14.0)
Adjusted basic loss per share	h/a	**0.0**	(11.7)
Adjusted diluted loss per share	h/b⁽¹⁾	**0.0**	(11.7)

(1) Diluted loss per share 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 year 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.

Under the terms of the amended RCF announced on 29 September 2022, the Company may not, except with the consent of its lender group, declare, make or pay any dividend or distribution to its shareholders prior to 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. Hence the Board is not recommending a final dividend for the financial year ended 30 June 2023.

No payments to ordinary shareholders were made or proposed in respect of this year or the prior year.

Furthermore, under the RCF, the Company may not, except with the consent of its lender group, redeem or repay any of its share capital prior to an exit event. Therefore, as intimated in the announcement dated 3 October 2022, the redemption of B Shares that would normally take place in November each year will not take place. B Shares issued but not redeemed are classified as current liabilities.

Movements in the number of B Shares outstanding were as follows:

	2023		2022	
	Number 000	**Nominal value £'000**	Number 000	Nominal value £'000
Issued and fully paid				
At 1 July	**665,888**	**666**	747,399	747
Redeemed	**—**	**—**	(81,511)	(81)
At 30 June	**665,888**	**666**	665,888	666

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 2021, 30 June 2022 and 30 June 2023	**36.0**
Accumulated impairment	
At 1 July 2021	(16.3)
Currency translation differences	—
30 June 2022	(16.3)
Currency translation differences	—
At 30 June 2023	**(16.3)**
Net book value	
At 30 June 2023	**19.7**
At 30 June 2022	19.7

The Liquids, Unit Dosing, Powders, Aerosols and Asia Pacific businesses have separate management teams and leadership and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

12. Goodwill continued

Carrying amount of goodwill allocated to CGUs:

	2023 £m	2022 £m
Liquids	**16.0**	15.9
Unit Dosing	**3.2**	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 2024. 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 third 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 1.6% (2022: 1.5%) in Liquids and 1.9% (2022: 2.0%) in Unit Dosing 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 14.2% for Liquids (2022: 10.8%) and 10.5% for Unit Dosing (2022: 8.8%).

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 a negative growth rate of (8.4)%;
- an increase in pre-tax discount rates of 22.2ppts;
- a reduction in forecast revenue of 7.4%; and
- a reduction in forecast margins of 1.8ppts.

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 a negative growth rate of (15.8)%;
- an increase in pre-tax discount rates of 24.3ppts;
- a reduction in forecast revenue of 15.5%; and
- a reduction in forecast margins of 3.9ppts.

Based on the impairment reviews performed, no impairment has been identified.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

13. Other intangible assets

	Patents, brands and trademarks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 July 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**
Additions	**—**	**1.7**	**—**	**—**	**1.7**
Disposals	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Transfers	**—**	**0.4**	**—**	**(0.4)**	**—**
At 30 June 2023	**3.7**	**14.3**	**11.9**	**0.9**	**30.8**
Accumulated amortisation and impairment					
At 1 July 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)**
Charge for the year	**—**	**(1.8)**	**(0.5)**	**(0.1)**	**(2.4)**
At 30 June 2023	**(3.7)**	**(8.7)**	**(11.3)**	**(0.6)**	**(24.3)**
Net book value					
At 30 June 2023	**—**	**5.6**	**0.6**	**0.3**	**6.5**
At 30 June 2022	**—**	**5.3**	**1.1**	**0.9**	**7.3**

Customer relationships acquired upon the acquisition of McBride Denmark A/S have a carrying value of £0.6 million and a remaining amortisation period of 2.25 years. In addition, a brand name was also acquired on acquisition of McBride Denmark A/S that has a carrying value of £nil with no remaining amortisation period.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
Cost				
At 1 July 2021	69.9	357.9	7.4	435.2
Additions	1.0	10.7	0.7	12.4
Disposals	(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
Additions	**0.4**	**6.9**	**4.2**	**11.5**
Disposals	**(0.9)**	**(10.3)**	**—**	**(11.2)**
Transfers	**0.3**	**—**	**(0.3)**	**—**
Currency translation differences	**0.4**	**0.5**	**0.1**	**1.0**
At 30 June 2023	**67.5**	**264.4**	**10.0**	**341.9**
Accumulated depreciation and impairment				
At 1 July 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)
Charge for the year	**(2.0)**	**(14.8)**	**—**	**(16.8)**
Disposals	**0.6**	**10.4**	**—**	**11.0**
Currency translation differences	**—**	**(0.6)**	**—**	**(0.6)**
At 30 June 2023	**(31.8)**	**(192.3)**	**—**	**(224.1)**
Net book value				
At 30 June 2023	**35.7**	**72.1**	**10.0**	**117.8**
At 30 June 2022	36.9	80.0	6.0	122.9

Notes to the consolidated financial statements continued

Year ended 30 June 2023

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 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
New leases recognised	**0.2**	**0.2**	**0.8**	**–**	**1.2**
Currency translation differences	**(0.2)**	**–**	**–**	**–**	**(0.2)**
Depreciation	**(1.1)**	**(1.4)**	**(1.0)**	**(0.3)**	**(3.8)**
Net book value at 30 June 2023	**1.8**	**4.7**	**1.4**	**0.6**	**8.5**

The movements in the lease liabilities were as follows:

	Total £m
Lease liabilities	
Net book value at 1 July 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
New leases recognised	**1.2**
Lease payments	**(4.3)**
Currency translation differences	**(0.2)**
Finance costs (note 8)	**0.3**
Net book value at 30 June 2023	**9.0**

Notes to the consolidated financial statements continued

Year ended 30 June 2023

15. Leases continued

	2023 £m	2022 £m
Analysed as:		
Amounts falling due within twelve months	**3.5**	3.9
Amounts falling due after one year	**5.5**	8.1
	9.0	12.0

Note 20 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 2023, expenses for short-term and low-value leases were incurred as follows:

	2023 £m	2022 £m
Expenses relating to short-term leases	**0.3**	0.3
Expenses relating to leases of low-value assets not shown as short-term leases above	**0.1**	0.2
Total	**0.4**	0.5

At 30 June 2023 the Group was committed to future minimum lease payments of £2.1 million (2022: £1.5m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

16. Inventories

	2023 £m	2022 £m
Raw materials, packaging and consumables	**62.7**	61.7
Finished goods and goods for resale	**58.8**	57.2
Total	**121.5**	118.9

Inventories are stated net of an allowance of £5.5 million (2022: £5.6m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2023 £m	2022 (restated) £m
At 1 July	**(5.6)**	(4.1)
Utilisation	**3.1**	2.4
Charged to profit or loss	**(3.0)**	(3.9)
At 30 June	**(5.5)**	(5.6)

The cost of inventories recognised in cost of sales as an expense amounted to £623.6 million (2022 (restated): £486.0m).

Notes to the consolidated financial statements continued

Year ended 30 June 2023

17. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**132.1**	130.3
Less: provision for impairment of trade receivables	**(4.3)**	(2.2)
Trade receivables – net	**127.8**	128.1
Other receivables	**11.9**	14.4
Prepayments and accrued income	**6.0**	2.9
Total	**145.7**	145.4

Trade receivables amounting to £49.0 million (2022: £53.7m) are secured under the invoice discounting facilities described in note 20.

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 £3.5 million (2022: £2.0m). 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 2023 or 30 June 2022, 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 2023 and 30 June 2022 was determined as follows:

30 June 2023	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	**0.5%**	**0.4%**	**0.2%**	**0.6%**	**4.5%**	**—**
Gross carrying amount (£m)	**123.1**	**1.4**	**0.3**	**1.6**	**5.7**	**132.1**
Credit loss allowance (£m)	**0.7**	**—**	**—**	**—**	**0.3**	**1.0**

30 June 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	—	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

In addition to the credit loss allowance, the provision for impairment of trade receivables includes £3.3 million (2022: £2.0m) of credit note provisions.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

17. Trade and other receivables continued

Movements in the allowance for doubtful debts were as follows:

	2023 £m	2022 £m
At 1 July	**(2.2)**	(0.9)
Utilisation	**0.5**	0.7
Charged	**(2.6)**	(2.0)
At 30 June	**(4.3)**	(2.2)

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:

	2023 £m	2022 £m
Sterling	**18.6**	25.5
Euro	**94.9**	86.4
Polish Zloty	**2.6**	1.8
Danish Krone	**11.5**	10.4
Malaysian Ringgit	**2.7**	4.1
Other	**1.8**	2.1
	132.1	130.3

Trade receivables are generally not interest bearing.

18. Trade and other payables

	2023 £m	2022 £m
Current liabilities		
Trade payables	**162.7**	160.4
Taxation and social security	**4.1**	3.5
Other payables	**24.0**	26.7
Accrued expenses	**26.5**	14.6
Deferred income	**1.6**	1.0
B Shares (note 11)	**0.7**	0.7
Total	**219.6**	206.9

Trade payables are generally not interest bearing. The Directors consider the carrying amount of trade and other payables to approximate their fair values.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

19. Borrowings

Borrowings may be analysed as follows:

	2023			2022		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	0.6	—	0.6	6.8	—	6.8
Bank and other loans:						
Unsecured loans	—	109.8	109.8	—	96.4	96.4
Invoice discounting facilities (note 20)	48.7	—	48.7	53.7	—	53.7
	48.7	109.8	158.5	53.7	96.4	150.1
Lease liabilities	3.5	5.5	9.0	3.9	8.1	12.0
Total	52.8	115.3	168.1	64.4	104.5	168.9

Bank and other loans are repayable as follows:

	2023 £m	2022 £m
Within one year	48.7	53.7
Between one and two years	—	—
Between two and five years	109.8	96.4
More than five years	—	—
Total	158.5	150.1

Details of the Group’s bank facilities are presented in note 20. Amounts payable under leases are presented in notes 15 and 20.

20. 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

20. Financial risk management continued

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 2023				
Financial assets				
Trade receivables	127.8	–	127.8	127.8
Other receivables	11.9	–	11.9	11.9
Cash and cash equivalents	1.6	–	1.6	1.6
	141.3	–	141.3	141.3
Financial assets held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	0.2	0.2	0.2
Interest rate swaps	–	4.9	4.9	4.9
	–	5.1	5.1	5.1
Total financial assets	141.3	5.1	146.4	146.4
Financial liabilities				
Trade and other payables	(203.6)	–	(203.6)	(203.6)
Bank overdrafts	(0.6)	–	(0.6)	(0.6)
Lease liabilities	(9.0)	–	(9.0)	(9.0)
Bank and other loans	(158.5)	–	(158.5)	(158.5)
	(371.7)	–	(371.7)	(371.7)
Financial liabilities held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	–	–	–
Interest rate swaps	–	(0.3)	(0.3)	(0.3)
Upside sharing fee	–	(1.5)	(1.5)	(1.5)
		(1.8)	(1.8)	(1.8)
Total financial liabilities	(371.7)	(1.8)	(373.5)	(373.5)
Total	(230.4)	3.3	(227.1)	(227.1)

(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.

	Amortised cost (restated)(2) £m	Fair value through profit or loss(1) £m	Total carrying amount (restated)(2) £m	Fair value (restated)(2) £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(2)	(188.6)	–	(188.6)	(188.6)
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	(357.5)	–	(357.5)	(357.5)
Total	(210.5)	2.5	(208.0)	(208.0)

(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) Restated to include financial liabilities only.

In the tables above, 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).

Notes to the consolidated financial statements continued

Year ended 30 June 2023

20. Financial risk management continued

Financial assets and financial liabilities continued

Derivative financial instruments comprise the foreign currency derivatives and interest rate derivatives that are held by the Group in designated hedging relationships, in addition to the upside sharing fee payable to the lender group upon exit of the current RCF arrangement.

Foreign currency forward contracts are measured by reference to prevailing forward exchange rates. 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.

The upside sharing fee has been identified as an embedded derivative. The amended RCF that the Group agreed with its lender group on 29 September 2022 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 a fee will be determined as the percentage of any increase in the market capitalisation of the Group from 29 September 2022 to the date of the exit event. A valuation has been performed using a conventional Black-Scholes pricing model with an exit date of 31 May 2024, based on the assumption that the Group will have agreed a new RCF arrangement at that time. Other key inputs to the model include volatility at 60.0%, GBP interest rate at 5.00% and call option strike at 23.82 pence.

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 2023, the majority of trade receivables were due from major retailers in the UK and Europe.

At 30 June 2023, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2023 £m	2022 £m
Trade and other receivables:		
Trade receivables	**127.8**	128.1
Other receivables	**11.9**	14.4
	139.7	142.5
Derivative financial instruments	**5.1**	2.5
Cash and cash equivalents	**1.6**	4.5
Total	**146.4**	149.5

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 a €175 million multi-currency, sustainability-linked RCF. The facility was agreed for a five-year tenor to May 2026, and is provided by a syndicate of supportive international bank lenders.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

20. Financial risk management continued

Liquidity risk continued

On 29 September 2022, the Group announced that it had agreed an amended RCF with its lender group maintaining the commitment date to May 2026, 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.

At 30 June 2023, liquidity(1) as defined by the RCF agreement was £59.3 million through extension of invoice discounting (2022: £70.6m). Liquidity throughout the year was comfortably above the minimum liquidity covenant of £15 million.

At 30 June 2023, the net debt cover ratio under the RCF funding arrangements was 2.9x (2022: (93.3)x) and the interest cover was 2.7x (2022: (0.2)x). The amount undrawn on the facility was €46.7 million (2022: €64.5m).

At 30 June 2023, 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, committed until September 2024. In France and Belgium, the Group had an aggregate €30 million facility, which had a rolling notice period of six months for the French part and three months for the Belgian part, both committed until September 2024. In Germany, the Group had a €40 million facility, committed until September 2024. In Spain, the Group had an €8 million facility, committed until May 2026. Since the year end, the Group has agreed an extension of all invoice discounting facilities to May 2026. 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.

At 30 June 2023, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2023 £m	2022 £m
Trade receivables available	**49.0**	53.7
Amount borrowed	**(48.7)**	(53.7)
Amount undrawn	**0.3**	–

The Group also has access to uncommitted working capital facilities amounting to £17.8 million (2022: £22.7m). At 30 June 2023, £0.6 million (2022: £6.8m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

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.

---

(1) Please refer to APM in note 2.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

20. Financial risk management continued

Liquidity risk continued

	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 2023							
Bank overdrafts	(0.6)	–	–	–	–	–	(0.6)
Bank and other loans:							
Principal	(48.7)	–	(110.2)	–	–	–	(158.9)
Interest payments	(2.4)	–	–	–	–	–	(2.4)
Lease liabilities	(3.5)	(2.7)	(2.2)	(0.4)	(0.2)	–	(9.0)
Other liabilities	(210.3)	–	–	–	–	–	(210.3)
Cash flows on non-derivative liabilities	(265.5)	(2.7)	(112.4)	(0.4)	(0.2)	–	(381.2)
Cash flows on derivative liabilities							
Payments	(59.0)	–	–	–	–	–	(59.0)
Cash flows on financial liabilities	(324.5)	(2.7)	(112.4)	(0.4)	(0.2)	–	(440.2)
Cash flows on derivative assets							
Receipts	60.0	1.8	1.8	–	–	–	63.6
	(264.5)	0.9	(110.6)	(0.4)	(0.2)	–	(376.6)

	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)

Notes to the consolidated financial statements continued

Year ended 30 June 2023

20. Financial risk management continued

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows associated with, a financial instrument will fluctuate 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 c.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:

	2023						2022					
	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	**(0.6)**	**–**	**–**	**–**	**–**	**(0.6)**	(6.6)	–	–	–	(0.2)	(6.8)
Bank and other loans	**(0.4)**	**(32.3)**	**(9.2)**	**(3.9)**	**–**	**(45.8)**	(28.1)	(35.6)	(8.7)	(3.6)	–	(76.0)
Cash and cash equivalents	**(9.4)**	**4.2**	**1.2**	**1.2**	**4.4**	**1.6**	5.9	(4.8)	0.6	0.6	2.2	4.5
	(10.4)	**(28.1)**	**(8.0)**	**(2.7)**	**4.4**	**(44.8)**	(28.8)	(40.4)	(8.1)	(3.0)	2.0	(78.3)
Fixed rate												
Bank and other loans	**(77.2)**	**(25.0)**	**(5.8)**	**(4.8)**	**–**	**(112.8)**	(53.2)	(10.0)	(6.3)	(4.6)	–	(74.1)
Total	**(87.6)**	**(53.1)**	**(13.8)**	**(7.5)**	**4.4**	**(157.6)**	(82.0)	(50.4)	(14.4)	(7.6)	2.0	(152.4)

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 2023, the weighted average interest rate payable on bank and other loans was 6.4% (2022: 1.9%). At 30 June 2023, the weighted average interest rate receivable on cash and cash equivalents was 0.0% (2022: 0.0%).

At 30 June 2023, the Group held interest rate caps which cap the maximum rate payable but allow the rate to float below this maximum.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

20. Financial risk management continued

Interest rate risk continued

2023	Interest rate caps £m
Carrying amount	4.9
Notional amount	112.8
Maturity date	Jun 2023-May 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%-4.15%

2022	Interest rate caps £m
Carrying amount	2.2
Notional amount	65.4
Maturity date	Jun 2022-May 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%

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 £0.4 million (2022: £0.7m).

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 2023, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £14.9 million (2022: £13.6m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2023, the fair value of the contracts was £(0.2) million (2022: £0.2m). During 2023, a loss of £0.1 million (2022: loss of £0.1m) was recognised in other comprehensive income and a gain of £0.3 million (2022: loss of £0.4m) was transferred from the cash flow reserve to the income statement in respect of these contracts.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

20. Financial risk management continued

Foreign currency risk continued

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 2023, the fair value of the average rate options was £nil (2022: £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 2023, the Group had designated as net investment hedges £42.9 million (2022: £42.6m) of its Euro-denominated borrowings and three-month rolling foreign currency forward contracts with a notional principal amount of £44.1 million (2022: £24.9m). During 2023, a gain of £0.4 million (2022: £0.5m) was recognised in other comprehensive income in relation to the net investment hedges. At 30 June 2023, the fair value of the net investment hedges was a gain of £0.2 million (2022: £0.2m).

The currency profile of the Group's net assets (excluding non-controlling interests) before and after hedging currency translation exposures was as follows:

	2023			2022		
	Net assets/ (liabilities) 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	**(24.8)**	**44.1**	**19.3**	13.6	29.4	43.0
Euro	**32.3**	**(27.9)**	**4.4**	18.3	(17.2)	1.1
Polish Zloty	**7.5**	**(5.8)**	**1.7**	1.9	(1.8)	0.1
Danish Krone	**13.0**	**(10.4)**	**2.6**	12.8	(10.4)	2.4
Malaysian Ringgit	**4.1**	**—**	**4.1**	4.9	—	4.9
Other	**5.0**	**—**	**5.0**	5.5	—	5.5
Total	**37.1**	**—**	**37.1**	57.0	—	57.0

The Group's exposure to a +/- 10% change in EUR/GBP exchange rate is as follows:

	2023		2022	
	EUR +10% £m	EUR -10% £m	EUR +10% £m	EUR -10% £m
Impact on equity	**(1.3)**	**1.5**	(1.3)	1.4

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 2023

20. 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:

	Foreign currency forwards	
2023	**Transactional**	**Translational**
Carrying amount (£m)	**(0.2)**	**0.2**
Notional amount (£m)	**17.1**	**44.1**
Maturity date	**July 2023-June 2024**	**September 2023**
Hedging ratio	**1:1**	**1:1**
Change in value of outstanding hedge instruments since 1 July (£m)	**–**	**0.3**
Change in value of hedged item used to determine hedge effectiveness (£m)	**–**	**(0.3)**
Weighted average hedged rate for the year	**€1.1668:£1**	**Various(1)**

(1) The weighted average hedged rate for the year, by currency denomination, was €1.1371:£1, Zloty 5.3427:£1, Krone 8.4337:£1.

	Foreign currency forwards	
2022	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.

21. 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 19, 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 20. 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 2023 and 30 June 2022.

The Group's capital was as follows:

	2023 £m	2022 £m	2021 £m
Total equity	**37.1**	57.0	69.8
Net debt	**166.5**	164.4	118.4
Capital	**203.6**	221.4	188.2

	2023 %	2022 %
Gearing(1)	**78.4**	80.3

(1) Gearing represents net debt divided by the average of current and prior year year-end capital.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

21. Capital and net debt continued

Capital management continued

Movements in net debt were as follows:	At 1 July 2022 £m	IFRS 16 non-cash movements(1) £m	Cash flows £m	Currency translation differences £m	**At 30 June 2023 £m**
Overdrafts	(6.8)	—	6.2	—	**(0.6)**
Bank loans	(96.4)	—	(13.7)	0.3	**(109.8)**
Other loans	(53.7)	—	4.9	0.1	**(48.7)**
Lease liabilities	(12.0)	(1.5)	4.3	0.2	**(9.0)**
Financial liabilities	(168.9)	(1.5)	1.7	0.6	**(168.1)**
Cash and cash equivalents	4.5	—	(2.2)	(0.7)	**1.6**
Net debt	(164.4)	(1.5)	(0.5)	(0.1)	**(166.5)**

Movements in net debt were as follows:	At 1 July 2021 (restated)(2) £m	IFRS 16 non-cash movements(1) (restated)(2) £m	Cash flows (restated)(2) £m	Currency translation differences (restated)(2) £m	At 30 June 2022 (restated)(2) £m
Overdrafts	(5.9)	—	(0.7)	(0.2)	(6.8)
Bank loans	(78.3)	—	(18.0)	(0.1)	(96.4)
Other loans	(47.8)	—	(6.0)	0.1	(53.7)
Lease liabilities	(11.3)	(5.5)	5.0	(0.2)	(12.0)
Financial liabilities	(143.3)	(5.5)	(19.7)	(0.4)	(168.9)
Cash and cash equivalents	24.9	—	(20.3)	(0.1)	4.5
Net debt	(118.4)	(5.5)	(40.0)	(0.5)	(164.4)

(1) IFRS 16 non-cash movements includes additions of £1.2 million (2022: £5.1m), disposals of £nil (2022: £nil) and interest charged of £0.3 million (2022: £0.4m).

(2) Restated to show bank loans and other loans separately.

A reconciliation of the net cash flow to the movement in net debt is shown as follows:	**2023 £m**	2022 £m
Decrease in net cash and cash equivalents	**(2.2)**	(20.3)
Net repayment of bank loans and overdrafts	**(2.6)**	(24.7)
Change in net debt resulting from cash flows	**(4.8)**	(45.0)
Currency translation differences	**(0.3)**	(0.3)
Movement in net debt in the year	**(5.1)**	(45.3)
Net debt at the beginning of the year excluding lease liabilities	**(152.4)**	(107.1)
Net debt at the end of the year excluding lease liabilities	**(157.5)**	(152.4)
Lease liabilities at 1 July	**(12.0)**	(11.3)
Lease liabilities non-cash movements	**(1.5)**	(5.5)
Repayment of IFRS 16 lease liabilities	**4.3**	5.0
Currency translation differences	**0.2**	(0.2)
Net debt at the end of the year	**(166.5)**	(164.4)

Notes to the consolidated financial statements continued

Year ended 30 June 2023

22. 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. The Group also recognises 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.

At 30 June 2023, the Group's post-employment benefit obligations outside the UK amounted to £1.9 million (2022: £1.7m).

Non-governmental collected post-employment benefits had the following effect on the Group's results and financial position:

	2023 £m	2022 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	**(2.5)**	(2.4)
Defined benefit schemes		
Service cost and administrative expenses (net of employee contributions)	**(1.0)**	(1.0)
Net charge to operating profit/(loss)	**(3.5)**	(3.4)
Finance costs		
Net interest cost on defined benefit obligation	**(0.5)**	(0.5)
Net charge to loss before taxation	**(4.0)**	(3.9)
Other comprehensive income		
Defined benefit schemes		
Net actuarial (loss)/gain	**(14.1)**	12.4

	2023 £m	2022 £m
Balance sheet		
Defined benefit obligations		
UK – funded	**(98.1)**	(116.6)
Other – unfunded	**(12.4)**	(12.0)
	(110.5)	(128.6)
Fair value of scheme assets		
UK – funded	**73.4**	102.2
Other – unfunded	**10.5**	10.3
Deficit on the schemes	**(26.6)**	(16.1)
Related deferred tax asset (note 9)	**6.5**	3.9

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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

22. Pensions and other post-employment benefits continued

UK defined benefit pension scheme continued

(ii) Assumptions and sensitivities

For accounting purposes, the Fund's benefit obligation has been calculated based on data gathered for the 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:

	2023	2022
Discount rate	**5.30%**	3.70%
Inflation rate:		
Retail Prices Index	**3.25%**	3.10%
Consumer Prices Index	**2.60%**	2.45%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	**2.60%**	2.45%
Accrued on or after 6 April 2009	**2.60%**	2.45%
Increase in pensions in payment (in excess of GMP)		
Accrued before 1 April 2011	**2.92%**	3.04%
Accrued on or after 1 April 2011	**1.84%**	2.18%

The duration of the Fund's liabilities is estimated to be 13 years, i.e. the average time until a payment is made is 13 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% (2022: 102%) of the standard Self-Administered Pension Scheme (SAPS) S2 tables has been used for the IAS 19 disclosures as at 30 June 2023.

As at 30 June 2023, the future mortality improvement model has been updated to reflect the most recent Continuous Mortality Investigation (CMI) 2022 projections with an allowance for long-term rates of improvement of 1.0% p.a. for males and females. Previously, in 2022, this assumption had been CMI 2021 with a long-term rate of improvement of 1.0% p.a. for males and females. In line with the 2021 CMI model, the 2022 CMI model has a smoothing parameter for which the default value of 7.0 (2022: 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 20.8 years (2022: 21.2 years) for males and 23.0 years (2022: 23.4 years) for females.

Life expectancies at age 65 for:	2023 Years	2022 Years
Member retiring in the next year:		
Male	**20.8**	21.2
Female	**23.0**	23.4
Member retiring 20 years from now:		
Male	**21.8**	22.2
Female	**24.2**	24.6

At 30 June 2023, 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 £1.2m	Increase by £1.2m
Inflation rate(1)	+/- 0.1%	Increase by £0.8m	Decrease by £0.8m
Life expectancy	+1 year	Increase by £3.0m	–

(1) This includes the impact on deferred and in-payment pension increase assumptions.

The assumption sensitivities are reasonable expectations of potential changes in the assumptions.

(iii) Fund's assets

The Fund's assets are held separately from those of the Group and are managed by professional investment managers on behalf of the Trustee.

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. The strategy previously targeted a c.100% hedge of interest rates and inflation. As a result of the government bond crisis in 2022 and changes in liability driven investment (LDI) managers' collateral requirements, the Trustee amended the strategy in October 2022 and as an interim step moved to an unlevered government bond-based hedge with c.40% of interest rate and inflation hedging.

The investment strategy is currently being reviewed and hedging is due to be increased to c.60% of interest rates and inflation. This level of hedging broadly hedges the current funding level of the Fund and strikes a balance between risk and return objectives and the liquidity needs of the Fund. The Fund invests in liability driven investment (LDI) in order to hedge interest rates and inflation. The key risk associated with this investment is liquidity risk and this is actively monitored by the Trustees and their advisers. Following last year's gilt crisis, the Fund has de-levered its LDI investments in order to better manage its liquidity risk.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

22. Pensions and other post-employment benefits continued

UK defined benefit pension scheme continued

(iii) Fund's assets continued

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:

	2023 £m	Asset classification	2022 £m	Asset classification
Private markets	**19.8**	**Unquoted**	19.3	Unquoted
Liability-driven investment	**16.2**	**Quoted**	19.4	Quoted
Credit	**36.6**	**Unquoted**	63.4	Unquoted
Cash and cash equivalents	**0.8**	**Quoted**	0.1	Quoted
Total	**73.4**		102.2	

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 £3.8 million (2022: £2.4m).

The actual return on the Fund's assets during the year was a loss of £26.8 million (2022: loss of £26.8m), 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:

	2023 £m	2022 £m
At 1 July	**102.2**	132.6
Expected return on plan assets	**3.8**	2.4
Loss on assets in excess of interest income on Fund assets	**(30.6)**	(29.2)
Employer's contributions	**4.0**	4.0
Benefits paid	**(6.0)**	(7.6)
At 30 June	**73.4**	102.2

Movements in the benefit obligation during the year were as follows:

	2023 £m	2022 £m
At 1 July	**(116.6)**	(161.9)
Interest cost	**(4.2)**	(2.9)
Remeasurement gain arising from changes in financial assumptions	**24.3**	38.2
Remeasurement gain arising from changes in demographic assumptions	**1.9**	2.4
Experience loss on liabilities	**(9.5)**	–
Benefits paid	**6.0**	7.6
At 30 June	**(98.1)**	(116.6)

(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 2023, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £46.9 million (2022: £33.5m).

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:

	2023	2022
Discount rate	**3.65%**	3.10%
Inflation rate	**2.20%**	2.00%
Salary increase rate on top of inflation	**0.00%**	2.00%
Mortality tables	**MR-5/FR-5**	MR-5/FR-5
Retirement age	**65**	65
Withdrawal rate	**0.00%**	0.00%

At 30 June 2023, 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.

Notes to the consolidated financial statements continued

Year ended 30 June 2023

22. Pensions and other post-employment benefits continued

Belgium defined contribution pension scheme continued

(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 2023, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £nil (2022: £nil).

23. 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:

	2023			2022		
	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	**5,757,310**	**1,264,494**	**175,213**	6,132,039	337,815	175,213
Granted	**2,398,821**	**4,461,052**	**—**	1,830,414	1,138,645	—
Vested	**—**	**(98,864)**	**—**	—	—	—
Forfeited	**—**	**(19,475)**	**—**	(1,314,236)	(211,966)	—
Lapsed	**(1,531,415)**	**—**	**—**	(890,907)	—	—
Outstanding at 30 June	**6,624,716**	**5,607,207**	**175,213**	5,757,310	1,264,494	175,213
Unvested at 30 June	**6,624,716**	**5,607,207**	**—**	5,757,310	1,264,494	—

Awards made under the LTIP and RSU have a £nil exercise price.

The maximum term of equity-settled awards granted in the year is three years. The weighted average remaining life of equity-settled awards at 30 June 2023 is 1.6 years (2022: 1.2 years). The weighted average remaining life of cash-settled awards at 30 June 2023 is 0.7 years (2022: 1.7 years).

During 2023, no cash LTIP awards vested (2022: none), no equity-settled LTIP awards vested (2022: none) and 98,864 RSU awards vested (2022: none). The weighted average share price on the vesting date of equity-settled awards in 2023 was 27.0 pence (2022: N/A).

At 30 June 2023, the liability recognised in relation to cash-settled awards was £0.3 million (2022: £0.3m).

Notes to the consolidated financial statements continued

Year ended 30 June 2023

23. Employee share schemes continued

Share awards continued

At the grant date, the weighted average fair value of LTIP awards granted during the year was 21.9 pence (2022: 74.2p). Fair value was measured using a variant of the Black-Scholes valuation model based on the following assumptions:

	Oct 2022 issue	Oct 2021 issue	Sep 2021 issue	Feb 2021 issue	Oct 2020 issue	Sep 2020 issue
Risk-free interest rate	n/a	n/a	n/a	n/a	n/a	n/a
Share price on grant date	24.0p	71.0p	80.0p	84.0p	84.0p	84.0p
Dividend yield on the Company's shares	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
Expected life of LTIP awards	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.

At the grant date, the weighted average fair value of RSU awards granted during the year was 24.1 pence (2022: 69.3p). Fair value was based on the share price at the date of grant with the following assumptions:

	Jun 2023 issue	Nov 2022 issue	Oct 2022 issue	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
Risk-free interest rate	n/a	n/a	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	27.0p	25.0p	25.0p	30.8p	46.0p	71.0p	81.0p	80.0p	84.0p	83.0p	59.0p	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	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	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	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:

	2023 £m	2022 £m
Equity-settled awards	0.5	—
Total expense	**0.5**	—

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.

To date, no share awards have been granted under the Deferred Annual Bonus Plan.

The total amount included in operating profit in relation to the Deferred Annual Bonus Plan was £nil (2022: £nil).

Notes to the consolidated financial statements continued

Year ended 30 June 2023

24. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Independent business review £m	Other £m	Total £m
At 1 July 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
Charged to profit or loss	**(0.1)**	**0.2**	**0.7**	**1.0**	**—**	**1.8**
Currency translation difference	**—**	**—**	**0.1**	**—**	**—**	**0.1**
Utilisation	**(0.4)**	**—**	**(0.5)**	**(2.6)**	**(0.3)**	**(3.8)**
At 30 June 2023	**0.3**	**1.7**	**3.0**	**0.1**	**0.2**	**5.3**

Analysis of provisions:

	2023 £m	2022 £m
Current	**2.7**	3.4
Non-current	**2.6**	3.8
Total	**5.3**	7.2

Reorganisation credit in the year of £0.1 million is due to a release of costs associated with the Group's logistics transformation programme. 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. A dilapidation provision of £0.2 million has been added in year, relating to the UK head office building. Amounts will be utilised as the respective leases end and restoration works are carried out, within a period of approximately twelve months.

Environmental remediation provision relates to historical environmental contamination at a site in Belgium. The additional costs in the year of £0.7 million result from a re-evaluation of the cost of environmental remediation. The closing provision is expected to be utilised as the land is restored within a period of approximately seven years.

The independent business review was initiated to support discussions with banking partners regarding revisions to financing arrangements and banking covenants. The closing provision of £0.1 million has been recognised in relation to consultancy costs directly associated with the IBR.

Other provisions of £0.2 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 2023

25. Share capital and reserves

Share capital

	Authorised, allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2021	174,242,702	17.4
Shares bought back on-market and cancelled	(185,374)	—
At 30 June 2022 and 30 June 2023	**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.

As previously announced, the Board ended the share buy-back programme during the prior year. In the year to 30 June 2022, the Group purchased and cancelled 185,374 ordinary shares, representing 0.1% of the issued ordinary share capital as at 2 November 2020. 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 as the purchase of own shares. A transfer of £nil was made from share capital to the capital redemption reserve.

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 2021 and 30 June 2022	42,041	—	587,159	0.5	629,200	0.5
Shares paid out to employees	**—**	**—**	**(100,512)**	**(0.1)**	**(100,512)**	**(0.1)**
At 30 June 2023	**42,041**	**—**	**486,647**	**0.4**	**528,688**	**0.4**

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 2023 was £0.1 million (2022: £0.1m).

Notes to the consolidated financial statements continued

Year ended 30 June 2023

26. Acquisitions and disposals

No acquisitions or disposals occurred in the current year.

In the prior year, the following disposals occurred:

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.

27. Capital commitments

Capital expenditure on property, plant and equipment

	2023 £m	2022 £m
Contracted but not provided	**5.5**	4.0

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below.

Post-employment benefit plans

As shown in note 22, contributions amounting to £6.5 million (2022: £6.4m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2023, £0.6 million (2022: £0.5m) 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:

	2023 £m	2022 £m
Short-term employee benefits	**2.5**	2.2
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.3**	–
Total	**2.9**	2.3

29. Events after the reporting date

Since the year end, the Group has agreed the extension of all invoice discounting facilities to May 2026.

On 27 July 2023, the Group entered into a lease agreement with future cash flows of £1.7 million.

30. Exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into Sterling were as follows:

	Average rate		Closing rate	
	2023	2022	**2023**	2022
Euro	**1.15**	1.18	**1.17**	1.17
US Dollar	**1.20**	1.33	**1.27**	1.21
Danish Krone	**8.56**	8.78	**8.68**	8.67
Polish Zloty	**5.38**	5.45	**5.17**	5.47
Czech Koruna	**27.72**	29.57	**27.66**	28.83
Hungarian Forint	**453.41**	433.28	**433.34**	462.64
Malaysian Ringgit	**5.41**	5.63	**5.91**	5.33
Australian Dollar	**1.79**	1.83	**1.91**	1.76

Company balance sheet

As at 30 June 2023

	Note	2023 £m	2022 £m
Fixed assets			
Investments	5	**158.4**	158.4
Current assets			
Trade and other debtors	6	**135.7**	155.8
Cash and cash equivalents		**3.8**	1.0
Creditors: amounts falling due within one year	7	**(76.7)**	(86.1)
Net current assets		**62.8**	70.7
Total assets less current liabilities		**221.2**	229.1
Creditors: amounts falling due after more than one year	8	**(75.9)**	(62.7)
Provision for liabilities	10	**(0.1)**	(1.7)
Net assets		**145.2**	164.7
Capital and reserves			
Called-up share capital	12	**17.4**	17.4
Share premium account		**68.6**	68.6
Capital redemption reserve		**77.2**	77.2
Cash flow hedge reserve		**3.6**	1.2
Retained earnings		**(21.6)**	0.3
Total shareholders' funds		**145.2**	164.7

The financial statements on pages 212 to 220 were approved by the Board of Directors on 18 September 2023 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 2023

	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 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
Year ended 30 June 2023						
Loss for the year	**–**	**–**	**–**	**–**	**(21.6)**	**(21.6)**
Other comprehensive income						
Items that may be reclassified to profit or loss:						
Net changes in fair value	**–**	**–**	**–**	**1.8**	**–**	**1.8**
Cash flow hedges transferred to profit and loss	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Total other comprehensive income	**–**	**–**	**–**	**2.4**	**–**	**2.4**
Total comprehensive income/(expense)	**–**	**–**	**–**	**2.4**	**(21.6)**	**(19.2)**
Transactions with owners of the parent						
Share-based payments	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Taxation relating to the above	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
At 30 June 2023	**17.4**	**68.6**	**77.2**	**3.6**	**(21.6)**	**145.2**

Notes to the Company financial statements

Year ended 30 June 2023

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 2023 ('2023') with comparative amounts for the year ended 30 June 2022 ('2022').

Basis of preparation

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

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.

For further information on going concern, please see note 2 in the consolidated financial statements on page 164.

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 2023.

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.

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;

Notes to the Company financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Principal accounting policies continued

Financial instruments continued

- **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 year in which it arises.

(i) Trade and other debtors

Trade and other debtors 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 debtors 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 debtors. At 30 June 2023, the outstanding contracts all mature within twelve months (2022: 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 RCF debt. At 30 June 2023, there are six outstanding contracts: two mature within twelve months of the year end with the remaining four 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 GBP 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.

Notes to the Company financial statements continued

Year ended 30 June 2023

2. Accounting policies continued

Principal accounting policies continued

Share-based payments continued

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 year. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the year for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or not deductible in earlier or subsequent years.

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. The Company has not yet performed an assessment of the impact of IFRS 17 Insurance Contracts on these financial statements.

Payments to shareholders

Dividends paid and received are included in the Company financial statements in the year 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 2023 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors the 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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.

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 underlying value of the subsidiaries' net assets, their profitability and forecast profitability, the Directors have judged that no impairment is required (2022: £nil). An impairment assessment of amounts owed by subsidiary undertakings as at 30 June 2023 was undertaken using the IFRS 9 simplified approach to measuring the expected credit loss. The Directors have judged that no impairment is required (2022: £nil). There is no significant risk of material adjustment to the carrying value of the investments or the amounts owed by subsidiary undertakings within the next twelve months.

Notes to the Company financial statements continued

Year ended 30 June 2023

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 auditors' 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 £21.6 million (2022: loss of £8.3m).

Since the year end, the Board has become aware of certain instances of technical breaches of the Companies Act 2006 with regards to dividends made by McBride Holdings Limited to the Company in the financial years 2016, 2017 and 2018. Since the time the breaches were discovered, the Company and its subsidiary have undertaken rectification steps to regularise the position. The regularisation did not require any adjustments to the financial statements and did not have any effect on the Company's financial position.

4. Employee information

The monthly average of full-time equivalent persons employed by the Company during the year was as follows:

	2023 Number	2022 Number
Directors	**2**	2
Non-Executive Directors	**1**	1
Total	**3**	3

Aggregate payroll costs were as follows:

	2023 £m	2022 £m
Wages and salaries	**2.2**	0.9
Social security costs	**0.1**	0.1
Other pension costs	**0.1**	0.1
Total	**2.4**	1.1

Executive Directors' emoluments, which are included in the above, are detailed further in the Annual Report on Remuneration on pages 131 to 145.

5. Investments

	2023 £m	2022 £m
Carrying amount		
At 1 July	**158.4**	158.4
Additions	**—**	—
Disposals	**—**	—
At 30 June	**158.4**	158.4

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 (2022: none).

A full list of the Company's subsidiaries at 30 June 2023 is set out on pages 219 and 220.

Details of the share-based payments provided by the Company to employees of its subsidiaries are presented in note 23 to the consolidated financial statements.

6. Trade and other debtors

	2023 £m	2022 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**130.4**	154.4
Derivative financial instruments	**3.3**	0.9
Prepayments and accrued income	**2.0**	0.5
	135.7	155.8

Amounts are unsecured and repayable on demand. Amounts owed by subsidiary undertakings include a loan receivable of £89.3 million (2022: £98.8m) which is non-interest bearing with no fixed repayment date and Group relief receivable of £11.5 million (2022: £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

	2023 £m	2022 £m
Amounts owed to subsidiary undertakings	**72.0**	74.6
B Shares (note 9)	**0.7**	0.7
Accruals and deferred income	**2.1**	0.7
Financial derivatives	**1.5**	—
Bank overdrafts	**0.4**	10.1
Total	**76.7**	86.1

Amounts owed to subsidiary undertakings include loans payable of £37.0 million (2022: £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.

Notes to the Company financial statements continued

Year ended 30 June 2023

7. Creditors: amounts falling due within one year continued

Financial derivatives relate to the valuation of the upside sharing, which has been identified as an embedded derivative. The amended RCF that the Company agreed with its lender group on 29 September 2022 includes an 'upside sharing' mechanism whereby a fee will become payable by the Company to members of the lender group upon the occurrence of an 'exit event'. Such a fee will be determined as the percentage of any increase in the market capitalisation of the Company from 29 September 2022 to the date of the exit event. A valuation has been performed using a conventional Black-Scholes pricing model with an exit date of 31 May 2024, based on the assumption that the Company will have agreed a new RCF arrangement at that time. Other key inputs to the model include volatility at 60.0%, GBP interest rate at 5.00% and call option strike at 23.82 pence.

8. Creditors: amounts falling due after more than one year

	2023 £m	2022 £m
Bank and other loans	**75.4**	62.5
Deferred tax liability	**0.5**	0.2
Total	**75.9**	62.7

Bank and other loans represent amounts drawn down under a €175 million RCF which is committed until May 2026.

9. Payments to shareholders

Dividends paid and received are included in the Company financial statements in the year 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.

Under the terms of the amended RCF announced on 29 September 2022, the Company may not, except with the consent of its lender group, declare, make or pay any dividend or distribution to its shareholders prior to 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. Hence, the Board is not recommending a final dividend for the financial year ended 30 June 2023.

No payments to ordinary shareholders were made or proposed in respect of this year or the prior year.

Furthermore, under the RCF the Company may not, except with the consent of its lender group, redeem or repay any of its share capital prior to an exit event. Therefore, as intimated in the announcement dated 3 October 2022, the redemption of B shares that would normally take place in November each year will not take place.

Movements in the number of B Shares outstanding were as follows:

	2023		2022	
	Number 000	**Nominal value £'000**	Number 000	Nominal value £'000
Issued and fully paid				
At 1 July	**665,888**	**666**	747,399	747
Redeemed	**—**	**—**	(81,511)	(81)
At 30 June	**665,888**	**666**	665,888	666

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

	2023 £m	2022 £m
At 1 July 2022	**1.7**	—
Utilised for the year	**(2.6)**	—
Charge for the year	**1.0**	1.7
At 30 June 2023	**0.1**	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 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)
Credit to income statement	**0.2**	**—**	**0.2**
Charge to other comprehensive income	**—**	**(0.4)**	**(0.4)**
Charge to equity	**(0.1)**	**—**	**(0.1)**
At 30 June 2023	**0.2**	**(0.7)**	**(0.5)**

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.

Notes to the Company financial statements continued

Year ended 30 June 2023

12. Called-up share capital

	Authorised, allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2021	174,242,702	17.4
Shares bought back on-market and cancelled	**(185,374)**	**–**
At 30 June 2022 and 30 June 2023	**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.

As previously announced, the Board ended the share buy-back programme during the prior year. In the year to 30 June 2022, the Group purchased and cancelled 185,374 ordinary shares, representing 0.1% of the issued ordinary share capital as at 2 November 2020. 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 as the purchase of own shares. A transfer of £nil was made from share capital to the capital redemption reserve.

At 30 June 2023, awards were outstanding over 12,231,923 ordinary shares (2022: 7,021,804 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 23 to the consolidated financial statements.

13. Guarantees

The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £0.2 million (2022: £4.8m).

14. Related party transactions

Other than payments made to Directors, which are set out in the Remuneration Committee report on pages 115 to 145 and note 5 of the consolidated financial statements, there are no other related party transactions to disclose (2022: none). 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 2023 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
McBride Nederlands B.V.[m]	100%	Netherlands
Intersilesia McBride Polska Sp. z o.o[n]	100%	Poland
McBride S.A.U.[o]	100%	Spain
Newlane Cosmetics Company Limited[p]	100%	Vietnam
Holding companies		
McBride Holdings Limited[1], [d]	100%	England
McBride Asia Holdings Limited[i]	100%	Hong Kong
McBride Hong Kong Holdings Limited[i]	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 2023

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
Globol 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) Schiphol Boulevard 359, 1118BJ Schiphol, Netherlands.
(n) Ul. Matejki 2a, 47100 Strzelce Opolskie, Poland.
(o) Polígon Industrial l'Illa, C/ Ramon Esteve 20-22, 08650 Sallent, Barcelona, Spain.
(p) 22 VSIP II, Street 1, Vietnam Singapore, Industrial Park II, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province, Vietnam.

Group five-year summary

	Year ended 30 June				
	2023 **£m**	2022 £m	2021 £m	2020 £m	2019 £m
Total revenue	**889.0**	678.3	682.3	706.2	743.2
Continuing revenue	**889.0**	678.3	682.3	706.2	721.3
Adjusted operating profit/(loss) from continuing operations	**13.5**	(24.5)	24.1	28.3	28.1
Amortisation of intangible assets	**(2.4)**	(2.6)	(2.4)	(2.1)	(1.9)
Exceptional items	**(0.8)**	—	(6.9)	(11.1)	(5.4)
Operating profit/(loss)	**10.3**	(27.1)	14.8	15.1	20.8
Net finance costs	**(25.4)**	(8.6)	(4.2)	(4.2)	(4.6)
(Loss)/profit before tax	**(15.1)**	(35.7)	10.6	10.9	16.2
Taxation	**3.6**	11.4	2.8	(4.4)	(8.1)
Profit/(loss) after tax	**(11.5)**	(24.3)	13.4	6.5	8.1
(Loss)/earnings per share					
Diluted	**(6.6)p**	(14.0)p	7.5p	3.6p	4.4p
Adjusted diluted	**0.0p**	(11.7)p	11.7p	9.5p	9.4p
Payments to shareholders (per ordinary share)	**—**	—	—	1.1p	3.3p

	At 30 June				
	2023 **£m**	2022 £m	2021 £m	2020 £m	2019 £m
Non-current assets					
Property, plant and equipment	**117.8**	122.9	129.8	134.7	136.0
Goodwill and other intangible assets	**26.2**	27.0	27.9	28.4	29.5
Other assets	**54.6**	42.9	32.9	21.1	11.6
	198.6	192.8	190.6	184.2	177.1
Current assets	**271.7**	273.3	241.2	287.6	258.0
Current liabilities	**(283.6)**	(280.0)	(233.5)	(253.9)	(237.2)
Non-current liabilities	**(149.6)**	(129.1)	(128.5)	(151.0)	(133.7)
Net assets(1)	**37.1**	57.0	69.8	66.9	64.2
Net debt(1)	**166.5**	164.4	118.4	101.5	120.9

(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 2023 and 2024:

Record date for dividend payable on B Shares previously issued and not redeemed	20 October 2023
Annual General Meeting	20 November 2023
Dividend payments on B Shares issued and not previously redeemed	24 November 2023
2024 Half year end	31 December 2023
2024 Half-year trading statement	16 January 2024
Interim results announced	27 February 2024
2024 Year end	30 June 2024
2024 Year-end trading statement	16 July 2024
Full-year preliminary statement	17 September 2024

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 AGM, 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. 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 2023.

In accordance with the terms of the B Shares 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% of Bank of England Base Rate on the 0.1 pence nominal value of each share, paid on a twice-yearly basis. However, as announced on 29 September 2022, under the Company's €175 million RCF as amended, the Company is not permitted to redeem or repay any of its share capital. This restriction remains in place until the original maturity date of the RCF in May 2026 and, as a result, no redemption of existing B Shares is permitted at the present time. Once this restriction is lifted, B Shares will continue to be redeemable but limited to one redemption date per annum, in November of each year.

Further details on B Shares can be found in the booklet entitled 'Your Guide to B Shares' 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, 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, 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 share certificate issued by Link Group.

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.

Useful information for shareholders continued

Share price history

The following table sets out, for the five financial years to 30 June 2023, the reported high, low, average and financial year end (30 June 2023 or immediately preceding business day) closing middle market quotations of McBride plc's ordinary shares on the London Stock Exchange.

	Share price (pence)			
	High	Low	Average	Financial year end
2019	158	77	119	81
2020	89	49	66	62
2021	94	58	74	91
2022	89	16	58	16
2023	**33**	**16**	**24**	**26**

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
Middleton
Manchester M24 4DP
Telephone: +44 (0)161 203 7401

www.mcbride.co.uk

Company number: 02798634

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester M3 3EB

Corporate brokers

Investec plc
30 Gresham Street
London EC2V 7QP

Peel Hunt LLP
7th Floor, 100 Liverpool Street
London EC2M 2AT

Principal bankers

HSBC Bank plc
2nd Floor
Landmark
St Peter's Square
1 Oxford Street
Manchester M1 4BP

BayernLB
Moor House
120 London Wall
London EC2Y 5ET

BNP Paribas London Branch
10 Harewood Avenue
London NW1 6AA

KBC Bank N.V.
111 Old Broad Street
London EC2N 1BR

Bank of China, London Branch
1 Lothbury
London EC2R 7DB

BBVA London Branch
Floor 44
1 Canada Square
London E14 5AA

Registrars

Link Group
Central Square
29 Wellington Street
Leeds LS1 4DL

Financial public relations advisers

Instinctif Partners Limited
65 Gresham Street
London EC2V 7NQ

FSC
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C022913

This report is printed on Nautilus which is made from FSC® recycled certified post-consumer waste pulp. The FSC® label on this report ensures responsible use of the world's forest resources. Printed sustainably in the UK by Pureprint, a CarbonNeutral® company with FSC® chain of custody and an ISO 14001 certified environmental management system recycling 100% of all dry waste.

Designed and produced by
lyonsbennett
www.lyonsbennett.com

McBride plc
Middleton Way
Middleton, Manchester
M24 4DP, United Kingdom
Telephone: +44 (0)161 203 7401
www.mcbride.co.uk